



Council
31 January 2018
Review of reserves and investments

Classification	Public
Purpose	For decision
Issue	<p>The General Osteopathic Council (GOsC) holds reserves to ensure it has sufficient funds to guard against unforeseen events.</p> <p>In addition, to protect its cash reserves, GOsC has a managed investment portfolio held through Brewin Dolphin and a separate 120-bond held with Secure Trust Bank.</p> <p>This paper reviews the reserves and investment positions of the GOsC.</p>
Recommendations	<ol style="list-style-type: none">1. To consider the review of the reserves position2. To consider the GOsC investment position.
Financial and resourcing implications	Contained within the paper.
Equality and diversity implications	None
Communications implications	The reserves position will be set out in the 2017-18 Annual Report and Accounts.
Annex	GOsC stock market investment – valuation
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Background

1. The GOsC holds reserves as part of good business practice to ensure that it has funds available in the event that unforeseen events materialise, such as a sudden increase in operational expenditure or income falling below expectations.
2. In addition, GOsC ensures its cash funds are protected by contracting with Brewin Dolphin to manage an investment portfolio with £500,000 invested while a further £500,000 is held with Secure Trust Bank in a 120-day bond.
3. This paper considers both the reserves position and the investment position in turn.

Reserves

4. Council reviewed the reserves position against the guidance from the Charity Commission last year. Questions posed included:
 - Why you might need reserves for the charity to be effective?
 - How much do you need in reserves?
 - Have you got any funds in reserve at the end of the year?
5. The paper setting out that review can be found here: <http://www.osteopathy.org.uk/news-and-resources/document-library/about-the-gosc/council-february-2017-agenda-meeting-1-february-2017/>
6. Council will recognise that the environment and landscape in which we operate constantly presents new challenges; however, that being true, our income and operational expenditure is reasonably well known. The areas of risk which might lead to significant financial impact should an event crystallise remain the same as last year and are summarised below:

Risk area	Possible financial impact
Increased volume of complaints	Current fitness to practise budget set at £580k. When a spike in complaints occurred in FY13-14, expenditure was c. £720k, an increase of £140k.
Judicial review appeals	A judicial review appeal could cost up to £20k, with GOsC paying the other parties costs were we to be unsuccessful in defending the appeal.
Uninsurable losses, e.g. data protection fines	In 2013 the NMC was fined £150k for a data breach and in 2016 two NHS Foundation Trusts were fined £180k and £185k respectively for separate data breaches. The Information Commissioner has the power to issue fines of up to £500k and with the new General Data Protection Regulations there is

	likely to be a heightened awareness around data breaches.
Unforeseen increase in quality assurance activity	An unforeseen increase in quality assurance activity, i.e. additional unplanned visits, could result in additional expenditure of £20k per visit.

7. Last year Council agreed a target reserves range of £350k-£700k based on the risk profile and possible financial impact(s). Council is advised that the risk profile remains the same as last year and therefore the target reserves range should also be kept constant.
8. To calculate the reserves position, Charity Commission guidance records that ‘...reserves are that part of a charity’s unrestricted funds that is freely available to spend on any of the charity’s purposes.’ The guidance goes on to say that this should exclude restricted income funds, tangible fixed assets, amounts designated for essential future spending and any funds which have particular restrictions on the way in which the funds have to be used.
9. The table below reflects the reserve position of the GOsC as at 31 March 2017, reflecting the amount of funds held, those designated or otherwise committed and those funds which would only be available after the sale of assets.

	£
Funds held	2,528,171
Restricted funds	-
Material funds designated or committed*	100,000
Sale of assets	1,796,898
Funds remaining	631,273

* Funds to be spent within 3 year period being CPD start up funds.

10. At the last year-end position, the reserves fell within the target reserves range of £350k-£700k.
11. Based on our understanding of the financial position for 2017-18, we are able to state that the reserves position as at the year end (31 March 2018) will continue to be within the target reserves range and there is no remedial action for Council to take.

Investments

12. In 2011, when interest rates had been cut significantly, GOsC invested £500,000 into the stock market through Newton Asset Management. The purpose was to offset a lack of real return on the funds.
13. At the same time, a further £500,000 was invested into a 120-day bond with Secure Trust Bank.
14. The stock market investment was based on a number of key principles which are set out below:
 - a. Good financial stewardship aims to increase the asset value above inflation;
 - b. The investment profile of the GOsC was to be at the lower end of medium risk across a five-year period;
 - c. The portfolio needed to be diverse in order to spread the risk of fund fluctuation;
 - d. The investment should be made via a fund route rather than a segregated portfolio;
 - e. No significant capital additions or withdrawals were anticipated;
 - f. The funds could be liquated quickly if required;
 - g. That Council should review the investment strategy on a regular basis.
15. In the last financial year, Council agreed to transfer the management of the stock market investment to Brewin Dolphin, a leading wealth management company with vast experience of working with charities.
16. As at 5 January 2018, the stock market investment was worth £579,228, an increase of £6,134 on the year-end position. A client report is attached at the Annex which sets out the asset allocation of the portfolio.
17. Steve Oliver of Brewin Dolphin will be in attendance to answer Council's questions about the investment approach and the predicted state of the stock market especially as further information about the UK's withdrawal from the EU comes to light during 2018 and into 2019.
18. Turning to the 120-day bond with Secure Trust Bank. As at 31 December 2017, the value of the bond stands at £575,850 with the level of interest earned standing at 1.24% gross. The Executive will continue to monitor the bond over the coming year to assess whether it continues to provide sufficient value for the investment.

19. Both the stock market investment and the 120-day bond are ensuring Council's cash assets are protected and at January 2018 there is no remedial action required of Council.

Recommendations:

1. To consider the review of the reserves position
2. To consider the GOsC investment position.