

Summary

1. This report identifies the main features of the Management Accounts for the nine-months ended 31 December 2014. The nine-month accounts show a surplus (before designated spending) of £158k against a budgeted forecast of £180k

Income and Expenditure Account

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

	Year to Date 31 December 2014			FY Budget	FY Forecast
	Actual	Budget	Variance		
Income					
Registration fees	2,161,755	2,145,750	16,005	2,568,000	2,593,000
Other income	63,454	47,175	16,279	65,400	75,800
Total	2,225,209	2,192,925	32,284	2,633,400	2,668,800
Expenditure					
Employment costs	910,721	882,207	(28,514)	1,172,476	1,235,000
Education and professional standards	36,858	37,848	990	140,650	90,500
Communications, research and development	146,113	151,135	5,022	245,734	220,000
Registration administration	34,061	34,050	(11)	42,990	42,990
IT infrastructure	56,754	56,750	(4)	66,880	70,000
Fitness to practise, including legal	512,625	480,000	(32,625)	480,000	600,000
Governance	127,379	127,950	571	163,500	163,500
Administration and establishment	242,984	243,125	141	305,250	305,250
Total	2,067,495	2,013,065	(54,430)	2,617,400	2,727,240
Surplus	157,714	179,860	(22,146)	16,000	(58,440)

Income

3. As at 31 December 2014, income totalled £2.23m, which was £32k ahead of forecast. Registration Fees accounted for £2.16m, which was equal to 97% of the total income received. We anticipate that by the year-end total registration fees will be ahead of the budgeted position. Other income is forecast to be £10k greater than the budget at the year-end. This is due to an individual, who owed GOsC costs following a s32 prosecution, settling their outstanding balance in full.

Expenditure

4. At the nine-month position we have recorded actual expenditure of £2.04m against a budgeted position of £1.99m, meaning we are overspent against forecast by £54k. There are two main areas of overspend.
5. The first is employment costs where pressure has arisen due to the increased level of recruitment in the first half of the financial year, compared to prior years when the turnover was minimal, and additional staff resources being required within the fitness to practise team.
6. The year-end forecast has also been adjusted to reflect these cost pressures and predicts that Council will have a deficit at the year-end of just under £60k compared to its budgeted surplus position of £16k.
7. While it is not ideal to be reporting a forecast deficit position, Council can take some assurance that prudent financial management in past financial periods where substantial surpluses were accrued, means that the reserve position can withstand these one-off events.

Education and professional standards

	Year to Date 31 December 2014				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
Working groups	435	435	0	3,500	3,500
Quality assurance	26,068	26,350	282	112,000	61,850
Continuing fitness to practise framework	8,152	8,200	48	10,000	10,000
Student fitness to practise	1,603	2,363	760	6,000	6,000
Osteopathic pre-registration education	600	500	(100)	6,000	6,000
Publications and subscriptions	0	0	0	3,150	3,150
Total	36,858	37,848	990	140,650	90,500

8. The nine-month position shows that expenditure £13k has been incurred. The year-end forecast has been adjusted to reflect a reduction in the expected spend on quality assurance. The budget was prepared to be consistent with expenditure patterns of previous financial years but a review of the planned quality assurance work in FY2014-15 has indicated that the £112k budget is unlikely to be required.

Communications, research and development

	Year to Date 31 December 2014			FY Budget	FY Forecast
	Actual	Budget	Variance		
Expenditure					
Publication production	53,105	53,134	29	79,523	79,523
Engagement activities	19,177	18,475	(702)	67,660	47,926
Website	18,016	19,051	1,035	19,051	19,051
Public and international affairs	8,852	9,000	148	9,200	9,200
Publications and subscriptions	0	225	225	300	300
<i>Research</i>					
NCOR infrastructure (net)	17,811	17,500	(311)	25,000	25,000
IJOM	29,152	33,750	4,598	45,000	39,000
Total	146,113	151,135	5,022	245,734	220,000

9. Expenditure of £146k is within budget by £5k. Communication with the profession through GOsC publications (£40k) includes *the osteopath* magazine and e-bulletins. Expenditure of £47k reflects the investment in research activities around the infrastructure costs of NCOR and the cost of subscribing to the *International Journal of Osteopathic Medicine*.

Registration administration

	Year to Date 31 December 2014			FY Budget	FY Forecast
	Actual	Budget	Variance		
Expenditure					
Registration documentation	2,840	2,500	(340)	2,500	2,816
Registration assessments	31,221	31,550	329	40,490	40,174
Total	34,061	34,050	(11)	42,990	42,990

10. The nine-month position for Registration administration is fractionally over budget; however, the amount is immaterial and the expenditure will be brought within budget by the year-end.

IT infrastructure

	Year to Date 31 December 2014				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
IT infrastructure	32,564	32,750	186	36,300	36,300
CRM support	16,645	16,500	(145)	23,000	26,280
Disaster recovery facility	2,783	3,000	217	3,000	2,783
IT sundries	4,763	4,500	(263)	4,500	4,637
Total	56,754	56,750	(4)	66,800	70,000

11. Expenditure of £57k is in line with the budgeted expectations for the nine-month position. In the opening nine-months £32k was spent on IT infrastructure; £17k has been spent on CRM support and service contracts, with the remaining balance of expenditure being spent on the premium for the disaster recovery site and IT sundry expenses. The year-end forecast has been increased to account for additional IT support around the website re-platform project.

Fitness to practise, including legal

	Year to Date 31 December 2014				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
Other legal costs	7,680	7,750	70	7,750	7,750
Statutory committee costs					
- Investigating Committee	75,652	52,750	(22,902)	52,750	80,000
- Professional Conduct Committee	421,339	410,000	(11,339)	410,000	502,750
Section 32 cases	4,130	5,000	870	5,000	5,000
Law library subscription	3,824	4,500	676	4,500	4,500
Total	512,625	480,000	(32,625)	480,000	600,000

12. Statutory committee costs represent 97% of the department expenditure and reflect the work of the Investigating Committee and the Professional Conduct Committee. A likely increase in the number of hearings, as reported to Council by the Head of Regulation through the fitness to practise reports, will lead to greater cost pressures being placed on this area of the business.
13. When the budget envelope was agreed by Council in October 2013, there was a caveat that fitness to practise represented the greatest risk to the expenditure forecast in terms of volatility and, although a modest budget reduction was

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made in the annual budget, the Executive reported to Council at the earliest opportunity that expenditure is likely to exceed budget.

14. As reported to Council in July 2014, it is necessary to forecast the year-end financial position to be greater than budget because of the increased workload.
15. Looking ahead, we are know at the end of the third quarter, a total of eight cases have been referred by the Investigating Committee. With the requirement of 37 weeks from Investigating Committee to a hearing, we can forecast that cases referred during this period will likely be realised in the opening half of Financial Year 2015-16.
16. At present, the Regulation team have scheduled:
 - Two five day cases in April
 - Two four day cases in May
 - Two two day cases in June
 - One three day case in June
 - One five day case in June
17. We anticipate that expenditure of £150k will be committed during the first quarter of financial year 2015-16.
18. At present, 14 cases have not yet reached the formal Investigating Committee stage. It is a prudent and reasonable expectation that these cases will be referred to a formal hearing. Council should note that some of these cases may be realised in the latter part of financial year 2015-16 and the earlier part of financial year 2016-17.

Governance

	Year to Date 31 December 2014			FY Budget	FY Forecast
	Actual	Budget	Variance		
Expenditure					
Honorariums/responsibility allowances	94,000	94,900	900	117,000	117,000
Tax liability on council member expenses	7,713	8,000	287	8,000	8,000
Council costs including reappointments	11,811	10,050	(1,761)	21,000	21,000
Other committee costs	13,376	14,500	1,124	14,500	14,500
Internal operations, including training	479	500	21	3,000	3,000
Total	127,379	127,950	571	163,500	163,500

19. Honorarium and responsibility allowances of £94k represent 74% of the total expenditure for the nine-months to 31 December 2014, with total expenditure of £127k in line with the budget forecast.

Administration and establishment

	Year to Date 31 December 2014			FY Budget	FY Forecast
	Actual	Budget	Variance		
Expenditure					
Premises	81,734	80,500	(1,234)	85,000	85,000
Office administration	69,865	70,313	448	82,500	82,500
Financial audit	0	0	0	20,000	20,000
Financing	15,510	16,000	490	16,000	16,000
Publications and subscriptions	875	1,312	437	1,750	1,750
Depreciation	75,000	75,000	0	100,000	100,000
Total	242,984	243,125	141	305,250	305,250

20. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£82k) – and office administration – insurance, postage, photocopying – (£70k). These areas represent 63% of the total expenditure at the nine-month position.
21. Total expenditure in this area was £243k and is in line with the budget forecast.

Balance Sheet

22. The Balance Sheet for the nine-months to 31 December 2014 shows total reserves of £2.68m. The Balance Sheet position remains healthy and demonstrates that the GOsC is well placed to meet its future obligations and the challenges ahead.
23. Cash held in hand and at bank totals £960k as at 31 December 2014 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.

Annex B to 5

	31 March 2014		31 December 2014	
	£	£	£	£
Non-current assets				
Fixed assets	1,857,935		1,784,163	
Investments	500,000		500,000	
		2,357,935		2,284,163
Current assets				
Debtors	341,973		871,684	
Cash in hand and at bank	860,224		960,278	
	1,202,197		1,831,962	
Liabilities				
Creditors – within one year	(983,701)		(1,456,365)	
Creditors – over one year	-		-	
	(983,701)		(1,456,365)	
Net Assets		218,496		375,597
Total assets less total liabilities		2,576,431		2,659,760
Reserves				
General reserve		2,406,559		2,531,493
Designated funds				
- Governance arrangements		100,000		100,000
- Effectiveness of regulation research		69,872		28,267
Total Reserves		2,576,431		2,659,760