

# Annex B to 6

## Financial Report 2023-24 (six months to September 2023)

### Key messages from the report:

- Registration fees are below budget expectations, having reviewed the register movements.
- As is standard, the bulk of the work in progress is invoiced in the second half of the financial year, so we can anticipate an increased expenditure spend in the six months following 30 September 2023.
- The investment portfolio is now showing tentative signs of recovery from the impact of the previous economic turmoil in the geopolitical landscape and continued instability in a micro level; the Balance Sheet is in a strong position, meaning we can face future challenges from a position of financial health.
- The investment portfolio records a reduction of c.£10k in our investment portfolio equity valuations at 30 September 2023.
- Cash at bank is up on the year-end position, reflecting that the spend will take place in the latter part of the financial year.

### Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2023 and will conclude on 31 March 2024. In this report it will be described as FY2023-24.
2. The budget for FY2023-24 was approved by Council in February 2023.
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. To give Council more robust financial information, we may from time to time shorten the reporting period and issue reports outside of the Council meeting cycle.
5. The financial quarters are as follows:

	<b>Start</b>	<b>End</b>
Quarter 1	1 April	30 June
Quarter 2	1 July	30 September
Quarter 3	1 October	31 December
Quarter 4	1 January	31 March

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6. This financial report covers the period ending 30 September 2023, which is six months into the financial year.
7. The structure of this report is:
  - Summary of financial position - income/expenditure narrative
  - Income and Expenditure Account (top-level department summary)
  - Balance Sheet, including explanatory notes
  - Cash flow: overview and projection
  - Annex A: Expenditure Account (detailed departmental summaries)

### Summary of financial position

8. At the close of the six-month period from 1 April 2023 to 30 September 2023 the income and expenditure account reports a breakeven position (before spending from reserves) against a budgeted surplus of c.£39k for the same period.

### Income

9. The primary source of income is from registration fees paid by osteopaths. The GOsC does not have a single registration date meaning that in every month there is a proportion of osteopaths due to renew their registration. In accordance with accounting rules, we need to ensure that we account for, and report, only the proportion of the fee relevant to the financial period.
10. At 30 September 2023, income totalled c.£1.41m, which is below our budget forecast for the same period. Registration fees accounted for 99.5% of the total income received.

### Expenditure

11. At the six-month position we have recorded actual expenditure of c.£1.41m meaning spending is below the budget forecasts, before designated spending from reserves. The continued hybrid-working model has afforded cost efficiencies.
12. The fitness to practise activity is unpredictable, with expenditure this year currently below budget, other activities exceeded budget, the cost being absorbed by the underspend in fitness to practice thus contributing to a total expenditure of c.49% of the FY budget.
13. We anticipate increased expenditure in the later part of the year and have revised the year-end forecasted budget position to reflect the evolving financial position.

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### Income and Expenditure Account (top-level summary)

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

	<b>Year to Date</b> <b>1 April 2023 – 30 September 2023</b>				
	<b>Actual</b>	<b>Budget</b>	<b>Variance from budget</b>	<b>FY Budget</b>	<b>FY Forecast</b>
<b>Income</b>					
Registration fees	1,405,419	1,455,000	(49,581)	2,871,850	2,806,150
Other income	7,773	3,500	4,273	32,000	32,000
<b>Total</b>	<b>1,413,192</b>	<b>1,458,500</b>	<b>(45,308)</b>	<b>2,903,850</b>	<b>2,838,150</b>
<b>Expenditure</b>					
Employment costs	850,813	825,325	(25,488)	1,650,650	1,680,226
Education and professional standards	90,460	76,300	(14,160)	151,800	171,800
Communications, research and development	46,469	54,750	8,281	137,000	135,000
Registration administration	2,073	2,500	427	11,000	11,000
IT infrastructure	46,074	42,000	(4,074)	77,500	92,000
Fitness to practise, including legal Governance	155,216	203,000	50,046	444,000	376,000
Administration and establishment	104,904	102,750	(4,416)	181,822	184,822
	117,034	112,700	(4,334)	235,000	239,000
<b>Total</b>	<b>1,413,043</b>	<b>1,419,325</b>	<b>6,282</b>	<b>2,888,772</b>	<b>2,889,848</b>
<b>Surplus before designated spending</b>	<b>149</b>	<b>39,175</b>	<b>(39,026)</b>	<b>15,078</b>	<b>(51,698)</b>
Designated spending	73,696	-	-	-	-
<b>Surplus after designated spending</b>	<b>(73,547)</b>	<b>39,175</b>	<b>(39,026)</b>		

15. The detailed departmental expenditure accounts can be found at Annex A.

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### Balance Sheet

16. The Balance Sheet for the period ended 30 September 2023 shows total reserves of c.£2.8m (including designated funds). Cash held in hand and at bank totals c.£1.06m with a further c.£1.17m (balance as at 31 March 2023) in an investment portfolio. As is normal practice we have not recorded any changes to the investment portfolio in the figures below, as the valuations are fluctuating.

17. The Balance Sheet as at 30 September 2023 is set out below:

	31 March 2023		30 September 2023	
	£	£	£	£
<b>Non-current assets</b>				
Assets (fixed/intangible)		1,590,580		1,561,973
Investment (portfolio)		1,167,992		1,167,992
<b>Current assets</b>				
Debtors	393,947		1,137,712	
Cash in bank and in hand	791,404		1,058,201	
	<b>1,185,351</b>		<b>2,195,913</b>	
<b>Liabilities</b>				
Creditors – within one year	(1,019,659)		(2,075,061)	
	<b>(1,019,659)</b>		<b>(2,075,061)</b>	
<b>Net Current Assets/Liabilities</b>		<b>165,692</b>		<b>120,752</b>
<b>Provisions</b>		<b>(65,500)</b>		<b>(65,500)</b>
<b>Total assets less total liabilities</b>		<b>2,858,764</b>		<b>2,785,217</b>
<b>Reserves</b>				
General reserve		2,636,671		2,636,820
Designated funds		222,093		148,397
<b>Total Reserves</b>		<b>2,858,764</b>		<b>2,785,217</b>

### Balance Sheet explanatory notes

#### *Debtors*

18. At the 30 September 2023, the total of Debtors had increased to c.£1.14m from the year-end position of c.£394k. This increase is in line with expectations. The reason for the increase is because 'registration fee debtors' spikes as the majority of the register renew their registration in the opening half of the financial year. The debtors' figure will decrease as the financial year progresses.

#### *Creditors*

19. At the 30 September 2023, the total of Creditors has also increased to c.£2.08m from the year-end position of c.£1.02m. 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. As registration fees which have been invoiced are recognised in the accounts, the total of creditors will decrease as the financial year progresses.

### Cash flow and investments

20. Council closely monitors its cashflow and reserves. The following section provides an overview of the cash flow position and current cash flow projection.
21. At 31 March 2023, the bank balance was c.£0.79m. At 30 September 2023, the bank balance was c.£1.06m, an increase of c.£0.27m. The reason for the increase is that we have a cyclical registration year, so a larger number of registrants are renewing their registration now and paying in full, which means an increase in the cash balance.

#### *Investment portfolio*

22. At 30 March 2023, the investment stood at c.£1.17m. Withdrawals from the portfolio would need approximately 10 days-notice, although our expectation is that we would not need to draw down on our investment in this financial year.
23. The Bank of England's Monetary Policy Committee (MPC) held interest rates at 5.25% in November 2023. The volatility of the external economic environment is the current most significant risk on return.
24. The most up to date investment valuation is c.£1.16m at 30 September 2023 down c.£0.01m since last reported at 31 March 2023. The portfolio remains in an environment of market uncertainty, following a period of market downturn.
25. We continue to keep in close contact with Brewin Dolphin concerning our investment portfolio. We recognise that dips in the valuation can happen which is why Council has taken a medium to long term view in respect of the investment valuation.

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### *Charity Commission reporting*

26. As well as being a statutory regulator, the GOsC is also a registered charity, and there are certain circumstances where we must make reports to the Charity Commission, including for example, serious adverse events such as significant reduction in income.
27. We do not foresee any need to make a report to the Charity Commission during financial year 2023-24.

## Departmental Expenditure Accounts

1. The individual departmental accounts are listed below with further narrative to support each business area. While the report would not normally comment on employment costs, due to the unprecedented nature of the economic climate, a short narrative is provided.

## Employment costs

2. Employment costs include those expenses associated with pay, pensions, recruitment, and staff training.
3. There has been an increase in staff development and training costs above what was originally budgeted and additionally the budget was understated for employment costs meaning that by year-end an overspend is expected.

## Education and professional standards

	Year to Date 1 April 2023 – 30 September 2023			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
<b>Expenditure</b>					
Quality assurance	82,449	62,250	(20,199)	124,500	144,500
Publications & subscriptions	-	-	-	-	-
Osteopathic Practice Standards	1,994	1,800	(194)	2,800	2,800
GOPRE	-	-	-	-	-
Research projects	6,017	12,250	6,233	24,500	24,500
<b>Total</b>	<b>90,460</b>	<b>76,300</b>	<b>(14,160)</b>	<b>151,800</b>	<b>171,800</b>

4. The six-month position details that a total expenditure of c.£90k has been incurred against a budget allocation of c.£76k. The overspend this year is in relation to the contract renewal for outsourced independent quality assurance services, dealing primarily with the periodic RQ visits and the annual report analysis. We also sought legal advice about an issue that arose during one of our visits to ensure that we acted correctly and finally, we had one additional unplanned visit that was agreed after the budget was set and is the reason the year end forecast has increased.
5. Work on the Professionalism project is anticipated to progress in the second half of the financial year, where we anticipate future resource outlay. The current spend on research projects is currently under budget.

## Communications, research and development

	Year to Date 1 April 2023 – 30 September 2023				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Publications	-	-	-	27,500	27,500
Engagement and events	3,372	3,500	128	7,000	7,000
Digital	11,025	18,250	7,225	36,500	36,500
Publications and subscriptions	-	-	-	-	-
<i>Research</i>					
NCOR infrastructure	13,214	14,000	786	28,000	26,500
IJOM	18,858	19,000	142	38,000	37,500
<b>Total</b>	<b>46,469</b>	<b>54,750</b>	<b>8,281</b>	<b>137,000</b>	<b>135,000</b>

6. Expenditure of c.£46k is currently under budget.
7. The publications forecast costs will include the Welsh Language Scheme which is expected to exceed the budget allocated to them by c.£10. This is because the costs of translating various documents, the website, the phone system, developing standard Welsh text correspondence and putting contracts in place to deliver our Welsh responsibilities is more than planned. However, these will be contained within the overall budget envelope of £27.5k by year-end.
8. The total cost of research activities is c.£32k which is made up of the GOsC contribution to the National Council for Osteopathic Research (NCOR) (£13.2k) and the cost of the subscription to the International Journal of Osteopathic Medicine (IJOM) (£18.9k). These activities support the delivery of our statutory responsibility to develop the profession.

## Registration administration

	Year to Date 1 April 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Registration documentation	2,073	2,500	427	6,000	6,000
Registration assessments	-	-	-	5,000	5,000
<b>Total</b>	<b>2,073</b>	<b>2,500</b>	<b>427</b>	<b>11,000</b>	<b>11,000</b>



9. The six-month position for Registration administration is within budget. The cost of registration assessments is offset by the fee-paying applicants applying for registration assessments.
10. Careful analysis of the rising cost of the assessment fees expenditure in the first six months of the year continue to indicate the fees income collected from applicants should be reviewed. A full public consultation would need to be conducted before any fees are increased and passed onto applicants to the register if the cost of this activity is to be fully absorbed.

### IT infrastructure

	Year to Date 1 April 2023 – 30 September 2023			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
<b>Expenditure</b>					
Software - Licensing	12,274	10,000	(2,274)	13,500	16,000
CRM support	17,972	15,000	(2,972)	30,000	32,000
Infrastructure	13,495	15,000	1,505	30,000	28,000
IT Security	2,333	-	(2,333)	-	-
Cyber Security Essential Plus	-	-	-	-	10,000
IT Consultancy cover	-	2,000	2,000	4,000	6,000
<b>Total</b>	<b>46,074</b>	<b>42,000</b>	<b>(4,074)</b>	<b>77,500</b>	<b>92,000</b>

11. Expenditure includes the implementation of cyber security enhancements, achieving Cyber Essentials certification in September 2023. Additional costs include hosting fees and support costs for the cloud environment. Expenditure is also being incurred to ensure additional IT cover, by way of third-party support.
12. The forecast relates to the costs associated with securing Cyber Essentials Plus certification, and the increasing ongoing infrastructure legacy costs.

### Fitness to practise, including legal

	Year to Date 1 April 2023 – 30 September 2023			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
<b>Expenditure</b>					
Other legal costs	185	-	(185)	-	-
Statutory committee costs					
- Investigating Committee	40,468	40,000	(468)	70,000	70,000
- Professional Conduct Committee	94,437	160,000	65,563	368,000	300,000
- Health Committee	19,622	2,500	(17,122)	5,000	5,000
Section 32 cases	504	500	-4	1,000	1,000
<b>Total</b>	<b>155,216</b>	<b>203,000</b>	<b>47,784</b>	<b>444,000</b>	<b>376,000</b>

13. Statutory committee costs represent 99.6% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees at the six-month position. Council members are aware that this area of business represents the most significant area of risk to the expenditure forecasts in terms of volatility.

14. The events that we currently have scheduled for the next five months are:

**November 2023**

1 x 1 day IC meeting

**December 2023**

1 x 1 day IC meeting

1 x 1 day IC training day

1 x 3 day PCC training

**January 2023**

1 x 1 day IC meeting

1 x 1 day PCC training day

1 x 1 day New PCC Panellist training

1 x 1 day PCC review hearing

15. There are no events currently scheduled February or March 2023.

## Governance

	Year to Date 1 April 2023 – 30 September 2023				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Honorariums/responsibility allowances	53,796	52,500	(1,296)	105,000	108,000
Council costs including reappointments	35,418	34,500	(918)	51,322	51,322
Tax liability (expenses)	-	-	-	1,000	1,000
PSA levy	7,040	7,250	210	14,500	14,500
Other committee costs	8,650	8,500	(150)	10,000	10,000
Council Associates Programme	-	-	-	-	-
Equality and Diversity Consultancy Support	-	-	-	-	-
<b>Total</b>	<b>104,904</b>	<b>102,750</b>	<b>(2,154)</b>	<b>181,822</b>	<b>184,822</b>

16. Honorarium and responsibility allowances of c.£54k represent 51% of the total expenditure for the opening six-months. We are incurring a greater level of expenditure in this area as we have begun recruitment campaigns to fill arising vacancies within the governance structure.

## Administration and establishment

	Year to Date 1 April 2023 – 30 September 2023				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Premises	43,389	39,700	(3,689)	67,000	70,500
Office administration	21,534	25,000	3,466	50,000	44,500
Financial audit	-	-	-	22,000	22,000
Financing	20,383	17,000	(3,383)	34,000	40,000
Publications and subscriptions	1,620	1,000	(620)	2,000	2,000
Depreciation	30,108	30,000	(108)	60,000	60,000
<b>Total</b>	<b>117,034</b>	<b>112,700</b>	<b>(4,334)</b>	<b>235,000</b>	<b>239,000</b>

17. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£43.5K) – and office

administration – insurance, postage, photocopying – (£21.5k). These areas represent c.55% of the total expenditure at the six-month position.

18. The noticeable increase in premises expenditure is owing to a substantial upsurge in the business rates in addition to the impact of contractors transferring the cost of the ULEZ charge.
19. We have challenged increases and have negotiated contracts where increases were higher than the consumer price index (CPI) inflation rate. The escalating cost of the non-negotiable increases, such as the financing cost will be addressed in the next financial year. We continue to monitor our expenditure patterns to ensure that we have made the correct assumptions about office expenditure when setting the budget. We will advise Council as the year progresses.