

Annex B to Item 6

Financial Report 2021-22 (nine months to December 2021)

Key messages from the report:

- We have a projected an additional surplus of income at the year-end of c.£57k. We now recognise that the income budget forecast for the current financial year was estimated too conservatively post pandemic.
- Incurred expenditure is forecast to be significantly less than provisioned by year-end. With the extended hybrid working continuing longer than predicted, the reduced in-house activities have resulted in the GOsC benefiting from associated cost efficiencies.
- As we continue to adapt to new and innovative processes, manoeuvring through the restrictions enforced by government, it is noted that the expenditure for the nine months to December 2021 is under budget by c.£277k. If expenditure was spent evenly, we should have incurred 74% of the budget spend, whereas we have spent 65%.
- A greater proportion of registrants renewed their registration in full than we had forecast and there have been fewer direct debit failures than forecast since the start of the pandemic.
- At the end of December 2021, the current bank/cash position is £1.06m, a healthy position.

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2021 and will conclude on 31 March 2022. In this report it will be described as FY2021-22.
2. The budget for FY2021-22 was approved by Council in January 2021.
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.

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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 2021, 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:** Expenditure Account (detailed departmental summaries)

Summary of financial position

8. This report covers the nine-month period from 1 April 2021 to 31 December 2021. The accounts show a surplus (before spending from reserves) of £577k against a budgeted surplus of £208k for the same period. We are forecasting a year-end surplus of c.£283k.

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 31 December 2021, income totalled £2.45m, which is £93k ahead of our budget forecast for the same period. Registration fees accounted for 99% of the total income received.
11. The GOsC has some other small income streams which include investment/bank interest income. The most recent report indicates investment income of £21k, with a closing market valuation of the investment portfolio on 31 December 2021 of £1.30m.
12. We have not changed the forecast for investment income at this stage, due to the potential for continued market volatility. Low interest rates and high inflation evidenced a toxic combination for those leaving reserves in cash, and the investment portfolio remains a more sustainable way to generate an income stream with the potential for growth and expansion in the future.

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13. We will keep the investment portfolio under close scrutiny throughout the year. However, if the stock market maintains performance, we should report a stabilised position on investments in the accounts at the year-end, following on from the volatility of the large technical loss reported in 2020 due to the stock market crash that happened at the start of the pandemic and the recovery reported in 2021.

Expenditure

14. At the nine-month position we have recorded actual expenditure of £1.872m against a budgeted position of £2.149m meaning we have spent less than budget forecasts, before designated spending from reserves, by £277k.
15. If expenditure was to be spent evenly through the financial year as projected, we would have spent 74% of the budget. At 31 December 2021, we have spent 65% of the budget. We have adjusted our year-end forecast to reflect the projected 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)

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

	Year to Date 1 April 2021 – 31 December 2021			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Income					
Registration fees	2,443,805	2,352,000	91,805	2,875,000	2,930,000
Other income	5,643	4,375	1,268	25,000	26,800
Total	2,449,448	2,356,375	93,073	2,900,000	2,956,800
Expenditure					
Employment costs	1,096,286	1,131,610	35,324	1,525,280	1,505,310
Education and professional standards	59,457	108,358	48,901	143,170	107,232
Communications, research and development	65,491	90,725	25,234	119,400	91,175
Registration administration	6,977	5,000	(1,977)	5,000	10,465
IT infrastructure	75,245	75,000	(245)	100,000	106,425
Fitness to practise, including legal	275,035	438,750	163,715	585,000	447,000

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	Year to Date 1 April 2021 – 31 December 2021				
Governance	113,283	116,500	3,217	152,500	144,248
Administration and establishment	180,337	182,800	2,463	255,650	261,297
Total	1,872,111	2,148,743	276,632	2,886,000	2,673,152
Surplus before designated spending	577,337	207,632	369,705	14,000	283,648
Designated spending					
- CPD	-	-	-	107,093	
- IT	-	-	-	75,000	
- General legal fund	-	-	-	100,000	
Surplus after designated spending	577,337	-	-	-	-

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

Balance Sheet

18. The Balance Sheet for the period ended 31 December 2021 shows total reserves of £3.37m. Cash held in hand and at bank totals £1.06m with a further £1.23m (balance as at 31 March 2021) in an investment portfolio.

19. The Balance Sheet as at 31 December 2021 is set out below:

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	31 March 2021		31 December 2021	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,671,106		1,664,015
Investment (portfolio)		1,234,760		1,234,760
Current assets				
Debtors	611,659		884,224	
Cash in bank and in hand	401,168		1,060,484	
	1,012,827		1,944,708	
Liabilities				
Creditors – within one year	(1,060,280)		(1,407,732)	
	(1,060,280)		(1,407,732)	
Net Current Assets/Liabilities		(47,453)		536,976
Provisions		(65,500)		(65,500)
Total assets less total liabilities		2,792,913		3,370,251
Reserves				
General reserve		2,510,820		3,088,158
Designated funds				
- CPD scheme implementation		107,093		107,093
- IT investment		75,000		75,000
- General legal fund		100,000		100,000
Total Reserves		2,792,913		3,370,251

Balance Sheet explanatory notes

Debtors

20. At the 31 December 2021, the total of Debtors had increased to £884k from the year-end position of £612k. This 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.

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Creditors

21. At the 31 December 2021, the total of Creditors has also increased to c.£1.41m from the year-end position of £1.06m. 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

22. Council closely monitors its cashflow and reserves. The following section provides an overview of the cash flow position and current cash flow projection.
23. At 31 March 2021, the bank balance was £401k. At 31 December 2021, the bank balance was £1.06m, an increase of £659k. The reason for the increase is that we have a cyclical registration year, so a larger number of registrants have renewed their registration and paid in full, which means an increase in the cash balance.

Investment portfolio

24. At 31 December 2021, the investment stood at £1.303m. 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.

Charity Commission reporting

25. 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 increase against the agreed budget.

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 pandemic, a short narrative is provided.

Employment costs

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

Education and professional standards

	Year to Date 1 April 2021 – 31 December 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	53,043	87,563	34,520	116,750	100,000
Publications & subscriptions	1,593	920	(673)	920	1,593
Osteopathic Practice Standards	1,442	5,250	3,808	6,000	1,570
GOPRE	854	1,125	271	1,500	1,281
Research projects	2,525	13,500	10,975	18,000	2,788
Total	59,457	108,358	48,901	143,170	107,232

3. The nine-month position reports that expenditure of £59k has been incurred against a budget allocation of £108k. As with the underlying theme, the extended hybrid working has resulted in reduced activities, which is reflected in the actual spend.
4. 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 2021 – 31 December 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	-	7,125	7,125	10,000	-
Engagement and events	-	2,625	2,625	3,500	-
Digital maintenance and hosting	15,852	30,725	14,873	38,650	24,782
Publications and subscriptions	1,935	750	(1,185)	750	2,718
<i>Research</i>					
NCOR infrastructure	21,066	21,000	(66)	28,000	28,222
IJOM	26,638	28,500	1,862	38,000	35,453
Total	65,491	90,725	25,234	119,400	91,175

- Expenditure of c.£65k is under budget by c.£25k, which is attributed, in the main, to an underspend on hard-copy publications and digital activity.
- The total cost of research activities is c.£66k which is made up of the GOsC contribution to the National Council for Osteopathic Research (NCOR) (£28k) and the cost of the subscription to the International Journal of Osteopathic Medicine (IJOM) (£38k). These activities support the delivery of our statutory responsibility to develop the profession.

Registration administration

	Year to Date 1 April 2021 – 31 December 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration assessments	6,977	5,000	(1,977)	5,000	10,466
Total	6,977	5,000	(1,977)	5,000	10,466

- The nine-month position for Registration administration is over budget. At the November 2021 meeting, it was reported that the budget was overspent because we had not accounted for the fees paid by applicants correctly in the reporting period. This has now been resolved; however, the budget remains overspent as

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we have processed more registration assessments than we had forecast at the beginning of the year.

IT infrastructure

	Year to Date 1 April 2021 – 31 December 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	71,343	63,750	(7,593)	85,000	100,575
IT sundries/consultancy	3,902	11,250	7,348	15,000	5,850
Total	75,245	75,000	(245)	100,000	106,425

8. Expenditure includes hosting fees and support costs for the cloud environment. Some additional costs have been incurred this year due to the transition of the CRM product to the cloud environment as well as needing to increase our server capacity. We anticipate that our year-end costs will be slightly over budget this year.

Fitness to practise, including legal

	Year to Date 1 April 2021 – 31 December 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	17,160	11,250	(5,910)	15,000	23,000
Statutory committee costs					
- Investigating Committee	30,440	56,250	25,810	75,000	45,000
- Professional Conduct Committee	222,766	360,000	137,234	480,000	372,000
- Health Committee	1,518	7,500	5,982	10,000	2,000
Section 32 cases	3,151	3,750	599	5,000	5,000
Total	275,035	438,750	163,715	585,000	447,000

9. Statutory committee costs represent 93% 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.

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

January 2022

x1 x8 day PCC hearing
x2 x1 day ICOSO hearing

February 2022

x1 x3 day PCC hearing
x1 x1 day IC meeting
x1 x2 day PCC hearing

March 2022

x1 x3 day PCC hearing
x1 x1 day IC hearing

11. We are forecasting that our year-end expenditure in fitness to practise will be lower than budgeted due to the use of online substantive hearings. An increase in the number of in-house activities is anticipated during the financial year 2022-23; however, we expect the overall budget to be at a lower level than in previous years.

Governance

	Year to Date 1 April 2021 – 31 December 2021			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Honorariums/responsibility allowances	74,537	75,000	463	100,000	99,383
Tax liability on council member expenses	-	-	-	-	-
Council costs including reappointments	13,612	10,000	(3,612)	10,500	14,000
Other committee costs	13,965	9,000	(4,965)	12,000	16,000
PSA levy	11,169	11,250	81	15,000	14,865
Committee Associates Programme	-	5,625	5,625	7,500	-
Assurance audits	-	5,625	5,625	7,500	-
Total	113,283	116,500	3,217	152,500	144,248

12. Honorarium and responsibility allowances of c.£75k represent 66% of the total expenditure for the opening nine-months. Overall expenditure of c.£113k is under the budget forecast.

13. As we move to online meetings/committees being more regular, 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

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expenditure forecast. These cost savings have resulted in a smaller tax liability on the expenses, realised in the current year FY2021-22 as the tax is paid in the following year.

14. The levy paid to the Professional Standards Authority remains payable during this period.

Administration and establishment

	Year to Date 1 April 2021 – 31 December 2021			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	60,887	58,875	(2,012)	78,500	78,625
Office administration	41,438	44,250	2,812	59,000	51,067
Financial audit	3,100	13,875	10,775	18,500	18,500
Financing	26,345	17,400	(8,945)	22,000	37,356
Publications and subscriptions	670	500	(170)	1,750	750
Depreciation	47,897	47,900	3	75,900	75,000
Total	180,337	182,800	2,463	255,650	261,298

15. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£61k) – and office administration – insurance, postage, photocopying – (£41k).
16. As we return to a hybrid way of office working, we will need to monitor our expenditure patterns to ensure that we have made the correct assumptions about office expenditure when setting the budget.
17. We are aware that our financing costs have been escalating and we are planning to undertake a banking tender in the coming year to determine which bank can provide us with the best service to meet our business requirements.