

Financial Report at end of Q1 - 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 first financial report of FY2016-17 covers the period ending 30 June 2016, which is three 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 three month period from 1 April 2016 to 30 June 2016.
2. The first quarter accounts show a surplus (before spending from reserves on development projects) of £231k against a budgeted forecast of £225k for the same period. The surplus has arisen because of slightly more income being received and through expenditure being underspent against budget.

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 30 June 2016, income totalled £786k, which was £1.5k ahead of the budget forecast. Registration fees accounted for £776k, which was equal to 99% of the total income received.
5. Other income totals £9.5k which is in line with the budget forecast.

Expenditure

6. At the three month position we have recorded actual expenditure of £555k against a budgeted position of £560k meaning we are underspent against the budget forecast by £5k.
7. There are no significant adjustments to the year-end forecast. 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.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2016 – 30 June 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Income					
Registration fees	776,413	775,000	1,413	2,790,000	2,790,000
Other income	9,522	9,395	127	48,500	48,500
Total	785,935	784,395	1,540	2,838,500	2,838,500
Expenditure					
Employment costs	340,149	340,482	333	1,329,827	1,329,827
Education and professional standards	382	300	(82)	135,946	135,946
Communications, research and development	33,738	34,138	400	219,420	219,420
Registration administration	2,966	3,000	34	43,200	43,200
IT infrastructure	17,324	17,350	26	72,000	72,000
Fitness to practise, including legal	49,650	52,500	2,850	580,000	580,000
Governance	33,325	34,137	812	160,750	159,110
Administration and establishment	77,319	77,680	361	286,750	286,750
Total	554,583	559,587	4,733	2,827,893	2,826,253
Surplus	231,082	224,808	6,274	10,607	12,247

Income and Expenditure Account (detailed departmental summaries)

9. 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 – 30 June 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Quality assurance	0	0	0	99,146	99,146
Continuing fitness to practise framework	82	100	18	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	0	0	0	20,000	20,000
Publications and subscriptions	300	200	(100)	800	800
Total	382	300	(82)	135,946	135,946

10. The three month position reports expenditure of £382 has been incurred against a budget forecast of £300.
11. While there is minimal spend in the opening quarter, this is not surprising as work has primarily been desk-research in preparation for expenditure which will be back-loaded, i.e. more spent in the latter part of the financial year than the opening periods. This is why the year-end forecast has not been adjusted at the three-month stage.

Communications, research and development

	Year to Date 1 April 2016 – 30 June 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Publication production	14,557	14,825	268	76,518	76,518
Engagement activities	2,494	2,525	31	45,385	45,385
Website	90	150	60	30,967	30,967
Publications and subscriptions	116	75	(41)	300	300
<i>Research</i>					
NCOR infrastructure (net)	6,625	6,625	0	26,500	26,500
IJOM	9,856	9,938	82	39,750	39,750
Total	33,738	34,138	400	219,420	219,420

12. Expenditure of £34k is within budget by £400. Communication with the profession through publications (£14.5k) includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.

13. The total cost of research activities is £16k, which is made up of the GOsC contribution to NCOR (£6.6k) and the cost of the profession-wide subscription to the *International Journal of Osteopathic Medicine* (£9.8k).

Registration administration

	Year to Date 1 April 2016 – 30 June 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	0	0	0	3,000	3,000
Registration appeals	0	0	0	7,500	7,500
Registration assessments	2,966	3,000	34	32,700	32,700
Total	2,966	3,000	34	43,200	43,200

14. The three month position for Registration administration is in line with budgeted expectations.

15. To date we have no outstanding registration appeals. At this stage we have not adjusted the year-end forecast, although we will revisit this as the year progresses to assess whether the budget provision should be released.

Fitness to practise, including legal

	Year to Date 1 April 2016 - 30 June 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Other legal costs	0	0	0	12,500	12,500
Statutory committee costs					
- Investigating Committee	11,625	12,000	375	75,000	75,000
- Professional Conduct Committee	32,811	35,000	2,189	420,000	420,000
- Health Committee	5,214	5,500	286	67,500	67,500
Section 32 cases	0	0	0	5,000	5,000
Total	49,650	52,500	2,850	580,000	580,000

16. Statutory committee costs represent 100% 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.
17. 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. Further, the team continue to explore how the in-house database can be used to its fullest potential to streamline case management procedures.
18. Looking ahead, we have the following events for later in the year, where Council will see that activity starts to increase. The unknown factor is any interim suspension orders or additional days which may occur.

July 2016

- x1 4 day PCC hearing
- x1 5 day PCC hearing
- x1 1 day ISO review hearing

August 2016

- x1 7 day PCC hearing
- x1 5 day PCC hearing
- x1 2 day PCC hearing
- x1 1 day IC meeting

September 2016

- x1 5 day PCC hearing

October 2016

- x1 5 day PCC hearing
- x1 2 day PCC hearing
- x1 1 day PCC review hearing
- x1 1 day IC meeting

November 2016

- x2 5 day PCC hearings

19. Based on our understand of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs, we forecasting that by the year-end, the costs will be contained within budget. 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.
20. 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 - 30 June 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
IT infrastructure (Cloud)	10,000	10,000	0	40,650	40,650
CRM support	6,991	7,000	9	23,850	23,850
IT sundries/consultancy	333	350	17	7,500	7,500
Total	17,324	17,350	26	72,000	72,000

21. Expenditure of £17k is in line with budgeted forecasts for the three-month position. Expenditure incurred relates to spend on the IT cloud infrastructure (£10k) and CRM support and service contracts (£7k).
22. We anticipate that the budget provision for IT sundries/consultancy will be spent by the year-end and specifically for external support/audit of cyber-security risks.

Governance

	Year to Date 1 April 2016 - 30 June 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Honorariums/responsibility allowances	24,262	24,937	675	99,750	99,750
Tax liability on council member expenses	0	0	0	9,000	8,569
Council costs including reappointments	2,949	3,000	51	20,000	20,000
Other committee costs	2,916	3,000	84	15,000	15,000
PSA levy	3,198	3,200	2	14,000	12,791
Internal operations, including training	0	0	0	3,000	3,000
Total	33,325	34,137	812	160,750	159,110

23. Honorarium and responsibility allowances of £24k represent 73% of the total expenditure for the opening three months. Overall expenditure of £33k is in line with the budget forecast.

24. 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 - 30 June 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	34,410	34,900	490	99,000	99,000
Office administration	20,406	20,280	(126)	88,500	88,500
Financial audit	0	0	0	21,500	21,500
Financing	6,443	6,500	57	16,000	16,000
Publications and subscriptions	1,060	1,000	(60)	1,750	1,750
Depreciation	15,000	15,000	0	60,000	60,000
Total	77,319	77,680	361	286,750	286,750

25. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£34k) – and office

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administration – insurance, postage, photocopying – (£20k). These areas represent 71% of the total expenditure at the three month position.

26. Total expenditure in this area was £77k and is in line with the budget forecast.

Balance Sheet

27. The Balance Sheet for the period ended 30 June 2016 shows total reserves of £2.768m. 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.

28. Cash held in hand and at bank totals £449k as at 30 June 2016 with a further £560k is being held in a bond with Secure Trust Bank generating a greater level of interest for the GOsC (1.99% AER) than retaining it in a current account.

29. The Balance Sheet as at 30 June 2016 is:

	31 March 2016		30 June 2016	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,846,598		1,833,466
Current assets				
Debtors	327,858		801,825	
Cash in bank and in hand	219,119		448,597	
Investment (portfolio)	568,524		568,524	
Investment (120-day bond)	559,840		559,840	
	1,675,341		2,387,786	
Liabilities				
Creditors – within one year	(974,937)		(1,444,405)	
	(974,937)		(1,444,405)	
Net Current Assets		700,404		934,381
Total assets less total liabilities		2,547,002		2,767,847
Reserves				
General reserve		2,422,002		2,642,847
Designated funds				
- Governance arrangements		100,000		100,000
- RQ accreditation		25,000		25,000
Total Reserves		2,547,002		2,767,847

Balance Sheet explanatory notes

Debtors

30. At the 30 June 2016, the total of Debtors had increased to £802k from the year-end position of £329k. 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 due to the large volume of the register that renew their registration in the opening three months of the year.

Creditors

31. At the 30 June 2016, the total of Creditors has also increased to £1.44m 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.