

Financial Report 2019-20 (two months to May 2019)

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2019 and will conclude on 31 March 2020. In this report it will be described as FY2019-20.
2. The budget for FY2019-20 was approved by Council in February 2019.
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. To give Council more robust financial information, we may from time to time shorten the reporting period.
5. 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 FY2019-20 covers the period ending 31 May 2019, 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 2019 to 31 May 2019. The accounts show a surplus (before spending from reserves on development projects) of £90k against a budgeted surplus of £80k for the same period.

Income

2. The primary source of income is from registration fees paid by osteopaths. The GOsC does not have a single registration date meaning osteopaths renew their registration every 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.

3. At 31 May 2019, income totalled £559k, which was £3k ahead of the budget forecast. Registration fees accounted for 99% of the total income received. For the budget and this financial report, any movement in the value of the GOsC's stock market investments has been excluded.

Expenditure

4. At the two-month position we have recorded actual expenditure of £469k against a budgeted position of £476k meaning we have spent less than budget forecasts before designated spending from reserves.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2019 – 31 May 2019				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	558,501	555,000	3,501	2,910,000	2,910,000
Other income	689	700	(11)	39,500	39,500
Total	559,190	555,700	3,490	2,949,500	2,949,500
Expenditure					
Employment costs	242,372	245,208	2,836	1,471,250	1,471,250
Education and professional standards	53,926	54,554	628	137,945	137,945
Communications, research and development	26,383	28,825	2,442	202,500	202,500
Registration administration	3,873	4,000	127	15,000	15,000
IT infrastructure	15,171	15,000	(171)	74,843	74,843
Fitness to practise, including legal	48,902	49,800	898	595,000	595,000
Governance	21,568	21,883	315	174,282	174,282
Administration and establishment	56,833	56,864	31	268,250	268,250
Total	469,028	476,134	7,106	2,939,070	2,939,070

Surplus before designated spending	90,162	79,566	10,596	10,430	10,430
Designated spending - CPD	9,205	-	-	32,498	-
Surplus after designated spending	80,957	-	-	-	-

Income and Expenditure Account (detailed departmental summaries)

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

Education and professional standards

	Year to Date 1 April 2019 – 31 May 2019				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	53,808	54,000	192	94,625	94,625
CPD	-	-	-	-	-
Osteopathic Practice Standards	-	-	-	21,000	21,000
Research projects	118	400	282	21,400	21,400
Publications and subscriptions	-	154	154	920	920
Total	53,926	54,554	628	137,945	137,945

7. The two-month position reports expenditure of £54k has been incurred against a budget allocation of £55k. 99% of the expenditure relates to the quality assurance process, with expenditure on research projects and the Osteopathic Practice Standards incurred later in the financial year.
8. Council will note it ring-fenced £100,000 from reserves for the implementation and start-up of the CPD scheme, which came into effect from 1 October 2018. At the start of the financial year, £32,498 remained in the reserve fund and will be spent in the coming year.

Communications, research and development

	Year to Date 1 April 2019 – 31 May 2019				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	13,065	13,200	135	90,100	90,100
Engagement and events	40	84	44	9,600	9,600
Digital	3,810	4,000	190	33,550	33,550
Publications and subscriptions	-	125	125	750	750
<i>Research</i>					
NCOR infrastructure	4,417	4,583	166	27,500	27,500
IJOM	5,051	6,833	1,782	41,000	41,000
Total	26,383	28,825	2,442	202,500	202,500

9. Expenditure of £27k is slightly under budget by £2k. Communication with the profession through publications includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution and totals (£13k) equal to 49.5% of the departmental spend.
10. The total cost of research activities is £9k which is made up of the GOsC contribution to NCOR (£4k) and the cost of the subscription to IJOM (£5k).

Registration administration

	Year to Date 1 April 2019 – 31 May 2019				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	2,445	2,500	55	5,000	5,000
Registration assessments	1,428	1,500	72	10,000	10,000
Total	3,873	4,000	127	15,000	15,000

11. The two-month position for Registration administration is fractionally under budget. Incurred departmental expenditure is on registration documentation, including certificate production (£2.4k) and registration assessment activity (£1.4k) which will over the year include training and appraisal of assessors.

Fitness to practise, including legal

	Year to Date 1 April 2019 – 31 May 2019				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	-	-	-	30,000	30,000
Statutory committee costs					
- Investigating Committee	5,306	5,500	194	80,000	80,000
- Professional Conduct Committee	43,284	44,000	716	470,000	470,000
- Health Committee	312	300	(12)	10,000	10,000
Section 32 cases	-	-	-	5,000	5,000
Total	48,902	49,800	898	595,000	595,000

12. Statutory committee costs represent 100% 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.

13. The opening months of the financial year continue to be busy for the Regulation team in terms of hearings, and at this early stage, we remain confident costs will continue to be contained within budget. Looking ahead, we have the following events scheduled.

June

1 x 1-day PCC
1 x 2-day PCC
1 x 3-day PCC
1 x 4-day PCC
1 x 5-day PCC
1 x 1-day IC ISO
1 x 1-day IC

July

3 x 1-day PCC
1 x 1-day IC
1 x 1-day IC training

August

1 x 1-day PCC
3 x 2-day PCC
1 x 4-day PCC
1 x 5-day PCC

14. Council will see that activity remains busy and based on our understanding 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, appeals against decisions of the PCC or additional days which may occur.

15. We shall continue to keep a close eye on the costs related to this area to identify any potential overspend if 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.
16. The Regulation team have planned for an initial stages audit to test the quality of our processes. This was considered in June 2019 by the Audit Committee and expenditure will be incurred in the second quarter of the year.
17. In addition, the Chief Executive and Registrar is commissioning an independent review into two statements made in a reflective document by the former chair of the Investigating Committee. This is an unplanned review and will need to be funded from reserves. The costs of this work are currently unknown as the terms of reference have yet to be drafted. However, this matter will be kept under the review of the Audit Committee which discussed the matter at its meeting in June 2019.

IT infrastructure

	Year to Date 1 April 2019 – 31 May 2019				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	15,171	15,000	(171)	68,125	68,125
IT sundries/consultancy	-	-	-	6,718	6,718
Total	15,171	15,000	(171)	74,843	74,843

18. Expenditure of £15k includes the hosting fees and support costs for the cloud environment. In the next quarter expenditure will be incurred on an IT security audit, overseen by the Audit Committee, and through GOsC commissioning penetration security testing.

Governance

	Year to Date 1 April 2019 – 31 May 2019				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	16,289	16,666	377	100,000	100,000

Tax liability on council member expenses	-	-	-	7,282	7,282
Council costs including reappointments	534	500	(34)	20,000	20,000
Other committee costs	2,329	2,300	(29)	15,000	15,000
PSA levy	2,416	2,417	1	14,500	14,500
Consultancy	-	-	-	17,500	17,500
Total	21,568	21,883	315	174,282	174,282

19. Honorarium and responsibility allowances of £16k represent 76% of the total expenditure for the opening two-months. Overall expenditure of £22k is slightly under the budget forecast.

Administration and establishment

	Year to Date 1 April 2019 – 31 May 2019				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	23,775	24,000	225	83,116	83,116
Office administration	18,330	18,550	220	90,000	90,000
Financial audit	-	-	-	18,000	18,000
Financing	4,073	3,167	(906)	19,000	19,000
Publications and subscriptions	1,258	1,750	492	1,750	1,750
Depreciation	9,397	9,397	-	56,384	56,384
Total	56,833	56,864	31	268,250	268,250

20. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£24k) – and office administration – insurance, postage, photocopying – (£18k). These areas represent 74% of the total expenditure at the two-month position.

Balance Sheet

21. The Balance Sheet for the period ended 31 May 2019 shows total reserves of £2.689m. 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.
22. Cash held in hand and at bank totals £399k with a further £1.16m being split between an investment portfolio and a 120-day bond with Secure Trust.
23. The Balance Sheet as at 31 May 2019 is set out overleaf:

	31 March 2019		31 May 2019	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,808,968		1,803,518
Investment (portfolio)		571,845		571,845
Current assets				
Debtors	550,733		937,550	
Cash in bank and in hand	183,059		399,039	
Investment (120-day bond)	584,819		584,819	
	1,318,611		1,921,408	
Liabilities				
Creditors – within one year	(1,091,583)		(1,607,973)	
	(1,091,583)		(1,607,973)	
Net Current Assets		227,028		313,435
Total assets less total liabilities		2,607,841		2,688,798
Reserves				
General reserve		2,575,343		2,665,505
Designated funds				
- CPD scheme implementation		32,498		23,293
Total Reserves		2,607,841		2,688,798

Balance Sheet explanatory notes

Debtors

24. At the 31 May 2019, the total of Debtors had increased to £938k from the year-end position of £551k. 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' spikes as the majority of the register renew their registration in the opening half of the financial year.

Creditors

25. At the 31 May 2019, the total of Creditors has also increased to £1.608m from the year-end position of £1.092m. 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.