

## **Annex B to Item 6**

### **Financial Report 2022-23 (nine months to December 2022)**

#### **Key messages from the report:**

- We have projected an additional surplus of income at the year-end of c.£37k.
- With the adoption of a hybrid working model, which mixes in-office and remote work, this offers flexibility and support, along with reduced in-house activities. This has resulted in the GOsC benefiting from associated cost efficiencies.
- As we continue to adapt to new and innovative processes, the mitigation for the increased reliance on technology will require a more focused deployment of resources. There are costs reflected in the Communications and IT infrastructure budgets which have resulted in an overspend.
- At the end of December 2022, the current bank/cash position is c.£996k, a healthy position.

#### **Background information**

1. The General Osteopathic Council's current financial year commenced on 1 April 2022 and will conclude on 31 March 2023. In this report it will be described as FY2022-23.
2. The budget for FY2022-23 was approved by Council in January 2022.
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:

	<b>Start</b>	<b>End</b>
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 2022, which is nine months into the financial year.

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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 2022 to 31 December 2022. The accounts show a surplus (before spending from reserves) of c.£197k against a budgeted surplus of c.£255k for the same period. We are forecasting a year-end surplus of c.£37k.

### 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 2022, income totalled £2.36m, which is c.£11k under 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 a closing market valuation of the investment portfolio on 31 December 2022 of c.£1.15m.
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 at present remains a more sustainable way to generate an income stream with the potential for growth and expansion in the future.
13. We will keep the investment portfolio under close scrutiny throughout the year. If we are unable to report a stabilised position on investments in the accounts at the year-end, or the interest rates continue to rise, we will need to review the position with a view to conducting further benchmarking.

### Expenditure

14. At the nine-month position we have recorded actual expenditure of c.£2.16m against a budgeted position of c.£2.12m meaning we have spent more than budget forecasts, before designated spending from reserves, by c.£45k.

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15. The bulk of the overspend, 66% is attributed to IT infrastructure improvements, with 26% on employment costs to cover temporary periods of increased human resourcing requirements. We have adjusted our year-end forecast to reflect the projected variances in expenditure across our business.
16. The overspend is minimised by the underspend subsequent to expenditure being reigned in through continued homeworking and through activity being completed online.

### Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2022 – 31 December 2023				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Income</b>					
Registration fees	2,358,672	2,370,000	(11,328)	2,857,250	2,857,250
Other income	2,710	3,875	(1,165)	32,500	32,500
<b>Total</b>	<b>2,361,382</b>	<b>2,373,875</b>	<b>(12,493)</b>	<b>2,889,750</b>	<b>2,889,750</b>
<b>Expenditure</b>					
Employment costs	1,202,188	1,179,500	(22,688)	1,561,000	1,592,304
Education and professional standards	97,191	93,575	(3,616)	148,250	124,780
Communications, research and development	103,960	100,238	(3,723)	185,650	125,350
Registration administration	10,973	7,500	(3,473)	10,000	13,500
IT infrastructure	103,218	79,800	(23,418)	106,400	149,800
Fitness to practise, including legal	346,035	361,000	14,965	450,000	430,250
Governance	111,566	111,000	(566)	154,000	152,600
Administration and establishment	189,250	186,400	(2,850)	260,000	263,715
<b>Total</b>	<b>2,164,381</b>	<b>2,119,013</b>	<b>(45,369)</b>	<b>2,875,300</b>	<b>2,852,299</b>
<b>Surplus before designated spending</b>	<b>197,001</b>	<b>254,863</b>	<b>(57,862)</b>	<b>14,450</b>	<b>37,451</b>

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	Year to Date 1 April 2022 – 31 December 2023				
Designated spending					
- CPD	-	-	-	107,093	
- IT	-	-	-	75,000	
- General legal fund	-	-	-	-	
<b>Surplus after designated spending</b>	<b>197,001</b>	-	-	-	-

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

### Balance Sheet

19. The Balance Sheet for the period ended 31 December 2022 shows total reserves of c.£3.1m. Cash held in hand and at bank totals c.£996k with a further £1.25m (balance as at 31 March 2022) in an investment portfolio.

20. The Balance Sheet as at 31 December 2022 is set out below:

	31 March 2022		31 December 2022	
	£	£	£	£
<b>Non-current assets</b>				
Assets (fixed/intangible)		1,650,250		1,601,773
Investment (portfolio)		1,249,568		1,249,568
<b>Current assets</b>				
Debtors	384,449		975,858	
Cash in bank and in hand	825,254		996,047	
	<b>1,209,703</b>		<b>1,971,905</b>	
<b>Liabilities</b>				
Creditors – within one year	(1,139,103)		(1,655,827)	
	<b>(1,139,103)</b>		<b>(1,655,827)</b>	
<b>Net Current Assets/Liabilities</b>		<b>70,600</b>		<b>316,078</b>
<b>Provisions</b>		<b>(65,500)</b>		<b>(65,500)</b>
<b>Total assets less total liabilities</b>		<b>2,904,918</b>		<b>3,101,919</b>
<b>Reserves</b>				

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General reserve		2,722,825		2,919,826
Designated funds				
- CPD scheme implementation		107,093		107,093
- IT investment		75,000		75,000
-				
<b>Total Reserves</b>		<b>2,904,918</b>		<b>3,101,919</b>

### Balance Sheet explanatory notes

#### *Debtors*

21. At the 31 December 2022, the total of Debtors had increased to c.£976k from the year-end position of £384k. 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.

#### *Creditors*

22. At the 31 December 2022, the total of Creditors has also increased to c.£1.66m from the year-end position of c.£1.14m. 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

23. Council closely monitors its cashflow and reserves. The following section provides an overview of the cash flow position and current cash flow projection.
24. At 31 March 2022, the bank balance was c.£825k. At 31 December 2022, the bank balance was c.£996m, an increase of c.£171k. 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*

25. At 31 December 2022, the investment stood at c.£1.153m, though reported unchanged until final year end figures. 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.

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### *Charity Commission reporting*

26. 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 we will not need to make any reports to the Charity Commission.

## 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 2022 – 31 December 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Quality assurance	88,653	84,300	(4,353)	111,800	106,000
Publications & subscriptions	2,030	675	(1,355)	900	2,030
Osteopathic Practice Standards	4,053	5,100	1,047	6,800	6,750
GOPRE	-	-	-	-	-
Research projects	2,455	3,500	1,045	28,750	10,000
<b>Total</b>	<b>97,191</b>	<b>93,575</b>	<b>(3,616)</b>	<b>148,250</b>	<b>124,780</b>

3. The nine-month position reports that expenditure of c.£97k has been incurred against a budget allocation of £94k. The Mott MacDonald contract attracts the majority of the spend in quality assurance. Two RQ renewals along with annual reporting were incurred in this period.

### Communications, research and development

	Year to Date 1 April 2022 – 31 December 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Publications	4,225	5,850	1,625	31,800	8,000
Engagement and events	2,317	7,763	5,446	38,350	27,150

## Annex A

Digital maintenance and hosting	48,857	37,125	(11,732)	49,500	26,200
Publications and subscriptions	-	-	-	-	-
<i>Research</i>					
NCOR infrastructure	21,048	21,000	(48)	28,000	27,000
IJOM	27,513	28,500	987	38,000	37,000
<b>Total</b>	<b>103,960</b>	<b>100,238</b>	<b>(3,723)</b>	<b>185,650</b>	<b>125,350</b>

- Expenditure of c.£104k is over budget by c.£4k, which is attributed, in the main, to an overspend on the department's contribution to the GOsC IT Cloud infrastructure improvements.
- 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 2022 – 31 December 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Registration assessments	10,973	7,500	(3,473)	10,000	13,500
<b>Total</b>	<b>10,973</b>	<b>7,500</b>	<b>(3,473)</b>	<b>10,000</b>	<b>13,500</b>

- The nine-month position for Registration administration is over budget. At the November 2022 meeting, it was reported that the budget remains overspent as we have processed more registration assessments than we had forecast at the beginning of the year. We are looking into ways of improving this process in a more cost effective manner and this is featured in the Business Plan for 2023-24.



## IT infrastructure

	Year to Date 1 April 2022 – 31 December 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
IT infrastructure (Cloud) / CRM support	76,234	59,775	(16,459)	79,700	119,500
IT sundries/consultancy	26,984	20,025	(6,959)	26,700	30,300
<b>Total</b>	<b>103,218</b>	<b>79,800</b>	<b>(23,418)</b>	<b>106,400</b>	<b>149,800</b>

7. Expenditure includes hosting fees and support costs for the cloud environment. Some additional costs have been incurred this year due to work around 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 significantly over budget this year.

## Fitness to practise, including legal

	Year to Date 1 April 2022 – 31 December 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Other legal costs	22,230	8,000	(14,230)	6,000	6,000
Statutory committee costs					
- Investigating Committee	82,911	70,000	(12,911)	70,000	87,500
- Professional Conduct Committee	228,265	276,000	47,735	368,000	320,000
- Health Committee	11,359	5,000	(6,359)	5,000	15,000
Section 32 cases	1,270	2,000	730	1,000	1,750
<b>Total</b>	<b>346,035</b>	<b>361,000</b>	<b>14,965</b>	<b>450,000</b>	<b>430,250</b>

8. 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.
9. The events that we currently have scheduled for the rest of the financial year are:

## Annex A

### January 2023

x1 2 day PCC hearing  
x1 1 day IC hearing  
x1 1 day PCCISO hearing

### February 2023

x1 1 day IC meeting

### March 2023

x1 1 day IC meeting  
x1 1 day prosecution appeal  
x2 1 day rule 8 PCC meetings  
x3 2 day PCC hearings  
x1 4 day PCC hearing

### April 2023

x1 1 day IC meeting  
x1 10 day PCC hearing

10. 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 pre-pandemic years. We will keep this under very close review as the financial year progresses.

## Governance

	Year to Date 1 April 2022 – 31 December 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Honorariums/responsibility allowances	77,863	78,750	887	105,000	104,000
Tax liability on council member expenses	-	-	-	2,000	2,000
Council costs including reappointments	11,206	9,375	(1,831)	12,500	12,400
Other committee costs	11,496	12,000	504	16,000	16,000
PSA levy	11,001	10,875	(126)	14,500	14,200
Committee Associates Programme	-	-	-	4,000	4,000
Assurance audits	-	-	-	-	-
<b>Total</b>	<b>111,566</b>	<b>111,000</b>	<b>(506)</b>	<b>154,000</b>	<b>152,600</b>

11. Honorarium and responsibility allowances of c.£78k represent 70% of the total expenditure for the opening nine-months. Overall expenditure of c.£112k is roughly on budget.

12. The levy paid to the Professional Standards Authority remains payable during this period and will be a similar amount in the next financial year.

## Administration and establishment

	Year to Date 1 April 2022 – 31 December 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
<b>Expenditure</b>					
Premises	63,613	63,400	(213)	79,000	78,450
Office administration	48,696	46,250	(2,446)	61,000	62,265
Financial audit	-	-	-	18,500	21,600
Financing	24,969	24,750	(219)	33,000	32,950
Publications and subscriptions	2,427	2,500	73	2,500	2,450
Depreciation	49,545	49,500	(45)	66,000	66,000
<b>Total</b>	<b>189,250</b>	<b>186,400</b>	<b>(2,850)</b>	<b>260,000</b>	<b>263,715</b>

13. 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 – (£46k).
14. 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.
15. The only area of overspend relates to higher-than-expected printing costs, mainly in relation to FTP activities and Comms engagement strategies. These costs could potentially be apportioned departmental to provide more clarity on spend at year end.
16. 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.