

Summary

1. This report identifies the main features of the Management Accounts for the three-months ended 30 June 2014. The three-month accounts show a surplus (before designated spending) of £209k against a budgeted forecast of £216k.

Income and Expenditure Account

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

	Year to Date 30 June 2014			FY Budget	FY Forecast
	Actual	Budget	Variance		
Income					
Registration fees	839,106	835,000	4,106	2,568,000	2,568,000
Other income	26,080	24,100	1,980	65,400	75,800
Total	865,186	859,100	6,086	2,633,400	2,643,800
Expenditure					
Employment costs	319,604	301,669	(17,935)	1,172,476	1,217,974
Education and professional standards	1,461	1,487	26	140,650	90,500
Communications, research and development	39,136	40,600	1,464	245,734	245,734
Registration administration	3,350	3,200	(150)	42,990	42,990
IT infrastructure	39,303	39,125	(178)	66,880	70,000
Fitness to practise, including legal	122,171	123,375	1,204	480,000	560,000
Governance	33,025	33,600	575	163,500	163,500
Administration and establishment	98,294	99,437	1,143	305,250	305,250
Total	656,344	642,493	(13,851)	2,617,400	2,695,948
Surplus	208,842	216,607	(7,765)	16,000	(52,418)

Income

3. As at 30 June 2014, income totalled £865k, which was £6k ahead of forecast. Registration Fees accounted for £839k, which was equal to 97% of the total income received. Registration fees actually received totalled £893k; however, the process of accruals accounting requires that only those fees relevant to the three-months be reported.

4. Other income is forecast to be £10k greater than the budget at the year-end. This is due to an individual, who owed GOsC costs following a s32 prosecution, settling their outstanding balance in full.
5. Although rightly not reflected in the accounts, the Executive has been approached by another organisation to assess whether GOsC wishes to sell the three car park spaces it owns in Tanner Street. It is estimated that each space may be worth c£10k-£15k.

Expenditure

6. At the three-month position we have recorded actual expenditure of £656k against a budgeted position of £642k, meaning we are overspent against forecast by £14k. This main area of overspend is employment costs where pressure has arisen due to the increased level of recruitment in the first quarter of the financial year, compared to prior years when the turnover was minimal, and additional staff resources being required within the fitness to practise team. More information is provided in the fitness to practise section of this report.
7. The year-end forecast has also been adjusted to reflect these cost pressures and predicts that, prior to the identification of any offsetting savings, Council will have a deficit at the year-end of £52k compared to its budgeted surplus position of £16k.
8. While it is not ideal to be reporting a forecast deficit position, Council can take some assurance that prudent financial management in past financial periods where substantial surpluses were accrued, means that the reserve position can withstand these one-off events.

Education and professional standards

	Year to Date 30 June 2013			FY Budget	FY Forecast
	Actual	Budget	Variance		
Expenditure					
Working groups	132	200	68	3,500	3,500
Quality assurance	0	0	0	112,000	61,850
Continuing fitness to practise framework	729	0	(729)	10,000	10,000
Student fitness to practise	0	0	0	6,000	6,000
Osteopathic pre- registration education	600	500	(100)	6,000	6,000
Publications and subscriptions	0	787	787	3,150	3,150
Total	1,461	1,487	26	140,650	90,500

9. The three-month position shows that expenditure £1.4k has been incurred. However, the year-end forecast has been adjusted to reflect a reduction in the expected spend on quality assurance. The budget was prepared to be consistent with expenditure patterns of previous financial years but a review of the planned quality assurance work in FY2014-15 has indicated that the £112k budget is unlikely to be required.

Communications, research and development

	Year to Date 30 June 2013				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
Publication production	13,767	14,400	633	79,523	79,523
Engagement activities	203	225	22	67,660	67,660
Website	5,590	5,650	60	19,051	19,051
Public and international affairs	6,460	6,500	40	9,200	9,200
Publications and subscriptions	0	75	75	300	300
<i>Research</i>					
NCOR infrastructure (net)	2,733	2,500	(233)	25,000	25,000
IJOM	10,383	11,250	867	45,000	45,000
Total	39,136	40,600	1,464	245,734	245,734

10. Expenditure of £39k is within budget by £1.5k. Communication with the profession through GOsC publications (£14k) includes *the osteopath* magazine and e-bulletins. Expenditure of £6.4k for Public and international affairs includes a media monitoring subscription and the costs of the Forum for Osteopathic Regulation in Europe.

Registration administration

	Year to Date 30 June 2014				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
Registration documentation	50	0	(50)	2,500	2,500
Registration assessments	3,300	3,200	(100)	40,490	40,490
Total	3,350	3,200	(150)	42,990	42,990

11. The three-month position for Registration administration is fractionally over budget; however, the amount is immaterial and the expenditure will be brought within budget in quarter 2.

IT infrastructure

	Year to Date 30 June 2014				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud)	25,071	25,000	(71)	36,300	36,300
CRM support	10,693	10,000	(693)	23,000	26,120
Disaster recovery facility	2,783	3,000	217	3,000	3,000
IT sundries	756	1,125	369	4,500	4,500
Total	39,303	39,125	(178)	66,800	70,000

12. Expenditure of £39k is in line with the budgeted expectations for the three-month position. In the opening three-months £25k was spent on IT cloud infrastructure; £11k has been spent on CRM support and service contracts, with the remaining balance of expenditure being spent on the premium for the disaster recovery site and IT sundry expenses. The year-end forecast has been increased to account for additional IT support around the website re-platform project.

Fitness to practise, including legal

	Year to Date 30 June 2014				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
Other legal costs	-	3,875	3,875	15,500	15,500
Statutory committee costs					
- Investigating Committee	23,955	24,000	45	45,000	60,000
- Professional Conduct Committee	93,700	90,000	(3,700)	400,000	465,000
Section 32 cases	692	1,000	308	15,000	15,000
Law library subscription	3,824	4,500	676	4,500	4,500
Total	122,171	123,375	1,204	480,000	560,000

13. Statutory committee costs represent 96% of the department expenditure and reflect the work of the Investigating Committee and the Professional Conduct Committee. A likely increase in the number of hearings, as reported to Council by the Head of Regulation through the fitness to practise reports, will potentially

lead to greater cost pressures being placed on this area of the business. It is therefore prudent to now forecast the year-end financial position to be greater than budget.

14. When the budget envelope was agreed by Council in October 2013, there was a caveat that fitness to practise represented the greatest risk to the expenditure forecast in terms of volatility and, although a modest budget reduction was made in the annual budget, the Executive is reporting to Council at the earliest opportunity that expenditure is likely to exceed budget.
15. We are forecasting Investigating Committee meeting days (5 days across the remainder of the financial year) as well as the need for additional days for Investigating Suspension Orders. Currently in the system we have two potential ISO applications relating to complaints recently received. This activity, which may include the need for experts, may see the budget requirement grow from £45,000 to £60,000.
16. There are 11 Professional Conduct Committee cases likely to be heard by the end of the financial year which at a minimum of five days per hearing equates to 55 hearing days. Assuming the hearings are held with no adjournments the cost is likely to be c£120k for member attendance, travel, accommodation and other expenses including those for witnesses. This amount does not include the cost of external legal fees and expert witnesses which are likely to reach £200k by the end of the financial year.
17. There has also been an increase in Health Committee referrals with three new cases referred by the Investigating Committee. We are scheduling two directional hearings (two days) and two substantive hearings (11 days) which may incur costs of c£50k.
18. We also have to be mindful that work in this area is subject to judicial review and as such we should try to retain a contingency for appeals to be heard. We have been made aware of two judicial reviews against decisions made by the committees and we will continue to monitor this situation.
19. In order to ensure consistency of decision making we are committed to training our legal assessors and this work will also be completed in-year.
20. As mentioned at Paragraph 6, additional staff resources have been allocated to the team to help manage the additional hearing days.

Governance

	Year to Date 30 June 2013				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	28,658	29,250	592	117,000	117,000
Tax liability on council member expenses	0	0	0	8,000	8,000
Council costs including reappointments	1,839	1,850	11	21,000	21,000
Other committee costs	2,528	2,500	(28)	14,500	14,500
Internal operations, including training	0	0	0	3,000	3,000
Total	33,025	33,600	575	163,500	163,500

21. Honorarium and responsibility allowances of £29k represent 87% of the total expenditure for the three-months to 30 June 2014.

22. Total expenditure of £33k is in line with the budget forecast.

Administration and establishment

	Year to Date 30 June 2014				
	Actual	Budget	Variance	FY Budget	FY Forecast
Expenditure					
Premises	32,211	33,499	1,288	85,000	85,000
Office administration	33,826	33,000	(826)	82,500	82,500
Financial audit	0	0	0	20,000	20,000
Financing	7,257	7,500	243	16,000	16,000
Publications and subscriptions	0	438	438	1,750	1,750
Depreciation	25,000	25,000	0	100,000	100,000
Total	98,294	99,437	1,143	305,250	305,250

23. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£32k) – and office administration – insurance, postage, photocopying – (£34k). These areas represent 67% of the total expenditure at the three-month position.

24. Total expenditure in this area was £98k and is marginally underspent by £1.1k against the budget forecast.

Balance Sheet

25. The Balance Sheet for the three-months to 30 June 2014 shows total reserves of £2.333m. The Balance Sheet position remains healthy and demonstrates that the GOsC is well placed to meet its future obligations and the challenges ahead.

26. Cash held in hand and at bank totals £1.080m as at 30 June 2014 of which £500k is being held in a bond with Secure Trust Bank generating a greater level of interest for the GOsC (2% AER) than retaining it in a current account.

	31 March 2014		30 June 2014	
	£	£	£	£
Non-current assets				
Fixed assets	1,857,935		1,832,935	
Investments	500,000		500,000	
		2,357,935		2,332,935
Current assets				
Debtors	341,973		821,240	
Cash in hand and at bank	860,224		1,080,358	
	1,202,197		1,901,598	
Liabilities				
Creditors – within one year	(983,701)		(1,449,280)	
Creditors – over one year	-		-	
	(983,701)		(1,449,280)	
Net Assets		218,496		452,318
Total assets less total liabilities		2,576,431		2,785,253
Reserves				
General reserve		2,406,559		2,615,401
Designated funds				
- Governance arrangements		100,000		100,000
- Effectiveness of regulation research		69,872		69,852
Total Reserves		2,576,431		2,785,253