

Financial Report 2018-19 (nine months to December 2018)

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2018 and will conclude on 31 March 2019. In this report it will be described as FY2018-19.
2. The budget for FY2018-19 was approved by Council at its meeting of January 2018 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. To give Council more robust financial information, we may from time to time shorten the reporting period.
5. 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 FY2018-19 covers the period ending 31 December 2018, 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 2018 to 31 December 2018. The accounts show a surplus (before spending from reserves on development projects) of £44k against a budgeted surplus of £18k for the same period. Having reviewed the year-end expenditure forecasts, we are now projecting a slightly higher year-end surplus compared to budget.

Income

2. The primary source of income is from registration fees paid by osteopaths. The GOsC does not have a single registration date meaning osteopaths renew their registration every 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.
3. At 31 December 2018, income totalled £2.187m, which was £7k ahead of the budget forecast. Registration fees accounted for £2.168m, which was equal to 99% of the total income received. Other income totals £19k which is slightly ahead of budget estimates.
4. For the budget and this financial report, any movement in the value of the GOsC's stock market investments has been excluded.

Expenditure

5. At the nine-month position we have recorded actual expenditure of £2.144m against a budgeted position of £2.162m meaning we have spent less than budget forecasts.
6. We are continuing to explore whether it is possible to obtain a back-dated business rate refund. The Global Head of Non-Profits, of our auditors Crowe, continues to liaise with Southwark Council and we are moving slowly towards a resolution.
7. The unbudgeted cost of recruiting a new Chief Executive and Registrar will be contained within the total expenditure envelope, with underspends, primarily from the employment cost budget, being used to offset the additional spend.
8. By the end of 31 December 2018, capital expenditure of £29,679 had been committed, but not yet incurred, for two specific projects. Firstly, £1,276 to re-level the floor and carpet tiles in the ground floor meeting room which is used to host witnesses and lawyers for fitness to practise hearings. Secondly, £28,403 to install a folding wall between two second floor meeting rooms and to purchase new tables and chairs for those rooms. The installation of a folding wall will allow for the space to be converted into a single room seating 16 people and means that in the event of a fitness to practise hearing being held in the Council Chamber, larger meetings will no longer need to be held off site.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2018 – 31 December 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	2,168,566	2,163,000	5,566	2,872,000	2,872,000
Other income	18,970	17,850	1,120	39,500	39,500
Total	2,187,536	2,180,850	6,686	2,911,500	2,911,500
Expenditure					
Employment costs	1,079,252	1,081,957	2,705	1,432,609	1,432,609
Education and professional standards	129,016	132,813	3,797	172,793	152,793
Communications, research and development	115,818	116,859	1,041	204,750	204,750
Registration administration	19,964	20,100	136	24,500	20,160
IT infrastructure	69,311	69,350	39	70,000	70,000
Fitness to practise, including legal	423,794	424,850	1,056	580,000	580,000
Governance	111,122	113,203	2,081	155,250	154,790
Administration and establishment	195,662	203,310	7,648	261,500	261,500
Total	2,143,939	2,162,442	18,503	2,901,402	2,876,602
Surplus before designated spending	43,597	18,408	25,189	10,098	34,898
Designated spending					
- CPD	19,592	-	-	70,842	-
- ODG projects	5,514	-	-	-	-
Surplus after designated spending	18,491	-	-	-	-

Income and Expenditure Account (detailed departmental summaries)

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

Education and professional standards

	Year to Date 1 April 2018 – 31 December 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	98,950	99,873	923	99,873	99,873
CPD	7,000	7,000	-	7,000	7,000
Osteopathic Practice Standards	20,481	22,250	1,769	25,000	25,000
Research projects	2,585	3,000	415	40,000	20,000
Publications and subscriptions	-	690	690	920	920
Total	129,016	132,813	3,797	172,793	152,793

11. The nine-month position reports expenditure of £122k has been incurred against a budget allocation of £126k. Most of the expenditure relates to the quality assurance process (£99k), which is equivalent to 81% of the total spend. Additionally, £20k has been spent on the Osteopathic Practice Standards, which were consulted on and published this year.
12. At the nine-month position we have forecast that expenditure on research projects will be lower than planned by £20k.
13. Around £15k relates to the values research with activities now planned for the next financial year including funding for a researcher for the pilot. We intend to ring-fence the underspend in the current financial year for use in FY2019-20.
14. The balance of the underspend arises as planned spend on patient and public involvement with the undergraduate curricula is now likely to be completed in-house.
15. Council will note it ring-fenced £100,000 from reserves for the implementation and start-up of the CPD scheme, which came into effect from 1 October 2018. At the start of the financial year, £70,842 remained in the reserve fund and the Executive continue to use this to engage with registrants and to provide support and resources. At 31 December 2018, a further £20k has been spent from the reserves and we forecast that by the year-end position around £35k-£40k will remain and which will be spent in the coming financial year 2019-20.

Communications, research and development

	Year to Date 1 April 2018 – 31 December 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	36,579	35,150	(1,429)	85,650	85,650
Engagement and events	12,503	12,975	472	21,600	21,600
Digital	16,483	18,120	1,637	30,015	30,015
Publications and subscriptions	-	431	431	575	575
<i>Research</i>					
NCOR infrastructure	19,945	19,875	(70)	26,500	26,500
IJOM	30,308	30,308	-	40,410	40,410
Total	115,818	116,859	1,041	204,750	204,750

16. Expenditure of £116k is slightly under budget by £1k. Communication with the profession through publications includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution and totals (£35k) equal to 32% of the departmental spend. The balance of expenditure within Communications relates to engagement and events, including the YouGov survey, and the cost of website development and maintenance contained within Digital.

17. The total cost of research activities is £50k which is made up of the GOsC contribution to NCOR (£20k) and the cost of the subscription to IJOM (£30k).

Registration administration

	Year to Date 1 April 2018 – 31 December 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	4,570	4,500	(70)	4,500	4,570
Registration appeals	590	600	10	5,000	590
Registration assessments	14,804	15,000	196	15,000	15,000
Total	19,964	20,100	136	24,500	20,160

18. The nine-month position for Registration administration is fractionally under budget. The departmental expenditure incurred is on registration documentation, including certificate production (£4.5k) and registration assessment activity (£15k) which includes training and appraisal of assessors.
19. As at 31 December 2018, we do not have appeals against a registration decision made by the Registrar and therefore the decision has been made to release the budget and increase the forecast year-end surplus.

Fitness to practise, including legal

	Year to Date 1 April 2018 – 31 December 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	19,320	20,000	680	25,000	25,000
Statutory committee costs					
- Investigating Committee	39,094	39,250	156	75,000	75,000
- Professional Conduct Committee	362,885	363,000	115	450,000	450,000
- Health Committee	2,040	2,000	(40)	28,000	28,000
Section 32 cases	455	600	145	2,000	2,000
Total	423,794	424,850	1,056	580,000	580,000

20. Statutory committee costs represent 95% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees at the nine-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.
21. Over the last year the team have continued to explore ways of streamlining activity to be as efficient and cost effective as possible. For example, the team has introduced an online system of case bundles, so the cases can be read in advance which reduces 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. In addition, fixed case fees have also been introduced.
22. The opening six months of the financial year have remained busy for the Regulation team in terms of hearings, although they are confident that the full year budget will be sufficient when considering future workload. Looking ahead, we have the following events scheduled.

January

5 x 1-day PCC

1 x 2-day PCC

1 x 1-day IC

February (provisional)

1 x 1-day PCC

1 x 5-day PCC

1 x 4-day PCC

March (provisional)

1 x 5-day PCC

1 x 1-day PCC

1 x 3-day PCC

1 x 1-day IC

23. Council will see that activity remains busy and based on our understanding of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs, we are continuing to forecast that by the year-end, the costs will be contained within budget. This takes into account additional unknown factors such as any interim suspension orders or additional days which may occur.
24. We shall continue to keep a close eye on the costs related to this area to identify any potential overspend in the event that activity starts to outstrip the budgeted expenditure. 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 2018 – 31 December 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) /					
CRM support	68,958	69,000	42	69,000	69,000
IT sundries/consultancy	353	350	(3)	1,000	1,000
Total	69,311	69,350	39	70,000	70,000

25. Expenditure of £69k includes the hosting fees and support costs for the cloud environment and the costs of implementing the new hybrid cloud system.

Governance

	Year to Date 1 April 2018 – 31 December 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility					
allowances	73,342	74,813	1,471	99,750	99,750

Annex B to 5

Tax liability on council member expenses	8,540	8,540	-	9,000	8,540
Council costs including reappointments	8,987	9,300	313	17,500	17,500
Other committee costs	10,043	10,050	7	15,000	15,000
PSA levy	10,210	10,500	290	14,000	14,000
Total	111,122	113,203	2,081	155,250	154,790

26. Honorarium and responsibility allowances of £73k represent 66% of the total expenditure for the opening nine-months. Overall expenditure of £111k is slightly under the budget forecast of £113k.

Administration and establishment

	Year to Date 1 April 2018 – 31 December 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	70,872	78,000	7,128	80,000	80,000
Office administration	69,048	69,150	102	95,250	95,250
Financial audit	1,260	1,260	-	16,500	16,500
Financing	16,474	16,500	26	18,000	18,000
Publications and subscriptions	508	900	392	1,750	1,750
Depreciation	37,500	37,500	-	50,000	50,000
Total	195,662	203,310	7,648	261,500	261,500

27. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£71k) – and office administration – insurance, postage, photocopying – (£69k). These areas represent 72% of the total expenditure at the nine-month position. Total expenditure in this area was £196k and is under budget by £8k.

Balance Sheet

28. The Balance Sheet for the period ended 31 December 2018 shows total reserves of £2.532m. 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.

29. Cash held in hand and at bank totals £335k with a further £1.13m being split between an investment portfolio and a 120-day bond with Secure Trust.

30. The Balance Sheet as at 31 December 2018 is:

Annex B to 5

	31 March 2018		31 December 2018	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,796,779		1,777,969
Current assets				
Debtors	382,420		737,286	
Cash in bank and in hand	169,332		334,979	
Investment (portfolio)	551,021		551,021	
Investment (120-day bond)	577,623		583,036	
	1,680,396		2,206,323	
Liabilities				
Creditors – within one year	(962,988)		(1,451,613)	
	(962,988)		(1,451,613)	
Net Current Assets		717,409		754,710
Total assets less total liabilities		2,514,188		2,532,679
Reserves				
General reserve		2,443,346		2,481,429
Designated funds				
- CPD scheme implementation		70,842		51,250
Total Reserves		2,514,188		2,532,679

Balance Sheet explanatory notes

Debtors

31. At the 31 December 2018, the total of Debtors had increased to £737k from the year-end position of £382k. 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 as the majority of the register renew their registration in the opening half of the financial year.

Creditors

32. At the 31 December 2018, the total of Creditors has also increased to £1.451m from the year-end position of £963k. 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.