

Financial Report at end of Q3 2016-17

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2016 and will conclude on 31 March 2017. In this report it will be described as FY2016-17.
2. The budget for FY2016-17 was approved by Council at its meeting of February 2016 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. In order to give Council more robust financial information, we may from time to time shorten the reporting period.
5. For the GOsC 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 FY2016-17 covers the period ending 31 December 2016, 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 2016 to 31 December 2016.
2. The nine-month accounts show a surplus (before spending from reserves on development projects) of £133k against a budgeted forecast of £98k for the same period. The surplus has arisen because of more income being received.

Income

3. The primary source of income is from registration fees paid by osteopaths. The GOsC does not have a single registration date meaning there are osteopaths renewing their registration each 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.
4. At 31 December 2016, income totalled £2.117m, which was £14k ahead of the budget forecast. Registration fees accounted for £2.077m, which was equal to 98% of the total income received.
5. Other income totals £40k which is in line with the budget forecast.
6. For the purpose of the budget and this quarterly financial report, any movement in the value of the GOsC's stock market investments has been excluded.

Expenditure

7. At the nine month position we have recorded actual expenditure of £1.98m against a budgeted position of £2m meaning we are in line with budget forecasts.
8. We have made some adjustments to the year-end forecast which sees an increase in the surplus from £11k to £29k. We have made two minor amendments in two areas (PSA levy and tax liability on Council expenses) where the full year expenditure will be fractionally lower than the budget provision.
9. We have also adjusted the budget line for registration appeals as we do not anticipate any appeals being received in the remainder of the financial year. Lastly, we have adjusted the budget lines for quality assurance and Osteopathic Practice Standards to reflect the known activity and expenditure which will be spent by the year-end.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2016 – 31 December 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	2,077,081	2,065,000	12,081	2,790,000	2,790,000
Other income	40,353	38,400	1,953	48,500	48,500
Total	2,117,434	2,103,400	14,034	2,838,500	2,838,500
Expenditure					
Employment costs	1,011,094	1,003,382	(7,712)	1,329,827	1,339,827
Education and professional standards	52,559	57,600	5,041	135,946	116,800
Communications, research and development	138,098	140,489	2,391	219,420	219,420
Registration administration	13,865	14,675	810	43,200	35,700
IT infrastructure	59,167	60,350	1,183	72,000	72,000
Fitness to practise, including legal	367,617	384,450	16,833	580,000	580,000
Governance	120,820	123,712	2,892	160,750	159,110
Administration and establishment	220,715	220,870	155	286,750	286,750
Total	1,983,935	2,005,528	21,593	2,827,893	2,809,607
Surplus	133,499	97,872	35,627	10,607	28,893

Income and Expenditure Account (detailed departmental summaries)

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

Education and professional standards

	Year to Date 1 April 2016 – 31 December 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Quality assurance	47,699	50,000	2,301	99,146	90,000
Continuing fitness to practise framework	3,320	5,000	1,680	8,000	8,000
Student fitness to practise	0	0	0	2,000	2,000
Osteopathic pre-registration education	0	0	0	6,000	6,000
Osteopathic Practice Standards	1,240	2,000	760	20,000	10,000
Publications and subscriptions	300	600	300	800	800
Total	52,559	57,600	5,041	135,946	116,800

12. The nine month position reports expenditure of £36k has been incurred against the same budget allocation.

13. Quality assurance of £48k represents 91% of the total expenditure at end December 2016. The remaining budget allowance has been reduced slightly taking into account known activity up until the end of the financial year.

14. The budget for the *Osteopathic Practice Standards* (£20k) has also been reduced to reflect the activity which will be completed by 31 March 2017. Council will note from the 2017-18 budget paper that engagement activity around the *Osteopathic Practice Standards* increases in the coming year.

Communications, research and development

	Year to Date 1 April 2016 – 31 December 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publication production	48,279	48,426	147	76,518	76,518
Engagement activities	16,895	17,075	180	45,385	45,385
Website	23,301	25,200	1,899	30,967	30,967
Publications and subscriptions	116	150	34	300	300
<i>Research</i>					
NCOR infrastructure (net)	19,940	19,825	(115)	26,500	26,500
IJOM	29,567	29,813	246	39,750	39,750
Total	138,098	140,489	2,391	219,420	219,420

15. Expenditure of £138k is within budget by £2k. Communication with the profession through publications (£48k) includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.

16. The total cost of research activities is £50k, which is made up of the GOsC contribution to NCOR (£20k) and the cost of the profession-wide subscription to the *International Journal of Osteopathic Medicine* (£30k).

Registration administration

	Year to Date 1 April 2016 – 31 December 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	2,670	3,000	0	3,000	3,000
Registration appeals	0	0	0	7,500	0
Registration assessments	11,195	11,675	480	32,700	32,700
Total	13,865	14,675	810	43,200	35,700

17. The nine month position for Registration administration is in line with budgeted expectations. The cost of registration assessments is as planned, with expenditure to be incurred in the quarter of the year for the recruitment of additional assessors and the associated training and induction on existing registration assessment processes and the EU Directive.

18. To date we have no outstanding registration appeals. Therefore, we have released the budget and increased the forecast year-end surplus.

Fitness to practise, including legal

	Year to Date 1 April 2016 - 31 December 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Other legal costs	18,025	12,500	(5,525)	12,500	12,500
Statutory committee costs					
- Investigating Committee	57,466	64,300	6,834	75,000	75,000
- Professional Conduct Committee	279,382	294,500	15,118	450,000	450,000
- Health Committee	11,233	11,600	367	37,500	37,500
Section 32 cases	1,511	1,550	39	5,000	5,000
Total	367,617	384,450	16,833	580,000	580,000

19. Statutory committee costs represent 95% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees. Council members are aware that this area of business represents the most significant area of risk to the expenditure forecasts in terms of volatility. Other legal costs relate to opinion/advice on judicial reviews.

20. Over the last year we have increased resources in this area and Council can take assurance the team continue 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.

21. Looking ahead, we have the following events forecast until the end of the financial year and beyond.

January 2017

- x1 1 day PCC ISO
- x1 4 day PCC hearing
- x1 3 day PCC hearing
- x3 1 day PCC hearings
- x1 1 day IC meeting

February 2017

- x2 5 day PCC hearings
- x1 3 day PCC hearing
- x1 2 day PCC hearing
- x1 1 day PCC hearing
- x1 1 day PCC review hearing

March 2017

- x1 1 day PCC hearing
- x1 2 day PCC hearing
- x2 5 day PCC hearings
- x1 1 day IC meeting

April 2017

- x1 4 day PCC hearing
- x1 5 day PCC hearing
- x2 2 day PCC hearings

22. Council will see that activity is not slowing down and, based on our understand 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.

23. We shall continue to keep a close eye on the costs related to this area in order 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 2016 - 31 December 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
IT infrastructure (Cloud) / CRM support	58,694	60,000	1,306	64,500	64,500
IT sundries/consultancy	473	350	(123)	7,500	7,500
Total	59,167	60,350	1,183	72,000	72,000

24. Expenditure of £59k is in line with budgeted forecasts for the nine-month position.

25. The budget provision for IT sundries/consultancy will be spent by the year-end specifically on an external audit of IT/cyber-security risks. The scope of the IT audit was approved by the Audit Committee in November 2016 with the audit being undertaken in January 2017.

Governance

	Year to Date 1 April 2016 - 31 December 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	73,200	74,812	1,612	99,750	99,750
Tax liability on council member expenses	8,569	9,000	431	9,000	8,569
Council costs including reappointments	14,310	14,800	490	20,000	20,000
Other committee costs	15,148	15,000	(148)	18,000	18,000
PSA levy	9,593	10,100	507	14,000	12,791
Total	120,820	123,712	2,892	160,750	159,110

26. Honorarium and responsibility allowances of £73k represent 61% of the total expenditure for the opening nine months. Overall expenditure of £120k is in line with the budget forecast.

27. We are aware that the PSA levy and the tax liability on Council member expenses will be slightly lower than the full-year budget and therefore we have adjusted the year-end forecast by a total sum of £1.6k.

Administration and establishment

	Year to Date 1 April 2016 - 31 December 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	93,449	94,200	751	99,000	99,000
Office administration	65,384	64,270	(1,114)	88,500	88,500
Financial audit	0	0	0	21,500	21,500
Financing	15,396	16,000	604	16,000	16,000
Publications and subscriptions	1,486	1,400	(86)	1,750	1,750
Depreciation	45,000	45,000	0	60,000	60,000
Total	220,715	220,870	155	286,750	286,750

28. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£93k) – and office administration – insurance, postage, photocopying – (£65k). These areas represent 72% of the total expenditure at the nine month position.

29. Total expenditure in this area was £221k and is in line with the budget forecast.

Balance Sheet

30. The Balance Sheet for the period ended 31 December 2016 shows total reserves of £2.69m. 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.

31. Cash held in hand and at bank totals £461k as at 31 December 2016 with a further £568k is being held in a bond with Secure Trust Bank generating a greater level of interest for the GOsC (1.99% AER - reducing to 1.25% AER from February 2017) than retaining it in a current account.

32. The Balance Sheet as at 31 December 2016 is:

Annex B to 5

	31 March 2016		31 December 2016	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,846,598		1,803,451
Current assets				
Debtors	327,858		771,525	
Cash in bank and in hand	219,119		460,899	
Investment (portfolio)	568,524		568,524	
Investment (120-day bond)	559,840		568,276	
	1,675,341		2,369,224	
Liabilities				
Creditors – within one year	(974,937)		(1,482,221)	
	(974,937)		(1,482,221)	
Net Current Assets		700,404		887,003
Total assets less total liabilities		2,547,002		2,690,454
Reserves				
General reserve		2,422,002		2,571,454
Designated funds				
- Governance arrangements		100,000		94,000
- RQ accreditation		25,000		25,000
Total Reserves		2,547,002		2,690,454

Balance Sheet explanatory notes

Debtors

33. At the 31 December 2016, the total of Debtors had increased to £772k from the year-end position of £328k. 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 year.

Creditors

34. At the 31 December 2016, the total of Creditors has also increased to £1.48m from the year-end position of £975k. 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.