

Financial Report - 2017-18

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2017 and will conclude on 31 March 2018. In this report it will be described as FY2017-18.
2. The budget for FY2017-18 was approved by Council at its meeting of February 2017 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 FY2017-18 covers the period ending 31 May 2017, 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 2017 to 31 May 2017.
2. The two-month accounts show a surplus (before spending from reserves on development projects) of £26k against a budgeted forecast of £32k 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 2017, income totalled £552k, which was £9k ahead of the budget forecast. Registration fees accounted for £550k, which was equal to 99% of the total income received.
5. Other income totals £2k which fractionally behind the budget forecast.
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 £525k against a budgeted position of £510k meaning we are slightly over budget forecasts.
8. The reason for the additional expenditure is twofold. Firstly, there are higher employment costs arising from the recent staff restructure. The second area of overspend is in Administration and Establishment as the business rates have not yet been reduced to reflect our new status as a registered charity.
9. We anticipate being able to bring these areas of expenditure within budget by the end of the financial year.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2017 – 31 May 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Income					
Registration fees	549,991	540,000	9,991	2,835,000	2,835,000
Other income	2,078	2,300	(222)	46,500	46,500
Total	552,069	542,300	9,769	2,881,500	2,881,500
Expenditure					
Employment costs	264,769	250,229	(14,540)	1,411,373	1,411,373
Education and professional standards	5,390	5,903	513	167,393	167,393
Communications, research and development	37,855	39,592	1,737	204,180	204,180
Registration administration	10,859	10,000	(859)	34,000	34,000
IT infrastructure	9,841	9,500	(341)	70,000	70,000
Fitness to practise, including legal	113,713	118,400	4,687	580,000	580,000
Governance	20,821	21,458	637	158,250	158,250
Administration and establishment	62,229	54,833	(7,396)	246,250	246,250
Total	525,477	509,916	(15,561)	2,871,446	2,871,446
Surplus before designated spending	26,592	32,384	(5,792)	10,054	10,054
Designated spending - CPD	4,129	-	-	100,000	
Surplus after designated spending	22,463	-	-	-	-

Income and Expenditure Account (detailed departmental summaries)

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

Education and professional standards

	Year to Date 1 April 2017 – 31 May 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Quality assurance	4,865	5,000	135	94,473	94,473
Continuing fitness to practise framework	0	0	0	2,000	2,000
Student fitness to practise Osteopathic Practice Standards	0	0	0	5,000	5,000
Research projects	525	750	225	30,000	30,000
Publications and subscriptions	0	0	0	35,000	35,000
	0	153	153	920	920
Total	5,390	5,903	513	167,393	167,393

12. The two month position reports expenditure of £5.3k has been incurred against a budget allocation of £5.9k.

13. Quality assurance of £5k represents 90% of the total expenditure at end May 2017 with expenditure on the OPS review representing the balance.

Communications, research and development

	Year to Date 1 April 2017 – 31 May 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Publication production	11,715	13,100	1,385	82,230	82,230
Engagement activities	408	400	(8)	19,150	19,150
Website	14,745	15,000	255	34,650	34,650
Publications and subscriptions	0	50	50	300	300
<i>Research</i>					
NCOR infrastructure (net)	4,417	4,417	0	26,500	26,500
IJOM	6,570	6,625	55	39,750	39,750
Total	37,855	39,592	1,737	204,180	204,180

14. Expenditure of £38k is within budget by £1.7k. Communication with the profession through publications (£12k) includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.
15. 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 2017 – 31 May 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	1,956	2,000	44	4,500	4,500
Registration appeals	0	0	0	5,000	5,000
Registration assessments	8,903	8,000	(903)	24,500	24,500
Total	10,859	10,000	(859)	34,000	34,000

16. The two month position for Registration administration is fractionally over budget by £859 and will be brought back in line by the end of the next quarter.
17. To date we have no outstanding registration appeals. We will continue to monitor this budget line and if no appeals are received as the year progresses, we will release the budget and utilise it to reduce over spends in other areas.

Fitness to practise, including legal

	Year to Date 1 April 2017 - 31 May 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Other legal costs	541	550	9	12,500	12,500
Statutory committee costs					
- Investigating Committee	8,748	8,800	52	75,000	75,000
- Professional Conduct Committee	103,524	108,000	4,476	450,000	450,000
- Health Committee	612	750	138	37,500	37,500
Section 32 cases	288	300	12	5,000	5,000
Total	113,713	118,400	4,687	580,000	580,000

18. Statutory committee costs represent 99% 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.
19. 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.
20. The opening two months of the financial year have been extremely busy for the Regulation team in terms of hearings, which has resulted in some significant expenditure.

April 2017

- x1 1 day PCC case
- x2 2 day PCC cases
- x2 4 day PCC cases
- x1 5 day PCC case

May 2017

- x4 1 day PCC cases
- x2 2 day PCC cases
- x1 4 day PCC case
- x1 7 day PCC case
- x1 1 day IC meeting

21. Looking beyond the end of May, we have the following events scheduled for June 2017, which while still busy is more management and akin to normal workload. July 2017 is light in terms of hearing days, and this time can be used by the team to focus on case management and the associated paperwork.

June 2017

- x1 1 day IC ISO
- x1 1 day PCC ISO
- x2 1 day PCC cases
- x1 5 day PCC case

22. 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.

23. 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 infrastructure

	Year to Date 1 April 2017 - 31 May 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	6,196	7,000	804	43,150	43,150
IT sundries/consultancy	3,645	2,500	(1,145)	25,850	25,850
	0	0	0	1,000	1,000
Total	9,841	9,500	(341)	70,000	70,000

24. Expenditure of £9.8k is slightly over the budgeted forecast for the two-month position with expenditure being focussed on the IT infrastructure.

25. Council will be aware from expenditure incurred last year that an IT audit was completed and the audit findings are being address by our new in-house IT and Business Support resource. Audit Committee will receive regular updates on the progress made against implementing those audit findings.

Governance

	Year to Date 1 April 2017 - 31 May 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	16,310	16,625	315	99,750	99,750
Tax liability on council member expenses	0	0	0	9,000	9,000
Council costs including reappointments	796	1,000	204	17,500	17,500
Other committee costs	1,517	1,500	(17)	18,000	18,000
PSA levy	2,198	2,333	136	14,000	14,000
Total	20,821	21,458	638	158,250	158,250

26. Honorarium and responsibility allowances of £16k represent 78% of the total expenditure for the opening two months. Overall expenditure of £21k is in line with the budget forecast.

Administration and establishment

	Year to Date 1 April 2017 - 31 May 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	38,166	30,000	(8,166)	72,000	72,000
Office administration	11,803	12,250	447	90,500	90,500
Financial audit	0	0	0	16,000	16,000
Financing	2,368	2,500	132	16,000	16,000
Publications and subscriptions	1,559	1,750	191	1,750	1,750
Depreciation	8,333	8,333	0	50,000	50,000
Total	62,229	54,833	(7,396)	246,250	246,250

27. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£38k) – and office administration – insurance, postage, photocopying – (£12k). These areas represent 80% of the total expenditure at the two month position.
28. Total expenditure in this area was £62k and is over budget by £7k which reflects the business rates charge not being levied at the reduced charitable level. The Executive expects this to be resolved in the coming months.

Balance Sheet

29. The Balance Sheet for the period ended 31 May 2017 shows total reserves of £2.55m. 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.
30. Cash held in hand and at bank totals £328k as at 31 May 2017 with a further £571k being held in a bond with Secure Trust Bank generating a greater level of interest for the GOsC (1.99% AER - reducing to 1.25% AER from February 2017) than retaining it in a current account.
31. The Balance Sheet as at 31 May 2017 is:

Annex B to 5

	31 March 2017		31 May 2017	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,796,898		1,792,802
Current assets				
Debtors	397,198		773,524	
Cash in bank and in hand	209,992		328,252	
Investment (portfolio)	573,094		573,094	
Investment (120-day bond)	570,512		570,512	
	1,750,796		2,245,382	
Liabilities				
Creditors – within one year	(1,019,523)		(1,487,551)	
	(1,019,523)		(1,487,551)	
Net Current Assets		731,273		757,831
Total assets less total liabilities		2,528,171		2,550,633
Reserves				
General reserve		2,428,171		2,454,761
Designated funds - Governance arrangements		100,000		95,872
Total Reserves		2,528,171		2,550,633

Balance Sheet explanatory notes

Debtors

32. At the 31 May 2017, the total of Debtors had increased to £773k from the year-end position of £397k. 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 half of the year.

Creditors

33. At the 31 May 2017, the total of Creditors has also increased to £1.48m from the year-end position of £1.02m. 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.