

Financial Report 2020-21 (Three months to June 2020)

Key messages from the report:

- The projected loss of income due to the pandemic currently stands at £85k (registration fee and other income).
- Expenditure is under forecast for the three months to June 2020 as we tighten our spending. If expenditure was spent evenly, we should have incurred 25% of the budget. We have spent 19% at the end of quarter 1.
- The number of non-practising registrants has increased by 122 (73%) since the start of the pandemic, but the number has plateaued and is reducing.
- The total number of registrants on the Register has not reduced significantly.
- There are 140 registrants (March to May) who have yet to renew, which represents a financial risk to GOsC; however, this is an improvement on the May 2020 report.
- A greater proportion of registrants renewed their registration in May 2020 and paid in full than we had forecast.
- There were fewer direct debit failures than forecast in April, May and June 2020.
- At the end of June 2020, the current bank/cash position is better than forecast. Actual - £259k against forecast £76k.
- The better than forecast bank/cash position means that Council can consider an extension to the direct debit deferral scheme for those due to renew in August 2020, balanced against the financial risks outlined in the paper.

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2020 and will conclude on 31 March 2021. In this report it will be described as FY2020-21.
2. The budget for FY2020-21 was approved by Council in January 2020.
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

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time to time shorten the reporting period and issue reports outside of the Council meeting cycle.

5. The financial quarters are as follows:

	Start	End
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. This financial report covers the period ending 30 June 2020, which is three months into the financial year, the end of Quarter 1.
7. The structure of this report is:
- Summary of financial position – fuller income/expenditure narrative
 - Income and Expenditure Account (top-level department summary)
 - Income and Expenditure Account (detailed departmental summaries)
 - Balance Sheet, including explanatory notes
 - Cash flow and reserves

Summary of financial position

8. This report covers the three-month period from 1 April 2020 to 30 June 2020. The accounts show a surplus (before spending from reserves) of £203k against a budgeted surplus of £237k for the same period.

Income

Headline position

9. The primary source of income is from registration fees paid by osteopaths. The GOsC does not have a single registration date meaning that in every month there is a proportion of osteopaths due to renew their registration. In accordance with accounting rules we need to ensure that we account for, and report, only the proportion of the fee relevant to the financial period.
10. At 30 June 2020, income totalled £770k, which is £55k behind our budget forecast. Registration fees accounted for 99% of the total income received.

Coronavirus impact on registration fee income

11. The global pandemic has presented new and unforeseen challenges across all sectors. The impact on osteopaths is significant as the profession is primarily made up of self-employed individuals; many closed their practices, with those who remained open seeing a substantial drop in patient numbers. The effect for

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all is the same - a reduction in income, to varying degrees. The GOsC is not immune from the financial effects of the impact of coronavirus.

12. The GOsC (Application for Registration and Fees) Rules 2000 sets out the position with regards to the registration fee (referred in the Rules as the Retention Fee) and the Registrar's authority with regards to fees. The current level of registration fees paid by registrants are:

Practising status	Fee level £
Year 1 (entry fee)	320
Year 2 UK practising	415
Year 2 Non-practising or overseas	230
Year 3 UK practising	570
Year 3 Non-practising or overseas	320

13. The salient points from the Fees Rules 2000 are as follows:

- a. the fee to be paid in full, or by instalments. The Rules state that if paying by instalment, there should be a levy added to the fee. s(8)(1).
- b. where an osteopath is not practicing as an osteopath for three months in their registration year a reduced non-practising fee applies. s(8)(1)(a).
- c. the retention fee may only be paid in instalments with the agreement of the both the osteopath and the Registrar. s(8)(5).
- d. except where the retention fee is being paid by instalments, if the retention fee has not been paid by the due date, and after appropriate notices have been served, the osteopath should be removed from the Register unless the Registrar considers there would be undue hardship in doing so. s(9)(1).
- e. where the retention fee is being paid by instalments, if a payment is not received, and after appropriate notices have been served, the osteopath should be removed from the Register unless the Registrar considers there would be undue hardship in doing so. s(9)(4) and s(9)(5).

NB: Council should note that if a registrant is non-practising for three months and is eligible for the reduced fee, even if they subsequently return to practice, the reduced fee would apply for the rest of their registration year. If a registrant has not been out of practise for three months, (i.e. just six weeks) the reduced fee would not apply.

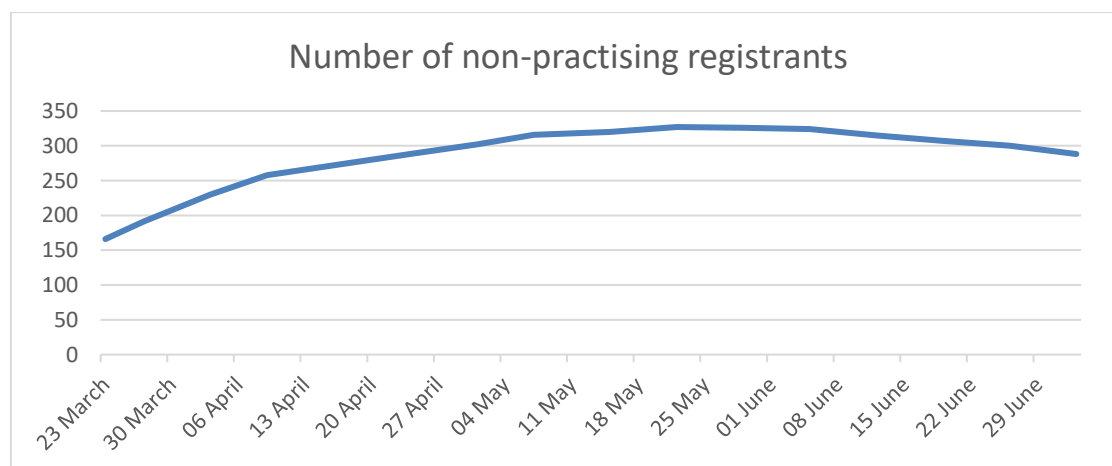
14. In recent discussions, Council have noted that it would be preferable for the non-practising fee to only apply to the period that a registrant is non-practising, and that as they return to work, the registration fee returns to the practising rate. The Executive will explore whether there is any scope for this to be amended within the fee rules.

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15. The composition of the Register at the beginning of lockdown, compared to the most recent data is set out in the table below.

Registration status	23 March	3 July	Variance #	Variance %
UK practising	4,822	4,657	- 165	- 3.42%
Non-practising	166	288	+ 122	+ 73.49%
Overseas	451	447	- 4	- 0.87%
TOTAL	5,439	5,392	- 47	- 0.86%

16. The financial impact on the GOsC this year, and potentially beyond into future financial periods, is not to be underestimated.
17. While the number of osteopaths leaving the Register is relatively small, and currently lower than we might have feared at the beginning of the lockdown, this might still change over the coming months. The table identifies a significant increase in the number of registrants who have converted their status from practising to non-practising during the lockdown period.
18. We have seen a slowing of registrants converting their status to non-practising and as lockdown measures are eased, the number of non-practising registrants is plateauing and reducing. Whether it eventually returns to more traditional levels remains to be seen. However, this is something we will continue to monitor through registration data.



19. Assuming the current composition of the Register remains the same, we know total registration fee income will be c.£60-£70k lower in FY2020-21 than predicted through the lost income as registrants converted their registration status from practising to non-practising. This reduction in income may increase as the financial year progresses.
20. The difficulty of not having a single point in time when every registrant renews their registration is clear as we are constantly working with imperfect data and

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uncertainty. As at 3 July 2020, we know the following about those registration months which are 'live' for renewal now.

Month	Expected to renew	Still to renew	Known direct debit payer	Paid prior year in full
March 2020	49	4	2	2
April 2020	45	6	4	2
May 2020	1723	130	84	46
June 2020	515	190	110	80
July 2020	1279	882	385	497
August 2020	603	578	297	281
September 2020	506	506	244	262

21. The risk for Council is that those registrants who have not yet renewed their registration in March to May fail to do so, meaning a significant reduction in osteopaths on the Register, and an associated loss of income. Historically, there are always several registrants who need to be served with a 14-day notice of removal from the Register in order to prompt them to renew their registration.
22. At its meeting on 11 May, Council approved an Amendment Order which would allow those electronic reminders to be issued. After a delay which was outside of the GOsC's control, this has now been laid before both Houses of Parliament which will enable electronic reminders to be issued.
23. There are currently 140 osteopaths who have not renewed their registration for March to May, which is a reduction of 116 on the May 2020 report. All have been issued with a 14-day notice of removal from the Register letter. Assuming all fail to renew, and all pay the UK practising fee, the GOsC would see a reduction in income of £79,800. This would be in addition to the reduction in income arising from those registrants who have already converted their status from practising to non-practising.
24. If all 140 osteopaths renew their registration but at the non-practising fee, the GOsC would see a reduction in income of £35,000. This would be in addition to the reduction in income arising from those registrants who have already converted their status from practising to non-practising.
25. Of the 140 registrants yet to renew between March and May, there are 90 (64%) who already have a direct debit instalment plan in place, meaning the registrant just needs to complete their self-declaration renewal form online. In a balance of risk, the Executive consider that these registrants are more likely to renew than not, meaning there is greater uncertainty over those who normally pay in full but have not yet renewed – 50 registrants.
26. Applying the same assumptions as set above, if that subset all failed to renew and they all paid the UK practising fee, the reduction in income would be

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£28,500. If they all renewed but at the non-practising fee, the reduction in income would be £12,500.

27. The table below summarises those scenarios:

Renewals outstanding	Number of registrants to renew	Income reduction if all fail to renew	Income reduction if all renew but as non-practising	Income reduction if all non-dd payers fail to renew	Income reduction if all non-dd payers renew but as non-practising
		£	£	£	£
March, April, May	140	79,800	35,000	28,500	12,500

28. In a worst-case scenario, if all 140 registrants fail to renew resulting in a reduction to income of £80k, in addition to the c.£60k-£70k reduction to income of which we are already aware, and if we were to assume expenditure was spent in line with the budget forecast, this would result in a year-end deficit position of c.£150k.

Coronavirus impact on other income

29. The GOsC has some other small income streams which include advertising sales from The Osteopath magazine and investment/bank interest income.
30. Advertising income from The Osteopath magazine will be reduced, in part due to postponing one edition as we redirected our internal resources to respond to the immediate impact of the pandemic, and in part due to the impact on external advertisers being more cautious about placing advertisements. We are still exploring what the loss of income might be, but we prudently predict a reduction to income of c.£15k although this might change, positively or negatively, as the year progresses.
31. We have not changed the forecast for investment income at this stage. In March 2020, the stock market fell sharply and the GOsC investment fell in value by £150k. As reported elsewhere on the Council agenda, the valuation of the investment portfolio as at 23 June, was £1.119m which demonstrates that the investment portfolio has recovered a significant proportion of the loss incurred prior to the year-end. We will keep the investment portfolio under close scrutiny throughout of the year.

Expenditure

32. At the three-month position we have recorded actual expenditure of £572k against a budgeted position of £593k meaning we have spent less than budget forecasts, before designated spending from reserves, by £21k.

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33. If expenditure was to be spent evenly through the financial year, at the end of Quarter 1, we would have spent 25% of the budget. At 30 June 2020, we have spent 19% of the budget.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2020 - 30 June 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Income					
Registration fees	770,181	825,000	(54,819)	2,940,000	2,870,000
Other income	4,905	4,800	105	49,500	34,500
Total	775,086	829,800	(54,714)	2,989,500	2,904,500
Expenditure					
Employment costs	353,482	367,580	14,098	1,488,320	1,450,000
Education and professional standards	8,037	10,230	2,193	139,670	129,670
Communications, research and development	43,915	47,347	3,432	204,000	189,000
Registration administration	712	1,000	288	15,000	10,000
IT infrastructure	37,517	36,500	(1,017)	90,000	90,000
Fitness to practise, including legal	34,581	35,500	919	585,000	585,000
Governance	32,340	32,750	410	169,000	157,500
Administration and establishment	61,453	61,875	422	285,750	270,000
Total	572,037	592,782	20,745	2,976,740	2,881,170
Surplus before designated spending	203,049	237,018	(33,969)	12,760	23,330
Designated spending					
- CPD	-	-	-	107,731	
- IT	-	-	-	75,000	
Surplus after designated spending	203,049	-	-	-	-

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35. The financial report does not traditionally comment on employment costs; however, as the financial position is under such close review, a narrative is provided.

Employment costs

36. Employment costs include those expenses associated with pay, pensions, recruitment and staff training.

37. The Remuneration and Appointments Committee (RaAC) sets the annual staff pay increase which takes effect from 1 April. This year, RaAC did not make a decision in March 2020 as the impact of the global pandemic was starting to take effect and it was unclear what the financial impact on the GOsC would be. The RaAC considered this matter again in June 2020 and decided to again defer any decision to award a pay increase to staff. The committee will consider this again in October 2020.

38. The year-end forecast has been amended to reflect that deferral and the assumption that other non-pay costs will be lower this year; however, if RaAC decided to award a pay increase for staff later in the year, the forecast would need to be reviewed.

Income and Expenditure Account (detailed departmental summaries)

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

Education and professional standards

	Year to Date 1 April 2020 - 30 June 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Quality assurance	8,028	10,000	1,972	106,750	106,750
Osteopathic Practice					
Standards	0	0	0	3,000	3,000
GOPRE	0	0	0	3,000	3,000
Research projects	9	0	(9)	26,000	16,000
Publications and subscriptions	0	230	230	920	920
Total	8,037	10,230	2,193	139,670	129,670

40. The three-month position reports that expenditure of £8k has been incurred against a budget allocation of £10k. Historically spend for Professional Standards is incurred in the second half of our financial year. This will again be true,

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particularly for expenditure related to quality assurance with costs due to be incurred for the mobilisation of the new contract with Mott MacDonald which commences from 1 July 2020.

41. The budget has up to £26k for research projects which includes research associated with piloting tools to explore effective decision making and whether those tools provide ways of embedding standards in practice (our values work), patient and public involvement activity and boundaries research. The bulk of the spend (£20k) relates to the values activity which has been placed on hold. While we hope to revisit this activity later in the financial year, it is unlikely the full spend will be incurred in this year and the budget has been recast accordingly. This may be reduced further as the year progresses.

Communications, research and development

	Year to Date 1 April 2020 - 30 June 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Publications	23,775	26,534	2,759	90,100	85,100
Engagement and events	1,074	1,125	51	9,600	9,600
Digital	1,740	2,000	260	33,550	23,550
Publications and subscriptions	0	188	188	750	750
<i>Research</i>					
NCOR infrastructure	6,719	7,000	281	28,000	28,000
IJOM	10,607	10,500	(107)	42,000	42,000
Total	43,915	47,347	3,432	204,000	189,000

42. Expenditure of £44k is under budget by £3k. 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 (£24k) equal to 89% of expenditure, excluding spend on research activities (NCOR and IJOM).
43. Production of The Osteopath magazine - which represents a significant amount of staff time and resource across all teams, and which the bulk of the publications spend - is under contract until July 2021. We have been considering how the contract can be delivered more flexibly during this current period. For example, the next two editions will be COVID-19 focused editions, and will be a smaller, less 'glossy' production, which will save some expenditure. However, we are contracted until July 2021 and costs will be incurred irrespective of whether the magazine is produced.

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44. Further consideration of our strategy to communications and engagement is necessary as we move towards an approach which is digital-first. Council will be engaged with those conversations over the coming months and particularly at the Council strategy day in September 2020 as we consider the nature of the activities we should be undertaking in this area and the resources/structure required to deliver the strategy.
45. The total cost of research activities is £17k which is made up of the GOsC contribution to the National Council for Osteopathic Research (NCOR) (£7k) and the cost of the subscription to the International Journal of Osteopathic Medicine (IJOM) (£10k). These activities support the delivery of our statutory responsibility to develop the profession.
46. Our expenditure commitment to NCOR remains in place during FY2020-21, and until FY2021-22 for IJOM. In terms of our corporate subscription to IJOM, taken out on behalf of the profession, we can explore what cost saving measures we may be able to introduce at the end of the current contract, i.e. limiting the number of publications which are made available through the subscription.

Registration administration

	Year to Date 1 April 2020 - 30 June 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	0	0	0	5,000	0
Registration assessments	712	1,000	288	10,000	10,000
Total	712	1,000	288	15,000	10,000

47. The three-month position for Registration administration is marginally under budget.
48. As we move towards a digital-first future for our business operation, the need for expenditure on registration documentation (i.e. certificates) is likely to reduce or eliminated and we have recast the year-end budget forecast to reflect this approach.
49. Our expenditure on registration assessments also need to be reviewed. Currently we have a pool of registration assessors (contracted until July 2021) who undertake assessments of international applications we receive. These assessments are broadly cost neutral; however, we have a £10k budget allocation which represents the cost of training and appraisals of the registration assessors. We will explore how we might reduce costs further in this area and whether there are alternative ways of undertaking this activity.

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IT infrastructure

	Year to Date 1 April 2020 - 30 June 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	37,171	36,000	(1,171)	85,000	85,000
IT sundries/consultancy	346	500	154	5,000	5,000
Total	37,517	36,500	(1,017)	90,000	90,000

50. Expenditure includes hosting fees and support costs for the cloud environment.

51. While the pandemic has presented many challenges, it has also forced us to work in different ways and to look afresh at how we operate. We took the opportunity to ask our staff team what they think we might do differently in the future to drive business improvement. Ideas included:

- Renewal process and associated processes becomes online only
- Student application process becomes online
- Committee papers/bundles online only
- Online meetings (across all parts of the business) are the norm, with meeting in person the exception

52. Investment in IT, to streamline our operation, will be needed and we have prepared a paper for consideration by Council on the July 2020 agenda.

Fitness to practise, including legal

	Year to Date 1 April 2020 - 30 June 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	0	0	0	15,000	15,000
Statutory committee costs					
- Investigating Committee	6,049	6,500	451	80,000	80,000
- Professional Conduct Committee	28,292	29,000	708	475,000	475,000
- Health Committee	0	0	0	10,000	10,000
Section 32 cases	240	0	(240)	5,000	5,000
Total	34,581	35,500	919	585,000	585,000

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53. Statutory committee costs represent 100% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees at the nine-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.
54. The opening three-months of the financial year do not represent the normal activity which takes place within fitness to practice as Council members will know we suspended substantive hearings until 3 July 2020. The July 2020 fitness to practise report details how we have listed eight substantive hearings across the coming months so that we can begin to restart this important activity.
55. We have a good understanding of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs. However, these cost units will change, as more activity is undertaken online. We will need to keep this under review so that we can ensure we continue to provide Council with accurate expenditure forecasts.
56. While we can now reasonably expect the year-end costs to be lower than forecast due to the impact of the coronavirus pandemic on our ability to hold hearings in the first quarter of the financial year, the year-end forecast has not yet been amended. This is to allow the Executive to get a fuller understanding of what activities we may be able to undertake in the coming months and to better understand what the cost model might look like as we transition to a new way of working.

Governance

	Year to Date 1 April 2020 - 30 June 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Honorariums/responsibility allowances	24,651	25,000	349	100,000	98,500
Tax liability on council member expenses	0	0	0	9,000	8,000
Council costs including reappointments	464	500	36	20,000	16,350
Other committee costs	3,563	3,500	(63)	15,000	12,500
PSA levy	3,662	3,750	88	15,000	14,650
Assurance audits	0	0	0	10,000	7,500
Total	32,340	32,750	410	169,000	157,500

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57. Honorarium and responsibility allowances of £25k represent 76% of the total expenditure for the opening three-months. Overall expenditure of £32k is slightly under the budget forecast.
58. As we move to online meetings/committees being the norm, there will be a reduction in travel and accommodation costs as members will be joining the meetings from home and we have reflected a reduction in the year end expenditure forecast. These cost savings will also result in a smaller tax liability on the expenses, although that benefit will not be realised until FY2021-22 as the tax is paid in the following year.
59. The levy paid to the Professional Standards Authority remains payable during this period.
60. We have a budget allocation of £10k for assurance audits, which we have not yet incurred, and which was for an assurance audit of our approach to equality, diversity and inclusion. We will need to consider later in the year when we might be able to restart the planned activity as this is an important strand of our work ensuring we meet our duties under the Equality Act. In the interim, a small reduction to the budget has been made, as the quote approved by the Audit Committee for the audit was cheaper than forecast.

Administration and establishment

	Year to Date 1 April 2020 - 30 June 2020			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	22,313	22,750	437	87,500	87,500
Office administration	15,631	16,375	744	94,000	80,250
Financial audit	0	0	0	18,500	18,500
Financing	8,009	7,250	(759)	22,000	20,000
Publications and subscriptions	0	0	0	1,750	1,750
Depreciation	15,500	15,500	0	62,000	62,000
Total	61,453	61,875	422	285,750	270,000

61. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£22k) – and office administration – insurance, postage, photocopying – (£16k). These areas represent 62% of the total expenditure at the three-month position.
62. As we continue with homeworking, there are expected savings to be made around office administration, such as stationery, postage and printing. The year-end budget forecast has been adjusted to reflect this position. We also need to review expenditure through the lens of how Osteopathy House might be used in

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the future. The enforced period of homeworking has demonstrated that most of our business can be conducted remotely, and as we risk assess how we could reopen the office with social distancing, not everyone may want to return, or be able to return. This may raise the possibility of vacant office space available for rental with GOsC as landlord.

Balance Sheet

63. The Balance Sheet for the period ended 30 June 2020 shows total reserves of £2.699m. Cash held in hand and at bank totals £259k with a further £1.011m in an investment portfolio.

64. The Balance Sheet as at 30 June 2020 is set out below:

	31 March 2020		30 June 2020	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,740,888		1,743,050
Investment (portfolio)		1,010,777		1,010,777
Current assets				
Debtors	378,003		1,074,063	
Cash in bank and in hand	325,628		259,449	
	703,631		1,333,512	
Liabilities				
Creditors – within one year	(958,500)		(1,387,495)	
	(958,500)		(1,387,495)	
Net Current Assets/Liabilities		(254,869)		(53,983)
Total assets less total liabilities		2,496,796		2,699,844
Reserves				
General reserve		2,314,703		2,517,751
Designated funds				
- CPD scheme implementation		107,093		107,093
- IT investment		75,000		75,000
Total Reserves		2,496,796		2,699,844

Balance Sheet explanatory notes

Debtors

65. At the 30 June 2020, the total of Debtors had increased to £1.074m from the year-end position of £378k. This is in line with expectations. 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

66. At the 30 June 2020, the total of Creditors has also increased to £1.387m from the year-end position of £959k. 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.

Cash flow and reserves

67. During this period of uncertainty Council is right to closely monitor its cashflow and reserves. There are a few components to consider which include:

- direct debit deferral scheme
- management of expenditure
- investment portfolio – liquidation
- 'free' reserves versus 'non-liquid' reserves
- cash flow projections

Overview

68. At 31 March 2020, the bank balance was £326k. At 30 June 2020, the bank balance was £259k, a decrease of £67k. The bank position at 30 June 2020 is better than the original cash forecast of £76k for the same period. This due to three main reasons:

- a. Firstly, the number of failed direct debits in April, May and June 2020 was not significant.
- b. Secondly, more registrants have renewed their registration and paid in full than we had forecast – our calculations were based on all registrants taking up the direct debit deferral scheme.
- c. Thirdly, we have managed our cash outflows carefully.

Direct debit deferral scheme

69. Council met for an extraordinary meeting on 9 April 2020 to consider a paper outlining the impact of COVID-19 and what support it might be able to provide to registrants, balanced against the ongoing, future viability of the organisation.

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70. The paper recognised the significant impact that COVID-19 was having on a profession which was primarily made up of self-employed practitioners, but that any assistance which GOsC could provide needed to be within the scope of the GOsC (Application for Registration and Fees) Rules 2000.
71. The first duty of the GOsC was to ensure the protection of patients and the public, and Council members, who, with GOsC being a registered charity are also Trustees, need to ensure decisions taken are in the organisation's best interests. This can sometimes mean there are competing and conflicting demands.
72. At the 9 April 2020 meeting, Council considered the financial impact on the GOsC of a loss of income through a change in the Register, i.e. registration fees collected not being as high as forecast. The Council needed to ensure the GOsC had sufficient cash flow in which to be able to discharge its responsibilities while trying to identify what support it might provide to registrants. It was recognised that not having a single point in time when the entire register renewed its registration was a disadvantage.
73. At the meeting, it agreed to introduce a direct debit deferral system for those registrants who were about to renew their registration in May and June 2020. Council agreed to keep the direct debit deferral system under review, and to consider the possibility of extending the scheme for those registrants who are due to renew their registration later in the year. For those renewing in May and June 2020, the introduction of the direct debit deferral has been welcomed and feedback received by the Registration team has been positive.
74. The decision needed careful thought because it was being made from a position where the data was imperfect. For example, would a significant number of osteopaths resign their registration? It was also unclear whether there would be a significant number of returned direct debits from those who were due to make a payment to the GOsC in April and May 2020, and if there was, what this meant for the GOsC cashflow. From a financial perspective, it is therefore pleasing to report that the number of returned direct debits in April and May 2020 was not significant and broadly in line with our expectations.
75. Consideration of extending the direct debit deferral scheme is at the end of this part of the financial report.

Management of expenditure

76. Due to the home working scenario, our normal business planning approach is being reworked. This means activities will be delayed, deferred and in some cases cancelled and we reported on this to Council in May 2020. Further reports will follow at future meetings.
77. Expenditure will not be as high during the months when we are working from home compared to if the business was running as normal from Osteopathy

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House. We have discussed this earlier in the report, for example, and in line with Government advice about social distancing to stay alert and save lives, that substantive fitness to practice hearings were postponed, until at least 3 July 2020. We are now listing hearings to be conducted using remote technology or as a 'blended hearing', part online, part in Osteopathy House.

78. This will be subject to regular review and we may need to delay these activities further depending on how we risk assess any gradual, phased re-opening of Osteopathy House.
79. By reworking our business planning approach, expenditure in this year can be better contained and reduced. For example, we have reported to Council that we have delayed assurance audit activity until we are better placed to understand whether this is affordable expenditure.
80. Our main area of fixed cost is around staffing – the average payroll (staff and Council member honorariums) and staff pension costs are c.£120k per month. Through careful supplier management, we can limit our payments to suppliers to a maximum of c.£60k-£70k per month without compromising the relationships that we have developed over several years.
81. Part of the cash flow considerations will be whether we need to liquidate some, or all, of the portfolio investment held with Brewin Dolphin in order to ensure we can meet our ongoing commitments.

Investment portfolio

82. As previously reported to Council, the investment portfolio, due to the volatility of the stock market, lost money. As at 31 March 2019, the investment portfolio was £571k. In 2019, Council agreed to close the 120-day bond as the interest rate had been significantly reduced. £585k was transferred into the investment portfolio in December 2019 on closure of the 120-day bond.
83. The combined total invested in the portfolio, in January 2020 was £1.156m.
84. At 31 March 2020, the GOsC investment stood at £1.011m, meaning the portfolio was reduced by c.£150k (13%) compared to the beginning of the year. Because of the outbreak of COVID-19, stock markets crashed and although are now showing some modest signs of recovery, they remain unpredictable. All investment portfolios have lost funds, and, in many ways, our investment portfolio is performing better than might have been expected.
85. At the end of June, the investment stands at £1.119m and has c.£170k held in cash. This could be immediately withdrawn and to the GOsC. Further withdrawals from the portfolio would need approximately 10 days-notice.

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Free' reserves versus 'non-liquid' reserves

86. The investment forms part of the GOsC Balance Sheet. In terms of reserves which are immediately available, it would only be the investment portfolio and the bank balance which are 'liquid' reserves and immediately available for use to manage the cashflow.
87. The remainder of the GOsC Balance Sheet is made up of the 'non-liquid assets', debtors and creditors. Non-liquid assets are those assets which would need to sell in order to generate cash. This is predominately Osteopathy House, so any conversion of the non-liquid asset into cash would not be quick.
88. The GOsC is mortgage-free and so a loan against Osteopathy House could be secured if needed to help manage cashflow. However, we have not considered this further as it would not be a prudent move for the GOsC to take out a debt it might not be able to service.
89. In terms of reserves, GOsC has a policy which sets out its target position which is based on an assessment of the likely risks and associated costs should they materialize. The target reserves are £350k-£700k however Council is not under any legislative requirements and the level of reserves it holds can be above or below its target reserve level.
90. In previous years, Council has been below, above and in-line with its target reserves position. The important issue for Council is to consider the possible financial impact of COVID-19 on its income in order to ensure the future viability of the organisation.
91. As at the year-end, the level of reserves was within the target range as agreed by Council. This is demonstrated by the table below.

	£
Funds held	2,496,796
Restricted funds	-
Designated funds	
- CPD	(107,093)
- IT Investment	(75,000)
Operational fixed assets	(1,740,888)
Funds remaining	573,815

Cash flow predictions

92. Our early predictions were based on all registrants paying by direct debit rather than in full. Our assumption was that registrants would want to hold onto their fee payment for as long as possible. While the direct debit deferral option has proven to be popular, we have seen registrants renew their registration and pay their fee in full.

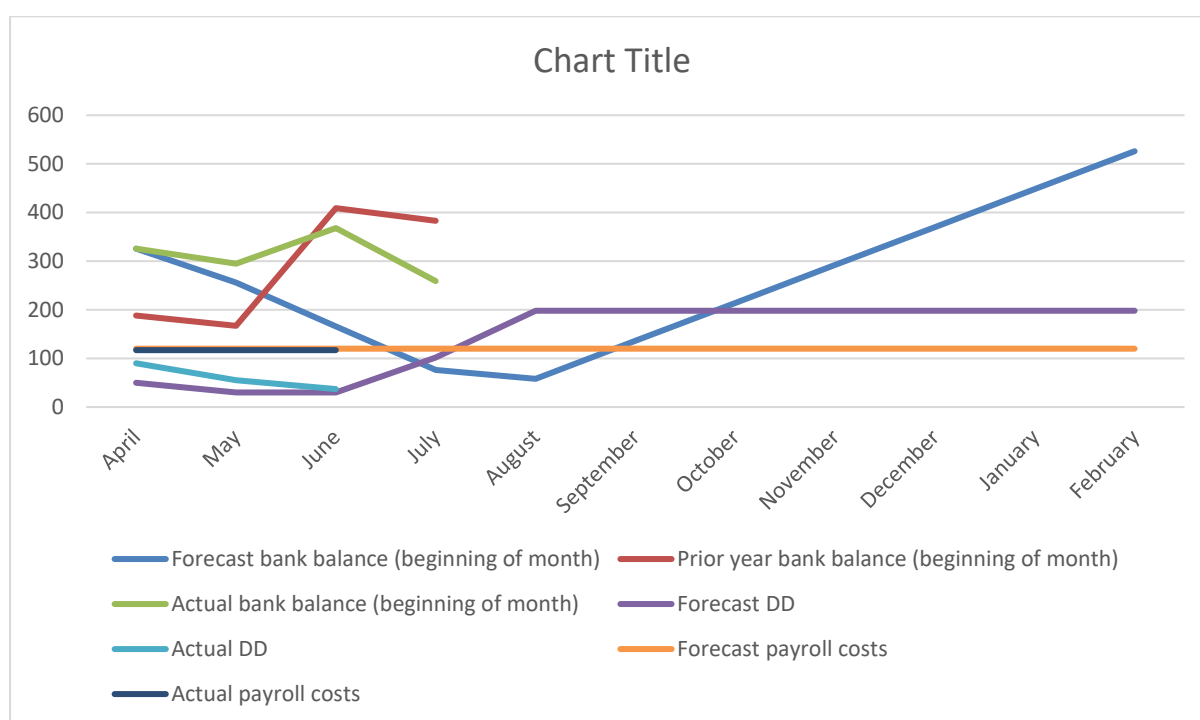
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93. In June 2020, we received just below £130k of registration fees paid in full.

94. As reported earlier, the number of failed direct debits in April, May and June 2020 were not as high as we might have expected, and the income we received in those months was higher than forecast.

95. The deferral of May 2020 direct debits, to commence to July 2020, will see an increase in income of c.£70k in July 2020.

96. On re-examination of the original forecast, it was identified that it already assumed July 2020 and August 2020 direct debits would also be deferred. Council has so far introduced the direct debit deferral for those renewing in May, June and July 2020 but has not yet decided to defer direct debit payments for those renewing in August 2020. This is reflected in the graph below.



NB: this assumes all registrants renew their registration and pay by direct debit. Some registrants will choose to pay in full, and in advance of their registration year. This also assumes there is no significant change in the Register, i.e. no significant increase in leavers.

97. For the renewal months of June 2020 and July 2020, there would be a further increase in direct debit income of c.£28k in August 2020 (as June registrants start to pay) and c.£68k in September 2020 (as July registrants start to pay).

98. Because the original cash flow forecast assumed registrants would pay by direct debit, it was forecast that the bank balance would fall close to zero around August 2020, and that Council might need to liquidate the cash holding in the investment portfolio.

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99. As discussed earlier in the report, there remain 140 registrants who have not yet renewed their registration between March - May, and the associated financial risk of these registrants failing to renew and pay. The table below is repeated for ease of reference as Council will again be faced with making a decision - to extend the direct debit deferral scheme for August 2020 renewals - on imperfect data.

Renewals outstanding	Number of registrants to renew	Income reduction if all fail to renew	Income reduction if all renew but as non-practising	Income reduction if all non-dd payers fail to renew	Income reduction if all non-dd payers renew but as non-practising
		£	£	£	£
March, April, May	140	79,800	35,000	28,500	12,500

100. The cash flow forecast was prepared on the assumption that registrants renew their registration and pay by direct debit. Therefore, if any of the scenarios outlined in the table above were to happen, our forecast direct debit income would be overstated each month from July, by one tenth of the income reduction, as direct debit income is collected across ten months.

101. The original forecast was that the bank balance would be c.£60k in August 2020. This is the lowest point the bank balance reaches in the original forecast. The table below shows the impact of the four scenarios on the forecast bank balance in August.

Month	Starting bank balance (forecast)	Income reduction if all fail to renew	Income reduction if all renew but as non-practising	Income reduction if all non-dd payers fail to renew	Income reduction if all non-dd payers renew but as non-practising
	£	£	£	£	£
August 2020	60k	↓ £8k	↓ £4k	↓ £3k	↓ £1k
Revised bank balance (forecast)	-	£52k	£56k	£57k	£59k

102. This would place slight additional pressure on our forecast bank account balance (we know our actual bank balance is currently in a better position) and we should continue with the assumption that we might need to draw from the cash held in the investment portfolio around August 2020.

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103. However, as some registrants have paid in full, the actual bank account balance as at the end of June 2020 is outperforming the original cash flow forecast. If those due to renew in June, July and August following a similar trend, i.e. not all registrants convert to direct debit payments, the possibility of needing to liquidate the cash holding in the investment portfolio reduces significantly.

Deferring direct debits for future renewal months

104. The original cash flow forecast actually assumed that July 2020 and August 2020 direct debits would also be deferred. In April 2020, the initial recommendation to Council was cautious and the direct debit deferral scheme was only introduced for those renewing in May and June 2020.

105. Last month, Council decided to extend the direct debit deferral scheme for those renewing in July 2020.

106. Therefore, as the cash flow is outperforming the forecast, Council could consider extending the direct debit deferral scheme for August 2020 as well. We will continue our efforts to encourage registrants to renew their registration through our communication e-bulletins as well as more formal mechanisms such as reminder notices. Council consider further extensions to the direct debit deferral scheme in future reports.

Charity Commission reporting

107. As well as being a statutory regulator, the GOsC is also a registered charity, and there are certain circumstances where we must make reports to the Charity Commission, including for example, serious adverse events such as significant reduction in income. Our predictions so far, suggest that GOsC would see income reduce by 2.5% against the budget set. We are also keeping a watchful eye on what might happen around those registrants who have yet to renew and the impact on the financial position.

108. At this stage, we do not need to make a report to the Charity Commission, because we are still able to fulfil our statutory responsibilities. The latest Charity Commission guidance describes the need for making a serious incident report as when financial losses are greater than £25k or 20%. While the reduction in registration fee income is significant, we are not forecasting this turning into a loss-making situation for the GOsC (yet) and as such, no serious incident report to the Charity Commission is required.

Recommendations:

1. To note the financial report to 30 June 2020
2. To agree to extend the direct debit deferral scheme for those due to renew their registration in August 2020.