

Financial Report Q3 2017-18

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2017 and will conclude on 31 March 2018. In this report it will be described as FY2017-18.
2. The budget for FY2017-18 was approved by Council at its meeting of February 2017 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 FY2017-18 covers the period ending 31 December 2017, 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 2017 to 31 December 2017.
2. The nine-month accounts show a surplus (before spending from reserves on development projects) of £85k against a budgeted forecast of £50k for the same period.
3. We have amended the year-end forecasts to reflect known underspends and are now predicting a surplus before designated spending of £46k against a previous forecast of £10k.

Income

4. 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.
5. At 31 December 2017, income totalled £2.206m, which was £6k ahead of the budget forecast. Registration fees accounted for £2.178m, which was equal to 99% of the total income received.
6. Other income totals £28k which is slightly ahead of budget estimates.
7. For the purpose of the budget and this financial report, any movement in the value of the GOsC's stock market investments has been excluded.

Expenditure

8. At the nine month position we have recorded actual expenditure of £2.121m against a budgeted position of £2.150m meaning we have spent less than budget forecasts.
9. Council will recall from the financial report it received in May 2017 that although GOsC had been registered as a charity, our business rates had not been adjusted to reflect our new status. This has now been rectified and GOsC has received a refund to reflect the overpayment of business rates.
10. We are continuing to explore whether it is possible to obtain a back-dated business rate refund beyond the current financial year. In line with the concept of prudence, we do not rely on any possible refund to support or underpin the GOsC financial position.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2017 – 31 December 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	2,178,123	2,175,000	3,123	2,835,000	2,835,000
Other income	28,279	24,950	3,329	46,500	46,500
Total	2,206,402	2,199,950	6,452	2,881,500	2,881,500
Expenditure					
Employment costs	1,056,334	1,066,030	9,696	1,411,373	1,411,373
Education and professional standards	64,104	64,390	286	167,393	132,393
Communications, research and development	146,348	149,563	3,215	204,180	204,180
Registration administration	22,980	21,750	(1,230)	34,000	34,000
IT infrastructure	65,756	70,000	4,244	70,000	70,000
Fitness to practise, including legal	453,655	457,930	4,275	580,000	580,000
Governance	108,250	112,038	3,787	158,250	156,593
Administration and establishment	203,629	208,350	4,721	246,250	246,250
Total	2,121,056	2,150,051	28,995	2,871,446	2,834,789
Surplus before designated spending	85,346	49,899	35,447	10,054	46,711
Designated spending					
- CPD	10,560	-	-	100,000	
- ODG projects	20,465	-	-	-	
Surplus after designated spending	54,321	-	-	-	-

Income and Expenditure Account (detailed departmental summaries)

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

Education and professional standards

	Year to Date 1 April 2017 – 31 December 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	57,248	57,200	(48)	94,473	94,473
CPD	0	0	0	2,000	2,000
Student fitness to practise	0	0	0	5,000	5,000
Osteopathic Practice					
Standards	6,264	5,750	(514)	30,000	15,000
Research projects	592	750	158	35,000	15,000
Publications and subscriptions	0	690	690	920	920
Total	64,104	64,390	286	167,393	132,393

13. The nine month position reports expenditure of £64k has been incurred against a budget allocation of £64k.

14. Quality assurance of £57k represents 89% of the total expenditure at end December 2017 with expenditure on the OPS review representing the balance.

15. The year-end forecast has been adjusted to reflect an expected underspend by year-end. The underspend against the OPS review is to reflect that external consultancy has not been used to analyse the consultation responses with this work completed in-house by Professional Standards staff members. The underspend against Research projects reflects the decision of the Policy Advisory Committee to scale back the literature review for the boundaries research which resulted in a cheaper tender being secured.

Communications, research and development

	Year to Date 1 April 2017 – 31 December 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publication production	59,562	58,580	(982)	82,230	82,230
Engagement activities	6,445	6,420	(25)	19,150	19,150
Website	30,075	34,650	4,575	34,650	34,650
Publications and subscriptions	0	225	225	300	300
<i>Research</i>					
NCOR infrastructure	20,700	19,875	(825)	26,500	26,500
IJOM	29,566	29,813	247	39,750	39,750
Total	146,348	149,563	3,215	204,180	204,180

16. Expenditure of £146k is under budget by £3k. Communication with the profession through publications (£60k) includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.
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).
18. No adjustment to the year-end forecast has been made, specifically around engagement activities. This is because following some staff turnover within the team this year, new ideas have emerged and the Executive have plans to utilise the budget by the year-end.

Registration administration

	Year to Date 1 April 2017 – 31 December 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	4,000	4,500	500	4,500	4,500
Registration appeals	0	0	0	5,000	5,000
Registration assessments	18,980	17,250	(1,730)	24,500	24,500
Total	22,980	21,750	(1,230)	34,000	34,000

19. The nine month position for Registration administration is over budget by £1.2k and will be brought back in line by the end of the financial year.
20. Late in quarter 3 we received one appeal against a registration decision and while no costs have yet been incurred, we expect expenditure within the last three months of the financial year. It is for this reason that we have not adjusted the year-end forecast position.

Fitness to practise, including legal

	Year to Date 1 April 2017 - 31 December 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Other legal costs	14,821	14,830	9	15,000	15,000
Statutory committee costs					
- Investigating Committee	64,853	65,650	797	75,000	75,000
- Professional Conduct Committee	370,086	373,500	3,414	450,000	450,000
- Health Committee	3,457	3,500	43	37,500	37,500
Section 32 cases	438	450	12	2,500	2,500
Total	453,655	457,930	4,275	580,000	580,000

21. Statutory committee costs represent 97% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees at the two 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.
22. 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.
23. The opening nine months of the financial year have been busy for the Regulation team in terms of hearings, which has resulted in some significant expenditure. Looking towards the end of the financial year, we have the following events scheduled.

January 2018

- 1 x 5 day PCC case
- 1 x 4 day PCC case
- 1 x 3 day PCC case
- 1 x 2 day PCC case
- 1 x 1 day IC meeting

February 2018

- 1 x 10 day PCC case
- 1 x 5 day PCC case
- 1 x 1 day PCC case

March 2018

- 1 x 1 day PCC case
- 1 x 1 day IC meeting

24. Council will see that activity remains busy 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.
25. 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 is for this reason that we have not made any changes to the year-end forecast.

IT infrastructure

	Year to Date 1 April 2017 - 31 December 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
IT infrastructure (Cloud) /	39,906	43,150	3,244	43,150	43,150
CRM support	25,000	25,850	850	25,850	25,850
IT sundries/consultancy	850	1,000	150	1,000	1,000
Total	65,756	70,000	4,244	70,000	70,000

26. Expenditure of £66k is slightly under the budgeted forecast.
27. Council will be aware from expenditure incurred last year that an IT audit was completed and the audit findings are being address by our new in-house IT and

Annex B to 5

Business Support resource. Audit Committee is receiving regular updates on the progress made against implementing those audit findings.

Governance

	Year to Date 1 April 2017 - 31 December 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	73,397	74,813	1,416	99,750	99,750
Tax liability on council member expenses	7,343	9,000	1,657	9,000	7,343
Council costs including reappointments	7,571	7,725	154	17,500	17,500
Other committee costs	10,028	10,000	(28)	18,000	18,000
PSA levy	9,912	10,500	588	14,000	14,000
Total	108,250	112,038	3,787	158,250	156,593

28. Honorarium and responsibility allowances of £73k represent 68% of the total expenditure for the opening nine months. Overall expenditure of £108k is slightly under the budget forecast of £112k.

29. The year-end forecast position has been adjusted slightly to reflect the lower tax liability payable on Council member expenses.

Administration and establishment

	Year to Date 1 April 2017 - 31 December 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	71,839	72,000	161	72,000	72,000
Office administration	76,299	81,100	4,801	90,500	90,500
Financial audit	0	0	0	16,000	16,000
Financing	15,524	16,000	476	16,000	16,000
Publications and subscriptions	2,467	1,750	(717)	1,750	1,750
Depreciation	37,500	37,500	0	50,000	50,000
Total	203,629	208,350	4,721	246,250	246,250

Annex B to 5

30. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£72k) – and office administration – insurance, postage, photocopying – (£76k). These areas represent 73% of the total expenditure at the nine month position. Total expenditure in this area was £204k and is under budget by £5k.

Balance Sheet

31. The Balance Sheet for the period ended 31 December 2017 shows total reserves of £2.594m. 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.

32. Cash held in hand and at bank totals £336k with a further £1.14m being split between an investment portfolio and a 120-day bond with Secure Trust.

33. The Balance Sheet as at 31 December 2017 is:

	31 March 2017		31 December 2017	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,796,898		1,809,535
Current assets				
Debtors	397,198		767,435	
Cash in bank and in hand	209,992		336,336	
Investment (portfolio)	573,094		573,094	
Investment (120-day bond)	570,512		570,516	
	1,750,796		2,247,381	
Liabilities				
Creditors – within one year	(1,019,523)		(1,462,740)	
	(1,019,523)		(1,462,740)	
Net Current Assets		731,273		784,641
Total assets less total liabilities		2,528,171		2,594,176
Reserves				
General reserve		2,428,171		2,504,736
Designated funds - CPD scheme implementation		100,000		89,440
Total Reserves		2,528,171		2,594,176

Balance Sheet explanatory notes

Debtors

34. At the 31 December 2017, the total of Debtors had increased to £767k from the year-end position of £397k. 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

35. At the 31 December 2017, the total of Creditors has also increased to £1.46m from the year-end position of £1.02m. 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.