

Annex B to Item 6

Financial Report 2020-21 (nine months to December 2020)

Key messages from the report:

- The projected loss of income due to the pandemic currently stands at c.£100k (registration fee and other income).
- Expenditure incurred will not be as high as forecast. We current forecast that we will prevent a year-end deficit from arising due to a reduction in expenditure more than offsetting the reduction in income. This assumes there is no significant increase in registrants leaving the Register in the coming months or that the second lockdown does not impact on our financial position further.
- Expenditure is under forecast for the nine months to December 2020 as we tighten our spending. If expenditure was spent evenly, we should have incurred 75% of the budget. We have spent 66% at the end of month nine.
- The number of non-practising registrants peaked at 327 in May 2020 and has since reduced to 240 as osteopaths return to practice. This is marginally higher than three months ago. We will continue to watch for any movement in the number of non-practising registrants arising from the new lockdown measures.
- The total number of students joining the Register balances the number of registrants who have left.
- There are 13 registrants up to the end of December 2020 who have yet to renew. All have been issued with the appropriate reminder notices.
- A greater proportion of registrants renewed their registration in full than we had forecast, although the direct debit deferral scheme was popular for the period of time that it was in place.
- There have been fewer direct debit failures than forecast since the start of the pandemic.
- At the end of December 2020, the current bank/cash position is better than forecast at the beginning of the pandemic. Actual - £533k against forecast £150k.

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2020 and will conclude on 31 March 2021. In this report it will be described as FY2020-21.
2. The budget for FY2020-21 was approved by Council in January 2020.

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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:

	Start	End
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. This financial report covers the period ending 31 December 2020, which is nine 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:** Salient points from GOsC (Application for Registration and Fees) Rules 2000
 - **Annex B:** Expenditure Account (detailed departmental summaries)
 - **Annex C:** Cash flow: narrative

Summary of financial position

8. This report covers the nine-month period from 1 April 2020 to 31 December 2020. The accounts show a surplus (before spending from reserves) of £207k against a budgeted surplus of £223k for the same period.

Income

Headline position

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.

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10. At 31 December 2020, income totalled £2.160m, which is £55k behind our budget forecast for the same period. Registration fees accounted for 99% of the total income received.

Coronavirus impact on registration fee income

11. The global pandemic has presented new and unforeseen challenges across all sectors. The impact on osteopaths was significant as the profession is primarily made up of self-employed individuals; many closed their practices, with those who remained open seeing a substantial drop in patient numbers. The effect for all is the same - a reduction in income, to varying degrees. The GOsC is not immune from the financial effects of the impact of coronavirus.
12. The GOsC (Application for Registration and Fees) Rules 2000 sets out the position with regards to the registration fee (referred in the Rules as the Retention Fee) and the Registrar's authority with regards to fees. The current level of registration fees paid by registrants are:

Practising status	Fee level £
Year 1 (entry fee)	320
Year 2 UK practising	415
Year 2 Non-practising or overseas	230
Year 3 UK practising	570
Year 3 Non-practising or overseas	320

13. In recent discussions, Council have noted that it would be preferable for the non-practising fee to only apply to the period that a registrant is non-practising, and that as they return to work, the registration fee returns to the practising rate. An Amendment Order to change how the reduced fee is applied is currently with the Department of Health and Social Care.
14. The composition of the Register at the beginning of lockdown, compared to the most recent data is set out in the table below.

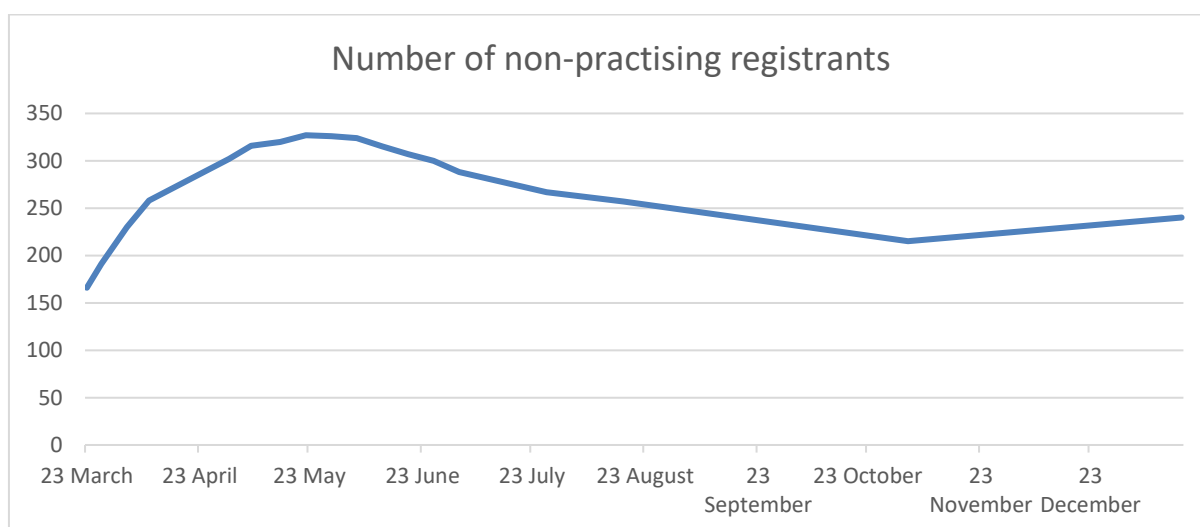
Registration status	23 March	18 January	Variance #	Variance %
UK practising	4,822	4,752	- 70	- 1.45%
Non-practising	166	240	+ 74	+ 44.58%
Overseas	451	452	+ 1	+ 0.22%
TOTAL	5,439	5,444	+ 5	+ 0.09%

15. We have seen osteopaths leave the Register since the start of the pandemic; however, this has been offset by students joining the Register. The number of osteopaths who left the Register is lower than we might have feared at the

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beginning of the lockdown, although this might still change over the coming months. Nonetheless, the Register will plateau this year.

16. This means a financial impact on the GOsC this year, and into future financial periods. In effect, this means we will need to reduce our expenditure in future financial years to be within our income budget.
17. The table above identifies a significant increase in the number of registrants who have converted their status from practising to non-practising during the lockdown period. We are monitoring this data, because as mentioned earlier in the report, we have seen a small increase in non-practising numbers although it is too early to say whether this is a beginning of a trend or a small variance.



18. Assuming the current composition of the Register remains the same, we expect total registration fee income will be c.£90k lower in FY2020-21 than predicted through the lost income as registrants leave the Register or convert their registration status from practising to non-practising.
19. The difficulty of not having a single point in time when every registrant renews their registration is clear, as we are constantly working with imperfect data and uncertainty.
20. As at 17 January 2021, we know the following about those registration months which are 'live' for renewal now.

Month	Expected to renew	Still to renew	Known direct debit payer	Paid prior year in full
November 2020	128	1	1	0
December 2020	83	12	4	8
January 2021	104	54	32	22
February 2021	73	53	27	26
March 2021	49	44	26	18

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21. As at 31 December 2020 there are 13 registrants who have not yet renewed their registration. All have been issued with the appropriate reminder notices.

Coronavirus impact on other income

22. The GOsC has some other small income streams which include advertising sales from The Osteopath magazine and investment/bank interest income.
23. Advertising income from The Osteopath magazine will be reduced, in part due to postponing one edition, and in part due to the impact on external advertisers being more cautious about placing advertisements. We prudently predict a reduction to income of c.£15k.
24. We have not changed the forecast for investment income at this stage. In March 2020, the stock market fell sharply and the GOsC investment fell in value by £150k. As at 31 December 2020, the market valuation of the investment portfolio was £1.207m which demonstrates that the investment portfolio has recovered beyond the loss incurred prior to the year-end.
25. We will keep the investment portfolio under close scrutiny throughout of the year as markets remain volatile. However, if the stock market maintains performance we will have a large technical gain on investments being reported in the accounts at the year-end, in the same way we had a large technical loss reported in the prior year accounts due to the stock market crash that happened at the start of the pandemic. This amounts to around £200k on the current valuation.

Expenditure

26. At the seven-month position we have recorded actual expenditure of £1.953m against a budgeted position of £1.991m meaning we have spent less than budget forecasts, before designated spending from reserves, by £39k.
27. If expenditure was to be spent evenly through the financial year, we would have spent 75% of the budget. At 31 December 2020, we have spent 66% of the budget. We have adjusted our year-end forecast to reflect the forecast reduction in expenditure across our business. This is caused by expenditure being reigned in through continued homeworking and through activity being completed online.

Income and Expenditure Account (top-level summary)

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

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	Year to Date 1 April 2020 – 31 December 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	2,144,011	2,210,000	(65,989)	2,940,000	2,850,000
Other income	15,540	4,800	10,740	49,500	34,500
Total	2,159,551	2,214,800	(55,249)	2,989,500	2,884,500
Expenditure					
Employment costs	1,090,870	1,117,740	26,870	1,488,320	1,448,000
Education and professional standards	119,852	121,770	1,918	139,670	131,500
Communications, research and development	127,079	132,273	5,194	204,000	185,450
Registration administration	4,622	4,600	(22)	15,000	7,500
IT infrastructure	90,557	90,000	(557)	90,000	100,000
Fitness to practise, including legal	255,556	258,600	3,044	585,000	425,000
Governance	95,070	96,250	1,180	169,000	148,650
Administration and establishment	168,958	170,125	1,167	285,750	262,250
Total	1,952,564	1,991,358	38,794	2,976,740	2,708,350
Surplus before designated spending	206,987	223,442	(16,455)	12,760	176,150
Designated spending					
- CPD	5,152	-	-	107,731	
- IT	-	-	-	75,000	
Surplus after designated spending	201,835	-	-	-	-

29. The detailed departmental expenditure accounts can be found at Annex B.

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Balance Sheet

30. The Balance Sheet for the period ended 31 December 2020 shows total reserves of £2.699m. Cash held in hand and at bank totals £533k with a further £1.011m (balance as at 31 March 2020) in an investment portfolio.

31. The Balance Sheet as at 31 December 2020 is set out below:

	31 March 2020		31 December 2020	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,740,888		1,712,878
Investment (portfolio)		1,010,777		1,010,777
Current assets				
Debtors	378,003		985,872	
Cash in bank and in hand	325,628		532,687	
	703,631		1,518,559	
Liabilities				
Creditors – within one year	(958,500)		(1,543,583)	
	(958,500)		(1,543,583)	
Net Current Assets/Liabilities		(254,869)		(25,024)
Total assets less total liabilities		2,496,796		2,698,631
Reserves				
General reserve		2,314,703		2,521,690
Designated funds				
- CPD scheme implementation		107,093		101,941
- IT investment		75,000		75,000
Total Reserves		2,496,796		2,698,631

Balance Sheet explanatory notes

Debtors

32. At the 31 December 2020, the total of Debtors had increased to £986k from the year-end position of £378k. This is in line with expectations. The reason for the increase is because 'registration fee debtors' spikes as the majority of the

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register renew their registration in the opening half of the financial year. The debtors figure will decrease as the financial year progresses.

Creditors

33. At the 31 December 2020, the total of Creditors has also increased to £1.544m from the year-end position of £959k. 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 reserves

34. During this period of uncertainty Council is right to closely monitor its cashflow and reserves. The following section provides an overview of the cash flow position and current cash flow projection. Narrative around the direct debit deferral scheme, management of expenditure, investment portfolio and 'free' reserves versus 'non-liquid' reserves can be found at Annex C.

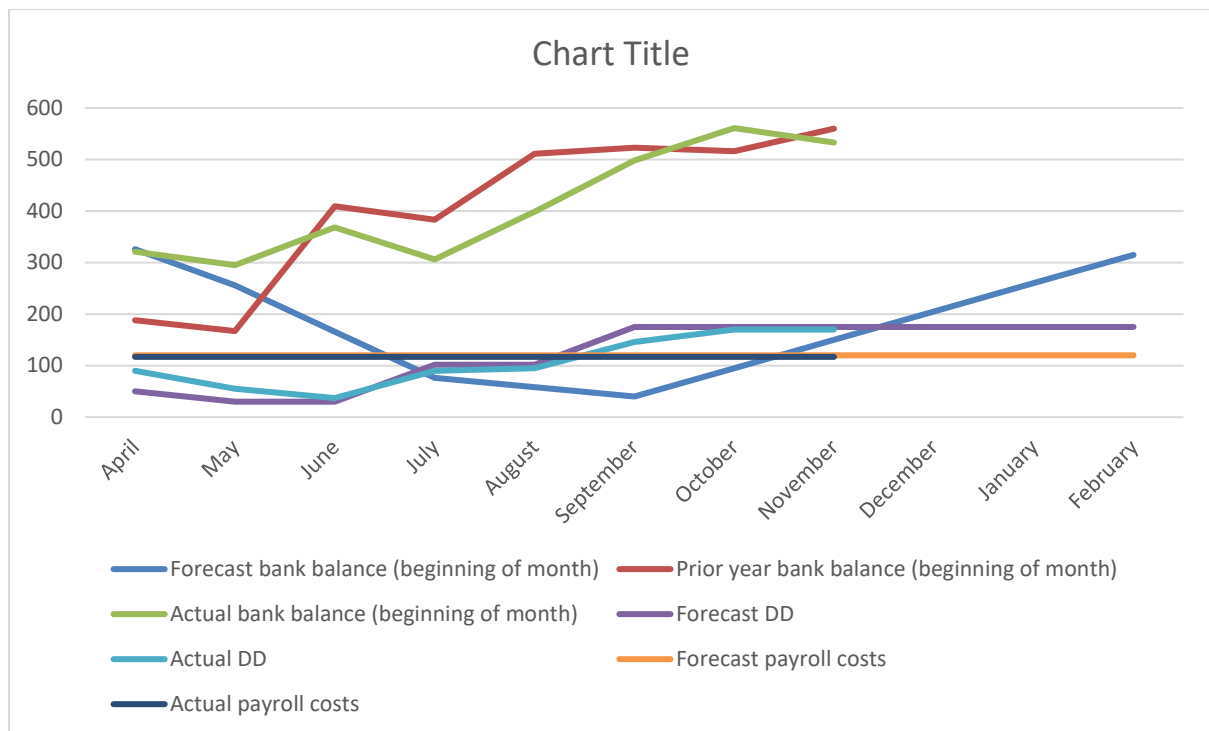
Overview

35. At 31 March 2020, the bank balance was £326k. At 31 December 2020, the bank balance was £533k, an increase of £207k. The bank position at 31 December 2020 is better than the original cash forecast of £150k for the same period. This due to three main reasons:
- a. Firstly, the number of failed direct debits has not been significant since the start of the pandemic.
 - b. Secondly, more registrants have renewed their registration and paid in full than we had forecast – our calculations were based on all registrants taking up the direct debit deferral scheme.
 - c. Thirdly, we have managed our cash outflows carefully.

Cash flow predictions

36. Our early predictions were based on all registrants paying by direct debit rather than in full. Our assumption was that registrants would want to hold onto their fee payment for as long as possible. While the direct debit deferral option has proven to be popular, we have seen registrants renew their registration and pay their fee in full.
37. The original cash flow position was presented to Council in a graphical format, which is updated monthly as the actual position becomes clearer.

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NB: the forecast assumes all registrants renew their registration and pay by direct debit. Some registrants will choose to pay in full, and in advance of their registration year. This also assumes there is no significant change in the Register, i.e. no significant increase in leavers.

38. Because the original cash flow forecast assumed registrants would pay by direct debit, it was forecast that the bank balance would fall close to zero around August 2020, and that Council might need to liquidate the cash holding in the investment portfolio. This is no longer a concern.
39. As discussed earlier in the report, there are just 13 registrants who have not yet renewed their registration up to 31 December 2020. We are not concerned about the impact on the financial position if these registrants do not renew their registration.

Charity Commission reporting

40. 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. Our predictions so far, suggest that GOsC would see income reduce by 2.5% against the budget set. We are also keeping a watchful eye on what might happen around those registrants who have yet to renew and the impact on the financial position.
41. At this stage, we do not need to make a report to the Charity Commission, because we are still able to fulfil our statutory responsibilities. The latest Charity Commission guidance describes the need for making a serious incident report as when financial losses are greater than £25k or 20%. While the reduction in

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registration fee income is significant, we are not forecasting this turning into a loss-making situation for the GOsC (yet) and as such, no serious incident report to the Charity Commission is required.

GOsC (Application for Registration and Fees) Rules 2000:

1. The salient points from the Fees Rules 2000 are as follows:
 - a. the fee to be paid in full, or by instalments. The Rules state that if paying by instalment, there should be a levy added to the fee. s(8)(1).
 - b. where an osteopath is not practicing as an osteopath for three months in their registration year a reduced non-practising fee applies. s(8)(1)(a).
 - c. the retention fee may only be paid in instalments with the agreement of the both the osteopath and the Registrar. s(8)(5).
 - d. except where the retention fee is being paid by instalments, if the retention fee has not been paid by the due date, and after appropriate notices have been served, the osteopath should be removed from the Register unless the Registrar considers there would be undue hardship in doing so. s(9)(1).
 - e. where the retention fee is being paid by instalments, if a payment is not received, and after appropriate notices have been served, the osteopath should be removed from the Register unless the Registrar considers there would be undue hardship in doing so. s(9)(4) and s(9)(5).

NB: Council should note that if a registrant is non-practising for three months and is eligible for the reduced fee, even if they subsequently return to practice, the reduced fee would apply for the rest of their registration year. If a registrant has not been out of practise for three months, (i.e. just six weeks) the reduced fee would not apply.

Departmental Expenditure Accounts

- 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 pandemic, a short narrative is provided.

Employment costs

- Employment costs include those expenses associated with pay, pensions, recruitment and staff training.

Education and professional standards

	Year to Date 1 April 2020 – 31 December 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	118,656	120,670	2,014	129,670	129,000
Research projects	1,196	1,100	(96)	10,000	2,500
Total	119,852	121,770	1,918	139,670	131,500

- The nine-month position reports that expenditure of £120k has been incurred against a budget allocation of £122k.
- The budget originally included funds for research projects associated with piloting tools to explore effective decision making and whether those tools provide ways of embedding standards in practice (our values work), patient and public involvement activity and boundaries research. The bulk of the spend relates to the values activity which has been deferred until the next financial year. We will make a provision within reserves for this deferred research.

Communications, research and development

	Year to Date 1 April 2020 – 31 December 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	62,439	66,335	3,896	90,100	85,100
Engagement and events	1,074	1,375	301	9,600	9,600
Digital	11,726	11,500	(226)	33,550	20,000

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Publications and subscriptions	0	563	563	750	750
<i>Research</i>					
NCOR infrastructure	20,019	21,000	981	28,000	27,500
IJOM	31,821	31,500	(321)	42,000	42,500
Total	127,079	132,273	5,194	204,000	185,450

- Expenditure of £127k is under budget by £5k. 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 (£62k) equal to 83% of expenditure, excluding spend on research activities (NCOR and IJOM).
- The total cost of research activities is £52k which is made up of the GOsC contribution to the National Council for Osteopathic Research (NCOR) (£20k) and the cost of the subscription to the International Journal of Osteopathic Medicine (IJOM) (£32k). These activities support the delivery of our statutory responsibility to develop the profession.
- Our expenditure commitment to NCOR remains in place during FY2020-21, and until FY2021-22 for IJOM. In terms of our corporate subscription to IJOM, taken out on behalf of the profession, we can explore what cost saving measures we may be able to introduce at the end of the current contract, i.e. limiting the number of publications which are made available through the subscription.

Registration administration

	Year to Date 1 April 2020 – 31 December 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	0	0	0	5,000	0
Registration assessments	4,622	4,600	(22)	10,000	7,500
Total	4,622	4,600	(22)	15,000	7,500

- The nine-month position for Registration administration is marginally over budget. As we move towards a digital-first future for our business operation, the need for expenditure on registration documentation is not needed and we have adjusted the forecast to reflect this approach.
- Our expenditure on registration assessments will be reviewed in the next business year. Currently we have a pool of registration assessors (contracted

until July 2021) who undertake assessments of international applications we receive. These assessments are broadly cost neutral; however, we have a £10k budget allocation which represents the cost of training and appraisals of the registration assessors. We will explore how we might reduce costs further in this area and whether there are alternative ways of undertaking this activity.

IT infrastructure

	Year to Date 1 April 2020 – 31 December 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
IT infrastructure (Cloud) / CRM support	89,699	85,000	(4,699)	85,000	95,000
IT sundries/consultancy	858	5,000	4,142	5,000	5,000
Total	90,557	90,000	(557)	90,000	100,000

10. Expenditure includes hosting fees and support costs for the cloud environment.

11. While the pandemic has presented many challenges, it has also forced us to work in different ways and to look afresh at how we operate. We took the opportunity to ask our staff team what they think we might do differently in the future to drive business improvement. Ideas included:

- Renewal process and associated processes becomes online only
- Student application process becomes online
- Committee papers/bundles online only
- We move to online meetings (across all parts of the business) becoming more normal

12. Due to the online working we have needed to increase our server capacity and we anticipate that our year-end costs will be slightly over budget this year.

Fitness to practise, including legal

	Year to Date 1 April 2020 – 31 December 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Other legal costs Statutory committee costs	7,043	7,100	57	15,000	10,000

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- Investigating Committee	25,629	26,500	871	80,000	40,000
- Professional Conduct Committee	221,966	224,000	2,034	475,000	371,000
- Health Committee	918	1,000	82	10,000	2,000
Section 32 cases	0	0	0	5,000	2,000
Total	255,556	258,600	3,044	585,000	425,000

13. Statutory committee costs represent 97% 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.

14. The opening nine-months of the financial year do not represent the normal activity which takes place within fitness to practise as Council members will know we suspended substantive hearings until 3 July 2020, although we have recently restarted our activities through online and blended hearings.

15. The events that we currently have scheduled for the rest of the financial year are:

January 2021

x1 x5 day PCC hearing
x1 x3 day PCC hearing
x1 x1 day PCC hearing
x1 x1 day ISO hearing

February 2021

x1 x3 day PCC hearing
x1 x1 day IC meeting
x1 x8 day PCC hearing

March 2021

x1 x3 day PCC hearing
x1 x1 day PCC hearing
x1 x1 day PCC review hearing

16. We have a good understanding of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs for cases held in Osteopathy House. However, these cost units will change, as more activity is undertaken online and we will need to keep these unit costs under review.

17. What we are able to do, based on the current schedule of activity, is to calculate our known costs, and this is reflected in the adjustment we have made to our year-end forecasts.

18. Last year, when all activity was carried out in Osteopathy House, our actual expenditure was lower than budget. We are forecasting that our year-end expenditure in fitness to practise will be lower than budgeted due to the pause in activity at the start of the financial year and the resumption of activity using online substantive hearings.

Governance

	Year to Date 1 April 2020 – 31 December 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Honorariums/responsibility allowances	74,351	75,000	649	100,000	98,500
Tax liability on council member expenses	0	0	0	9,000	8,000
Council costs including reappointments	1,382	1,500	118	20,000	7,500
Other committee costs	8,360	8,500	140	15,000	12,500
PSA levy	10,977	11,250	273	15,000	14,650
Assurance audits	0	0	0	10,000	7,500
Total	95,070	96,250	1,180	169,000	148,650

19. Honorarium and responsibility allowances of £74k represent 78% of the total expenditure for the opening nine-months. Overall expenditure of £95k is slightly under the budget forecast.
20. As we move to online meetings/committees being more of the norm, there will be a reduction in travel and accommodation costs as members will be joining the meetings from home and we have reflected a reduction in the year end expenditure forecast. These cost savings will also result in a smaller tax liability on the expenses, although that benefit will not be realised until FY2021-22 as the tax is paid in the following year.
21. The levy paid to the Professional Standards Authority remains payable during this period.
22. We have a budget allocation of £10k for assurance audits, which has been reduced slightly as the quote approved by the Audit Committee for an Equality, Diversity and Inclusion audit was cheaper than forecast. This work was initially delayed due to the pandemic, although we restarted the audit activity in August 2020.

Administration and establishment

	Year to Date 1 April 2020 – 31 December 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	57,611	62,050	4,439	87,500	80,000
Office administration	41,742	40,825	(917)	94,000	75,000
Financial audit	0	0	0	18,500	18,500
Financing	18,812	19,000	188	22,000	25,000
Publications and subscriptions	4,293	1,750	(2,543)	1,750	1,750
Depreciation	46,500	46,500	0	62,000	62,000
Total	168,958	170,125	1,167	285,750	262,250

23. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£58k) – and office administration – insurance, postage, photocopying – (£42k). These areas represent 59% of the total expenditure at the nine-month position.

24. As we continue with homeworking, there are expected savings to be made around office administration, such as stationery, postage and printing. The year-end budget forecast has been adjusted to reflect this position. We also need to review expenditure through the lens of how Osteopathy House might be used in the future. The enforced period of homeworking has demonstrated that most of our business can be conducted remotely, and following the risk assessment as to how we could reopen the office with social distancing, not everyone may want to return, or be able to return. This may raise the possibility of vacant office space available for rental with GOsC as landlord.

Cash flow: narrative

Direct debit deferral scheme

1. Council met for an extraordinary meeting on 9 April 2020 to consider a paper outlining the impact of COVID-19 and what support it might be able to provide to registrants, balanced against the ongoing, future viability of the organisation.
2. The paper recognised the significant impact that COVID-19 was having on a profession which was primarily made up of self-employed practitioners, but that any assistance which GOsC could provide needed to be within the scope of the GOsC (Application for Registration and Fees) Rules 2000.
3. The first duty of the GOsC was to ensure the protection of patients and the public, and Council members, who, with GOsC being a registered charity are also Trustees, need to ensure decisions taken are in the organisation's best interests. This can sometimes mean there are competing and conflicting demands.
4. At the 9 April 2020 meeting, Council considered the financial impact on the GOsC of a loss of income through a change in the Register, i.e. registration fees collected not being as high as forecast. The Council needed to ensure the GOsC had sufficient cash flow in which to be able to discharge its responsibilities while trying to identify what support it might provide to registrants. It was recognised that not having a single point in time when the entire register renewed its registration was a disadvantage.
5. At the meeting, it agreed to introduce a direct debit deferral system for those registrants who were about to renew their registration in May and June 2020. Council later agreed to extend the direct debit deferral scheme for those due to renew their registration in July and August, but not for future registration months as registrants were starting to return to practice.

Management of expenditure

6. Due to the home working scenario, our normal business planning approach has been reworked. The business plan, which highlighted those activities that had been paused due to the pandemic, now reflects our plans to restart those activities, including which activities will need to continue in the next business year.
7. As previously reported to Council, many of the activities are driven by staff time meaning that pausing activity, or cancelling activity, will not automatically lead to expenditure reductions.
8. Expenditure will not be as high during the months when we are working from home compared to if the business was running as normal from Osteopathy House. We have discussed this earlier in the report, for example, and in line with Government advice about social distancing to stay alert and save lives, that

substantive fitness to practice hearings were postponed, until 3 July 2020. We are now listing hearings to be conducted using remote technology or as a 'blended hearing', part online, part in Osteopathy House.

9. By reworking our business planning approach, expenditure in this year can be better contained and reduced. We currently expect to contain the reduction to income by a greater saving to expenditure.
10. Our main area of fixed cost is around staffing – the average payroll (staff and Council member honorariums) and staff pension costs are c.£120k per month. Through careful supplier management, we can limit our payments to suppliers to a maximum of c.£60k-£70k per month without compromising the relationships that we have developed over several years.
11. During the early part of the pandemic, we needed to consider cash flow considerations and specifically whether we needed to liquidate some, or all, of the portfolio investment held with Brewin Dolphin in order to ensure we can meet our ongoing commitments. This is no longer a primary consideration as our cash position is significantly better than our worst-case forecast scenario.

Investment portfolio

12. As previously reported to Council, the investment portfolio, due to the volatility of the stock market, lost money. As at 31 March 2019, the investment portfolio was £571k. In 2019, Council agreed to close the 120-day bond as the interest rate had been significantly reduced. £585k was transferred into the investment portfolio in December 2019 on closure of the 120-day bond.
13. The combined total invested in the portfolio, in January 2020 was £1.156m.
14. At 31 March 2020, the GOsC investment stood at £1.011m, meaning the portfolio was reduced by c.£150k (13%) compared to the beginning of the year. Because of the outbreak of COVID-19, stock markets crashed and although are now showing some modest signs of recovery, they remain unpredictable. All investment portfolios lost funds, and, in many ways, our investment portfolio is performing better than might have been expected.
15. At 31 December 2020, the investment stands at £1.207m with c.£140k held in cash. This could be immediately withdrawn and to the GOsC. Further withdrawals from the portfolio would need approximately 10 days-notice, although our current expectation is that we would not need to draw down on our investment in this financial year.

Free' reserves versus 'non-liquid' reserves

16. The investment forms part of the GOsC Balance Sheet. In terms of reserves which are immediately available, it would only be the investment portfolio and

Annex C

the bank balance which are 'liquid' reserves and immediately available for use to manage the cashflow.

17. The remainder of the GOsC Balance Sheet is made up of the 'non-liquid assets', debtors and creditors. Non-liquid assets are those assets which would need to sell in order to generate cash. This is predominately Osteopathy House, so any conversion of the non-liquid asset into cash would not be quick.
18. The GOsC is mortgage-free and so a loan against Osteopathy House could be secured if needed to help manage cashflow. However, we have not considered this further as it would not be a prudent move for the GOsC to take out a debt it might not be able to service.
19. In terms of reserves, GOsC has a policy which sets out its target position which is based on an assessment of the likely risks and associated costs should they materialize. The target reserves are £350k-£700k however Council is not under any legislative requirements and the level of reserves it holds can be above or below its target reserve level.
20. In previous years, Council has been below, above and in-line with its target reserves position. The important issue for Council is to consider the possible financial impact of COVID-19 on its income in order to ensure the future viability of the organisation.
21. As at the year-end, the level of reserves was within the target range as agreed by Council. This is demonstrated by the table below.

	£
Funds held	2,496,796
Restricted funds	-
Designated funds	
- CPD	(107,093)
- IT Investment	(75,000)
Operational fixed assets	(1,740,888)
Funds remaining	573,815