

Annex B to Item 6

Financial Report 2021-22 (two months to May 2021)

Key messages from the report:

- Income and expenditure levels are consistent with our expectations for the two months to 31 May 2021.
- The Balance Sheet is in a strong position meaning we can face future challenges from a position of financial health.
- Cash at bank is up on the year-end position reflecting that we have a number of registrants renewing their registration and paying in full.
- The investment portfolio has recovered significantly following the stock market crash at the beginning of the global pandemic.

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2021 and will conclude on 31 March 2022. In this report it will be described as FY2021-22.
2. The budget for FY2021-22 was approved by Council in February 2021.
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 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 31 May 2021, which is two months into the financial year.

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7. The structure of this report is:

- Summary of financial position - income/expenditure narrative
- Income and Expenditure Account (top-level department summary)
- Balance Sheet, including explanatory notes
- Cash flow: overview and projection
- Annex A: Expenditure Account (detailed departmental summaries)

Summary of financial position

8. This report covers the two-month period from 1 April 2021 to 31 May 2021. The accounts show a surplus (before spending from reserves) of £156k against a budgeted surplus of £143k for the same period.

Income

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 31 May 2021, income totalled £538k, which is roughly in line with our budget forecast for the same period. Registration fees accounted for 99.6% of the total income received.

Expenditure

11. At the two-month position we have recorded actual expenditure of £382k meaning spending is roughly in line with the budget forecasts, before designated spending from reserves.
12. Expenditure is currently in line with the predicted forecast, with a spend of 13.23% of the FY budget. We have not made any changes to the year-end forecast at this stage, but we will report to Council on our forecasted position as the year progresses.

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Income and Expenditure Account (top-level summary)

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

	Year to Date			FY Budget	FY Forecast
	1 April 2021 – 31 May 2021				
	Actual	Budget	Variance from budget		
Income					
Registration fees	535,637	535,000	637	2,875,000	2,875,000
Other income	2,222	2,260	(38)	25,000	25,000
Total	537,859	537,260	599	2,900,000	2,900,000
Expenditure					
Employment costs	240,998	249,214	8,216	1,525,280	1,525,280
Education and professional standards	7,907	7,954	47	143,170	143,170
Communications, research and development	13,110	13,616	506	119,400	119,400
Registration administration	2,080	2,100	20	5,000	5,000
IT infrastructure	23,063	23,650	587	100,000	100,000
Fitness to practise, including legal	39,347	41,160	1,813	585,000	585,000
Governance	19,693	19,950	257	152,500	152,500
Administration and establishment	35,549	36,200	651	255,650	255,650
Total	381,747	393,844	12,097	2,886,000	2,886,000
Surplus before designated spending	156,112	143,416	12,696	14,000	14,000
Designated spending					
- CPD	-	-	-		
- IT	-	-	-		
- Legal costs	-	-	-		
Surplus after designated spending	156,112	143,416	12,696		

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14. The detailed departmental expenditure accounts can be found at Annex A.

Balance Sheet

15. The Balance Sheet for the period ended 31 May 2021 shows total reserves of £2.95m (including designated funds). Cash held in hand and at bank totals £648k with a further £1.235m (balance as at 31 March 2021) in an investment portfolio.

16. The Balance Sheet as at 31 May 2021 is set out below:

	31 March 2021		31 May 2021	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,671,106		1,658,458
Investment (portfolio)		1,234,760		1,234,760
Current assets				
Debtors	611,659		919,552	
Cash in bank and in hand	401,168		648,083	
	1,012,827		1,567,635	
Liabilities				
Creditors – within one year	(1,060,280)		(1,446,328)	
	(1,060,280)		(1,446,328)	
Net Current Assets/Liabilities		(47,453)		121,307
Provisions		(65,500)		(65,500)
Total assets less total liabilities		2,792,913		2,949,025
Reserves				
General reserve		2,510,820		2,666,932
Designated funds		282,093		282,093
Total Reserves		2,792,913		2,949,025

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Balance Sheet explanatory notes

Debtors

17. At the 31 May 2021, the total of Debtors had increased to £920k from the year-end position of £612k. This increase 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. The debtors figure will decrease as the financial year progresses.

Creditors

18. At the 31 May 2021, the total of Creditors has also increased to £1.446m from the year-end position of £1.06m. 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. As registration fees which have been invoiced are recognised in the accounts, the total of creditors will decrease as the financial year progresses.

Cash flow and investments

19. Council closely monitors its cashflow and reserves. The following section provides an overview of the cash flow position and current cash flow projection.

20. At 31 March 2021, the bank balance was £401k. At 31 May 2021, the bank balance was £648k, an increase of £247k. The reason for the increase is that we have a cyclical registration year, so a larger number of registrants are renewing their registration now and paying in full, which means an increase in the cash balance.

Investment portfolio

21. At 31 May 2021, the investment stood at £1.235m with c.£140k held in cash. This could be immediately withdrawn and to the GOsC. Further withdrawals from the portfolio would need approximately 10 days-notice, although our expectation is that we would not need to draw down on our investment in this financial year.

Charity Commission reporting

22. 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.

23. We do not foresee any need to make a report to the Charity Commission during financial year 2021-22.

Departmental Expenditure Accounts

1. The individual departmental accounts are listed below with further narrative to support each business area. While the report would not normally comment on employment costs, due to the unprecedented nature of the pandemic, a short narrative is provided.

Employment costs

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

Education and professional standards

	Year to Date 1 April 2021 – 31 May 2021			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Quality assurance	7,644	7,750	106	116,750	116,750
Publications & subscriptions	243	154	(89)	920	920
Osteopathic Practice Standards	20	50	30	6,000	6,000
GOPRE	-	-	-	1,500	1,500
Research projects	-	-	-	18,000	18,000
Total	7,907	7,954	47	143,170	143,170

3. The two-month position reports that a total expenditure of £8k has been incurred against a budget allocation of the same amount. Historically most of the departmental spend happens in the latter months of the financial year and we expect FY2021-22 to be the same.

Communications, research and development

	Year to Date 1 April 2021 – 31 May 2021			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Publications	-	-	-	10,500	10,500
Engagement and events	-	166	166	3,500	3,500
Digital Publications and subscriptions	2,772	3,000	228	38,650	38,650
	-	-	-	750	750

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<i>Research</i>					
NCOR infrastructure	4,429	4,450	21	28,000	28,000
IJOM	5,909	6,000	91	38,000	38,000
Total	13,110	13,616	506	119,400	119,400

4. Expenditure of £13.1k is in line with budget.
5. The total cost of research activities is £10.3k which is made up of the GOsC contribution to the National Council for Osteopathic Research (NCOR) (£4.4k) and the cost of the subscription to the International Journal of Osteopathic Medicine (IJOM) (£5.9k). These activities support the delivery of our statutory responsibility to develop the profession.
6. Our expenditure commitment to NCOR and IJOM remains in place during FY2021-22. 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 2021 – 31 May 2021			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	-	-	-	-	-
Registration assessments	2,080	2,100	20	5,000	5,000
Total	2,080	2,100	20	5,000	5,000

7. The two-month position for Registration administration is marginally under budget. The cost of registration assessments is offset by the fees paid by applicants applying for registration.

IT infrastructure

	Year to Date 1 April 2021 – 31 May 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	22,941	23,500	559	85,000	85,000
IT sundries/consultancy	122	150	28	15,000	15,000
Total	23,063	23,650	587	100,000	100,000

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

9. 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
- We move to online meetings (across all parts of the business) becoming more normal

Fitness to practise, including legal

	Year to Date 1 April 2021 – 31 May 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	2,160	2,160	-	15,000	15,000
Statutory committee costs					
- Investigating Committee	11,624	12,000	376	75,000	75,000
- Professional Conduct Committee	22,773	24,000	1,227	480,000	480,000
- Health Committee	2,478	2,500	22	10,000	10,000
Section 32 cases	312	500	188	5,000	5,000
Total	39,347	41,160	1,813	585,000	585,000

10. Statutory committee costs represent 95% 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

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of business represents the most significant area of risk to the expenditure forecasts in terms of volatility.

11. The events that we currently have scheduled for the next four months are:

June 2021

1 x5 day PCC hearing
1 x6 day PCC hearing
1 IC meeting

July 2021

1 x1 day PCC review hearing
1 x5 day PCC hearing

August 2021

1 x6 day PCC hearing
2 x1 day IC Meetings

September 2021

1 x2 day PCC hearing
1 x1 day HC review hearing
1 x1 day IC meeting

12. We have a good understanding of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs for cases held in Osteopathy House. However, these cost units will change, as we continue to use online technology to host meetings. We will develop, as the year progresses, a new budget forecast for our hybrid working.

Governance

	Year to Date 1 April 2021 – 31 May 2021			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Honorariums/responsibility allowances	16,564	16,750	186	100,000	100,000
Tax liability on council member expenses	-	-	-	-	-
Council costs including reappointments	-	-	-	10,500	10,500
Other committee costs	3,129	3,200	71	12,000	12,000
PSA levy	-	-	-	15,000	15,000
Council Associates Programme	-	-	-	7,500	7,500
Assurance audits	-	-	-	7,500	7,500
Total	19,693	19,950	257	152,500	152,500

13. Honorarium and responsibility allowances of £16.5k represent 84% of the total expenditure for the opening two-months. We will be incurring a greater level of expenditure in this area within the next quarter as we begin recruitment campaigns to fill arising vacancies within the governance structure.

Administration and establishment

	Year to Date 1 April 2021 – 31 May 2021			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	11,666	11,700	34	78,500	78,500
Office administration	7,562	8,050	488	59,000	59,000
Financial audit	-	-	-	18,500	18,500
Financing	3,238	3,350	112	22,000	22,000
Publications and subscriptions	433	450	17	1,750	1,750
Depreciation	12,650	12,650	-	75,900	75,900
Total	35,549	36,200	651	255,650	255,650

14. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£11.7k) – and office administration – insurance, postage, photocopying – (£7.5k). These areas represent 54% of the total expenditure at the two-month position.

15. As we return to a hybrid way of office working we will need to monitor our expenditure patterns to ensure that we have made the correct assumptions about office expenditure when setting the budget. We will advise Council as the year progresses.