

Financial Report

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 second financial report of FY2015-16 covers up to the period ending 30 September 2015, which is halfway through 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 six month period from 1 April 2015 to 30 September 2015.
2. The six-month accounts show a surplus (before spending from reserves on development projects) of £119k against a budgeted forecast of £86k 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 30 September 2015, income totalled £1.472m, which was £4k ahead of the budget forecast. Registration Fees accounted for £1.453m, which was equal to 99% of the total income received.
5. Other income totals £19k which is fractionally ahead of the £18k budget forecast.

Expenditure

6. At the six-month position we have recorded actual expenditure of £1.353m against a budgeted position of £1.383m meaning we are underspent against the budget forecast by £29k.
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 forecast has been amended to reflect the anticipated underspend.
9. As outlined in the Chief Executive's Report, we are mindful that there is slippage in some business plan areas arising due to current staffing difficulties. While at this stage resources are being focussed on statutory objectives and we bring activity back on track, we recognise this has potential to lead to some

underspend in Professional Standards. However, at this time we have not adjusted the year-end forecast as we are continuing to assess the level of any possible underspends.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2015 - 30 September 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	1,452,937	1,450,000	2,937	2,685,000	2,685,000
Other income	19,245	18,200	1,045	119,250	119,250
Total	1,472,182	1,468,200	3,982	2,804,250	2,804,250
Expenditure					
Employment costs	618,526	638,666	20,140	1,262,031	1,252,031
Education and professional standards	31,391	32,825	1,434	121,850	121,850
Communications, research and development	90,165	92,849	2,684	217,136	217,136
Registration administration	20,829	19,000	(1,829)	62,633	62,633
IT infrastructure	40,234	42,750	2,516	69,000	69,000
Fitness to practise, including legal	298,635	301,800	3,165	580,000	580,000
Governance	82,642	83,750	1,108	177,750	171,688
Administration and establishment	170,720	171,050	330	300,250	300,250
Total	1,353,142	1,382,690	29,548	2,790,650	2,774,588
Surplus	119,040	85,510	33,530	13,600	29,662

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 - 30 September 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Working groups	135	150	15	3,500	3,500
Quality assurance	24,912	25,000	88	68,000	68,000
Continuing fitness to practise framework	4,786	5,000	214	10,000	10,000
Student fitness to practise	1,558	1,500	(58)	10,000	10,000
Osteopathic pre-registration education	0	0	0	13,000	13,000
Health and disability guidance	0	0	0	15,000	15,000
Publications and subscriptions	0	1,175	1,175	2,350	2,350
Total	31,391	32,825	1,434	121,850	121,850

12. The six-month position reports expenditure of £31k has been incurred against a budget forecast of £33k. As mentioned in paragraph 9, staffing challenges mean there has been slippage in activity as we focus on ensuring our statutory duties are met.

13. Although the six-month expenditure represents only 26% 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.

Communications, research and development

	Year to Date 1 April 2015 - 30 September 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publication production	38,760	39,071	311	75,887	75,887
Engagement activities	9,431	9,485	54	56,746	56,746

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Website	9,168	10,268	1,100	16,953	16,953
Public and international affairs	1,068	1,125	57	1,750	1,750
Publications and subscriptions	0	150	150	300	300
<i>Research</i>					
NCOR infrastructure (net)	12,348	13,250	902	26,500	26,500
IJOM	19,390	19,500	110	39,000	39,000
Total	90,165	92,849	2,684	217,136	217,136

14. Expenditure of £90k is within budget by £2.7k. Communication with the profession through publications (£39k) includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.
15. The total cost of research activities is £32k, which is made up of the GOsC contribution to NCOR (£12k) and the cost of subscribing to the *International Journal of Osteopathic Medicine* (£19k).

Registration administration

	Year to Date 1 April 2015 - 30 September 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	2,791	3,000	209	3,000	3,000
Registration assessments	18,038	16,000	(2,038)	59,633	59,633
Total	20,829	19,000	(1,829)	62,633	62,633

16. The six-month position for Registration administration is over budget by £1.8k. This is in the area of registration assessments (£18k) however, this overspend will be corrected by year-end.
17. The year-end forecast for registration assessments has not been adjusted at this stage, although only 30% of the budget has been used. The reason for this is because we need to determine whether there will be any training provided to registration assessors in the latter half of the year. An amendment to the forecast position will be made by month 9, (31 December 2015) if necessary.

IT infrastructure

	Year to Date 1 April 2015 - 30 September 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud)	27,188	27,500	312	40,650	40,650
CRM support	13,046	13,000	(46)	23,850	23,850
IT sundries/consultancy	0	2,250	2,250	4,500	4,500
Total	40,234	42,750	2,516	69,000	69,000

18. Expenditure of £40k is under the budget forecast by £2.5k. Expenditure incurred relates to spend on the IT cloud infrastructure (£27k) and CRM support and service contracts (£13k).
19. While there has not been any expenditure on IT sundries/consultancy, the Executive have not adjusted the year-end forecast as some expenditure may need to be incurred to support development work for the Regulation team in order to maximise the usage of the CRM database, as referenced in the Head of Regulation's report to Council.
20. 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.

Fitness to practise, including legal

	Year to Date 1 April 2015 - 31 May 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	12,626	12,500	(126)	12,500	12,500
Statutory committee costs					
- Investigating Committee	47,054	47,250	196	100,000	100,000
- Professional Conduct Committee	200,205	203,000	2,795	400,000	400,000
- Health Committee	34,537	34,800	263	57,500	57,500
Section 32 cases	0	0	0	5,000	5,000
Law library subscription	4,213	4,250	37	5,000	5,000
Total	298,635	301,800	3,165	580,000	580,000

21. Statutory committee costs represent 95% of the department expenditure and reflect the work of the Investigating Committee, Professional Conduct Committee and Health Committee. Council members are fully 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.

October 2015

- Two, one day PCC cases
- One, two day PCC case
- Three, five day PCC cases

November 2015

- One Investigating Committee meeting
- One Investigating Committee Interim Suspension Order Hearing
- One, one day PCC case
- One, two day PCC case
- One, three day PCC case
- Three, five day PCC cases
- One PCC training day

December 2015

- One, five day PCC case (tbc)

January 2016

- One, one day PCC case
- One, two day Health Committee case

February 2016

- One Investigating Committee meeting
- One, five day PCC case

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.

Governance

	Year to Date 1 April 2015 - 30 September 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	57,304	58,500	1,196	117,000	117,000
Tax liability on council member expenses	0	0	0	7,750	7,750
Council costs including reappointments	15,845	15,750	(95)	22,500	22,500
Other committee costs	9,493	9,500	7	12,500	12,500
PSA levy	0	0	0	15,000	8,938
Internal operations, including training	0	0	0	3,000	3,000
Total	82,642	83,750	1,108	177,750	171,688

26. Honorarium and responsibility allowances of £57k represent 69% of the total expenditure for the opening six-months. Overall expenditure of £83k is in line with the budget forecast.
27. As advised in the Chief Executive and Registrar’s report, we have now received confirmation of the PSA levy, which for 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 - 30 September 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	63,198	62,600	(598)	96,000	96,000
Office administration	54,078	55,200	1,122	85,500	85,500
Financial audit	0	0	0	21,000	21,000
Financing	11,387	11,500	113	16,000	16,000
Publications and subscriptions	2,057	1,750	(307)	1,750	1,750
Depreciation	40,000	40,000	0	80,000	80,000
Total	170,720	171,050	330	300,250	300,250

28. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£63k) – and office administration – insurance, postage, photocopying – (£54k). These areas represent 69% of the total expenditure at the six-month position.

29. Total expenditure in this area was £170k and is in line with the budget forecast.

Balance Sheet

30. The Balance Sheet for the six-months to 30 September 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.

31. Cash held in hand and at bank totals £840k as at 30 September 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.

32. The Balance Sheet as at 30 September 2015 is:

Annex B to 5

	31 March 2015		30 September 2015	
	£	£	£	£
Non-current assets				
Fixed assets	1,803,739		1,764,139	
Investments	500,000		500,000	
		2,303,739		2,264,139
Current assets				
Debtors	421,183		1,255,073	
Cash in hand and at bank	693,667		840,068	
	1,114,850		2,095,141	
Liabilities				
Creditors – within one year	(1,030,873)		(1,866,923)	
	(1,030,873)		(1,866,923)	
Net Current Assets		83,977		228,218
Total assets less total liabilities		2,387,716		2,492,357
Reserves				
General reserve		2,287,716		2,392,357
Designated funds - Governance arrangements		100,000		100,000
Total Reserves		2,387,716		2,492,357

Balance Sheet explanatory notes

Debtors

33. At the 30 September 2015, the total of Debtors had increased to £1.255m 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 six months of the year.

Creditors

34. At the 30 September 2015, the total of Creditors has also increased to £1.867m 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.