

Financial Report 2018-19 (two months to May 2018)

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2018 and will conclude on 31 March 2019. In this report it will be described as FY2018-19.
2. The budget for FY2018-19 was approved by Council at its meeting of January 2018 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 FY2018-19 covers the period ending 31 May 2018, which is two 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 two month period from 1 April 2018 to 31 May 2018.
2. The two-month accounts show a surplus (before spending from reserves on development projects) of £194k against a budgeted forecast of £170k for the same period.

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 May 2018, income totalled £696k, which was £1.6k ahead of the budget forecast. Registration fees accounted for £691k, which was equal to 99% of the total income received.
5. Other income totals £4.6k which is slightly ahead of budget estimates.
6. 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

7. At the two month position we have recorded actual expenditure of £502k against a budgeted position of £524k meaning we have spent less than budget forecasts.
8. We are continuing to explore whether it is possible to obtain a back-dated business rate refund. 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)

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

	Year to Date 1 April 2018 – 31 May 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	691,567	690,000	1,567	2,872,000	2,872,000
Other income	4,671	4,500	171	39,500	39,500
Total	696,238	694,500	1,738	2,911,500	2,911,500
Expenditure					
Employment costs	224,898	239,518	14,620	1,432,609	1,432,609
Education and professional standards	330	653	323	172,793	172,793
Communications, research and development	35,504	36,581	1,077	204,750	204,750
Registration administration	7,161	7,500	339	24,500	24,500
IT infrastructure	23,488	23,150	(338)	70,000	70,000
Fitness to practise, including legal	131,262	135,150	3,888	580,000	580,000
Governance	23,002	23,458	456	155,250	155,250
Administration and establishment	56,335	58,234	1,899	261,500	261,500
Total	501,980	524,244	22,264	2,901,402	2,901,402
Surplus before designated spending	194,258	170,256	24,002	10,098	10,098
Designated spending					
- CPD	-	-	-	70,842	-
- ODG projects	-	-	-	-	-
Surplus after designated spending	194,258	-	-	-	-

Income and Expenditure Account (detailed departmental summaries)

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

Education and professional standards

	Year to Date 1 April 2018 – 31 May 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	-	500	500	96,473	96,473
CPD	330	-	(330)	10,400	10,400
Osteopathic Practice Standards	-	-	-	25,000	25,000
Research projects	-	-	-	40,000	40,000
Publications and subscriptions	-	153	153	920	920
Total	330	653	323	172,793	172,793

11. The two month position reports expenditure of just £330 has been incurred against a budget allocation of £653.

12. Expenditure for Education and Professional Standards is forecast to gather pace in quarter two and so Council should be assured that the full year budget remains an accurate estimate despite the minimal expenditure in the two month period to May 2018.

Communications, research and development

	Year to Date 1 April 2018 – 31 May 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	13,109	13,650	541	85,650	85,650
Engagement and events	1,388	1,683	295	21,600	21,600
Digital Publications and subscriptions	9,840	10,000	160	30,015	30,15
	-	96	96	575	575
<i>Research</i>					
NCOR infrastructure	4,432	4,417	(15)	26,500	26,500
IJOM	6,735	6,735	-	40,410	40,410
Total	35,504	36,581	1,077	204,750	204,750

13. Expenditure of £36k is under budget by £1k. Communication with the profession through publications includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.
14. The total cost of research activities is £11k which is made up of the GOsC contribution to NCOR (£4k) and the cost of the subscription to IJOM (£7k).

Registration administration

	Year to Date 1 April 2018 – 31 May 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	3,958	4,000	42	4,500	4,500
Registration appeals	306	500	194	5,000	5,000
Registration assessments	2,897	3,000	103	15,000	15,000
Total	7,161	7,500	339	24,500	24,500

15. The two month position for Registration administration is under budget by £339k with expenditure being incurred on registration documentation, including certificate production (£4k) and registration assessment activity (£3k).

Fitness to practise, including legal

	Year to Date 1 April 2018 - 31 May 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	18,000	20,000	2,000	25,000	25,000
Statutory committee costs					
- Investigating Committee	7,307	7,500	193	75,000	75,000
- Professional Conduct Committee	103,303	105,000	1,697	450,000	450,000
- Health Committee	2,040	2,000	(40)	28,000	28,000
Section 32 cases	612	650	38	2,000	2,000
Total	131,262	135,150	3,888	580,000	580,000

16. Statutory committee costs represent 86% 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.

17. 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.
18. The opening two months of the financial year continue to be busy for the Regulation team in terms of hearings. Looking ahead, we have the following events scheduled.

June

- 1 x 1 day PCC Case
- 1 x 3 day PCC Case
- 1 x 5 day PCC Case
- 2 x 4 day PCC Cases
- 1 x 1 day IC Training

July

- 1 x 4 day PCC Case
- 1 x 1 day IC ISO
- 1 x 2 day PCC Case
- 1 x 1 day IC Meeting
- 1 x 7 day PCC Case

August

- 1 x 3 day PCC Case

September

- 2 x 1 day PCC Case
- 1 x 1 day IC Meeting
- 1 x 4 day PCC Case

19. 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.
20. 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 2018 - 31 May 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	23,488	23,150	(338)	69,000	69,000
IT sundries/consultancy	-	-	-	1,000	1,000
Total	23,488	23,150	(338)	70,000	70,000

21. Expenditure of £23k is slightly over the budgeted forecast; however, this will be rectified within the coming months ahead. The expenditure incurred includes the hosting fees and support costs for the cloud environment.

Governance

	Year to Date 1 April 2018 - 31 May 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	16,298	16,625	327	99,750	99,750
Tax liability on council member expenses	-	-	-	9,000	9,000
Council costs including reappointments	1,513	1,500	(13)	17,500	17,500
Other committee costs	2,922	3,000	78	15,000	15,000
PSA levy	2,269	2,333	64	14,000	14,000
Total	23,002	23,458	456	155,250	155,250

22. Honorarium and responsibility allowances of £16k represent 70% of the total expenditure for the opening two months. Overall expenditure of £23k is slightly under the budget forecast.

Administration and establishment

	Year to Date 1 April 2018 - 31 May 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	30,677	32,000	1,323	80,000	80,000
Office administration	13,415	13,900	485	95,250	95,250
Financial audit	-	-	-	16,500	16,500
Financing	3,402	3,500	98	18,000	18,000
Publications and subscriptions	508	500	(8)	1,750	1,750
Depreciation	8,333	8,334	1	50,000	50,000
Total	56,335	58,234	1,899	261,500	261,500

23. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£31k) – and office administration – insurance, postage, photocopying – (£13k). These areas represent 78% of the total expenditure at the two month position. Total expenditure in this area was £56k and is under budget by £1.9k.

Balance Sheet

24. The Balance Sheet for the period ended 31 May 2018 shows total reserves of £2.706m. 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.
25. Cash held in hand and at bank totals £389k with a further £1.13m being split between an investment portfolio and a 120-day bond with Secure Trust.
26. The Balance Sheet as at 31 May 2018 is:

Annex B to 6

	31 March 2018		31 May 2018	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,796,779		1,790,564
Current assets				
Debtors	382,420		893,985	
Cash in bank and in hand	169,332		389,008	
Investment (portfolio)	551,021		551,021	
Investment (120-day bond)	577,623		577,623	
	1,680,396		2,411,637	
Liabilities				
Creditors – within one year	(962,988)		(1,496,605)	
	(962,988)		(1,496,605)	
Net Current Assets		717,409		915,032
Total assets less total liabilities		2,514,188		2,705,596
Reserves				
General reserve		2,443,346		2,634,754
Designated funds - CPD scheme implementation		70,842		70,842
Total Reserves		2,514,188		2,705,596

Balance Sheet explanatory notes

Debtors

27. At the 31 May 2018, the total of Debtors had increased to £894k from the year-end position of £382k. 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 months of the financial year.

Creditors

28. At the 31 May 2018, the total of Creditors has also increased to £1.496m from the year-end position of £962k. 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.