

Summary

1. This report identifies the main features of the Management Accounts for the year ended 31 March 2015. The final accounts report a deficit (before designated spending) of £85k against the budgeted surplus of £16k.

Income and Expenditure Account

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

	Year to Date 31 March 2015		
	Actual	Budget	Variance
Income			
Registration fees	2,616,519	2,568,000	48,519
Other income	91,497	65,400	26,097
Total	2,708,016	2,633,400	74,616
Expenditure			
Employment costs	1,234,106	1,172,476	(61,630)
Education and professional standards	97,821	140,650	42,829
Communications, research and development	195,720	245,734	50,014
Registration administration	41,677	42,990	1,313
IT infrastructure	75,437	66,800	(8,637)
Fitness to practise, including legal	675,964	480,000	(195,964)
Governance	166,816	163,500	(3,316)
Administration and establishment	305,973	305,250	(723)
Total	2,793,514	2,617,400	(176,114)
(Deficit)/Surplus	(85,498)	16,000	(101,498)

Income

3. As at 31 March 2015, income totalled £2.7m, which was £75k ahead of forecast. Registration Fees accounted for £2.6m, which was equal to 97% of the total income received. Registration fees exceeded the budget expectation which, on reflection, was set too cautiously. Other income is greater than the budget due to an individual, who owed GOsC costs following a s32 prosecution, settling their outstanding balance in full.

Expenditure

4. At the year-end we have recorded actual expenditure of £2.79m against the budgeted position of £2.62m, meaning we are overspent against forecast by £101k. There are two main areas of overspend.
5. The first is employment costs where pressure arose due to the increased level of recruitment during the course of the financial year, compared to prior years when the turnover was minimal, as well as additional staff resources being required within the fitness to practise team.
6. The second area of overspend is around the cost of fitness to practise. We reported to Council during the financial year that additional resources were required to meet the demands of the workload. Further information can be found under the fitness to practise section of this report.
7. The year-end position, taking into account these cost pressures, records that Council has a deficit of £85k compared to its budgeted surplus of £16k.
8. While it is not ideal to be reporting a deficit position, Council can take some assurance that prudent financial management in past financial periods where substantial surpluses were accrued, means that the reserve position can withstand this event.

Education and professional standards

	Year to Date 31 March 2015		
	Actual	Budget	Variance
Expenditure			
Working groups	512	3,500	2,988
Quality assurance	75,169	112,000	36,831
Continuing fitness to practise framework	8,947	10,000	1,053
Student fitness to practise	4,213	6,000	1,787
Osteopathic pre-registration education	5,980	6,000	20
Publications and subscriptions	3,000	3,150	150
Total	97,821	140,650	42,829

9. The year-end position shows that expenditure of £98k has been incurred. The underspend of £43k primarily reflects a reduction in the spend on quality assurance. The budget was prepared to be consistent with expenditure patterns of previous financial years but a review of the planned quality assurance work in FY2014-15 indicated that the £112k budget was not required.

Communications, research and development

	Year to Date 31 March 2015		
	Actual	Budget	Variance
Expenditure			
Publication production	72,387	79,523	7,136
Engagement activities	34,628	67,660	33,032
Website	13,375	19,051	5,676
Public and international affairs	10,108	9,200	(908)
Publications and subscriptions	-	300	300
<i>Research</i>			
NCOR infrastructure (net)	26,353	25,000	(1,353)
IJOM	38,869	45,000	6,131
Total	195,720	245,734	50,014

10. Expenditure of £195k is within budget by £50k. Communication with the profession through GOsC publications (£72k) includes *the osteopath* magazine, e-bulletins and information leaflets. In year, savings of £7k were identified.
11. Engagement activities incurred expenditure of £35k, which was under budget by £33k. The underspend has arisen because the budget provided for two meetings of the regional communication network and during the financial year only one meeting was held. In addition, survey work undertaken by YouGov came in under budget.
12. Website costs reflect the cost of hosting and maintenance both the public and registrants-only websites, with costs relating to the infrastructure development (re-platforming project) being capitalised.
13. Expenditure of £65k reflects the investment in research activities around the infrastructure costs of NCOR and the cost of subscribing to the *International Journal of Osteopathic Medicine*.

Registration administration

	Year to Date 31 March 2015		
	Actual	Budget	Variance
Expenditure			
Registration documentation	2,840	2,500	(340)
Registration assessments	38,837	40,490	1,653

Total	41,677	42,990	1,313
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14. The year-end position for Registration administration is fractionally under budget by £1.3k. The cost of registration documentation, which was over spent by £340 is offset by the under spend against registration assessments.

IT infrastructure

	Year to Date 31 March 2015		
Expenditure	Actual	Budget	Variance
IT infrastructure	42,970	36,300	(6,670)
CRM support	23,487	23,000	(487)
Disaster recovery facility	2,783	3,000	217
IT sundries	6,197	4,500	(1,697)
Total	75,437	66,800	(8,637)

15. Expenditure of £75k is over budget at the year-end, and has arisen because of the need for additional consultancy resource to support the IT infrastructure while the websites were being re-platformed. This additional consultancy was a one-off and will not be incurred in future financial periods.
16. In the year £43k was spent on IT infrastructure; £23k has been spent on CRM support and service contracts, with the remaining balance of expenditure being spent on the premium for the disaster recovery site and IT sundry expenses.

Fitness to practise, including legal

	Year to Date 31 March 2015		
Expenditure	Actual	Budget	Variance
Other legal costs	12,560	7,750	(4,810)
Statutory committee costs			
- Investigating Committee	104,401	52,750	(51,651)
- Professional Conduct Committee	488,171	375,000	(113,171)
- Health Committee	63,099	35,000	(28,099)
Section 32 cases	3,909	5,000	1,091
Law library subscription	3,824	4,500	676
Total	672,964	480,000	(195,964)

17. Statutory committee costs represent 97% of the department expenditure and reflect the work of the Investigating Committee, the Professional Conduct Committee and Health Committee.
18. An increase in the number of hearings, as reported to Council by the Head of Regulation through the fitness to practise reports, has led to greater cost pressures being placed on this area of the business.
19. When the budget envelope was agreed by Council in October 2013, there was a caveat that fitness to practise represented the greatest risk to the expenditure forecast in terms of volatility and, although a modest budget reduction was made in the annual budget, the Executive reported to Council at the earliest opportunity that expenditure was likely to exceed budget.
20. As reported to Council in July 2014, the year-end position would result in a deficit because of the increased workload.
21. From the end of the third quarter (31 December 2014), a total of 11 cases have been referred by the Investigating Committee. With the requirement of 37 weeks from Investigating Committee to a hearing, we can forecast that cases referred during this period will likely be realised in the opening half of Financial Year 2015-16 and beyond.
22. At present, the Regulation team have scheduled possible hearing dates up until the end of November 2015:
 - Two five day cases in April
 - Two four day cases in May
 - Two two day cases in June
 - One three day case in June
 - One five day case in June
 - Two three day cases in July
 - Two five day cases in August
 - Two two day cases in August
 - One one day case in August
 - Two five day cases in September
 - Two five day cases in October
 - Two five day cases in November
23. In light of the over spend in the current financial year, the Executive will be closely monitoring expenditure during financial year 2015-16 and ensuring that the forecasting model is enhanced to provide as accurate a picture of expenditure as possible.
24. At present, 8 cases have not yet reached the formal Investigating Committee stage. It is a prudent and reasonable expectation that these cases will be referred to a formal hearing. Council should note that some of these cases may

be realised in the latter part of financial year 2015-16 and the earlier part of financial year 2016-17.

Governance

	Year to Date 31 March 2015		
	Actual	Budget	Variance
Expenditure			
Honorariums/responsibility allowances	116,591	117,000	409
Tax liability on council member expenses	7,713	8,000	287
Council costs including reappointments	23,722	21,000	(2,722)
Other committee costs	16,033	14,500	(1,533)
Internal operations, including training	2,757	3,000	243
Total	166,816	163,500	(3,316)

25. Honorarium and responsibility allowances of £116k represent 70% of the total expenditure for the year ended 31 March 2015, with the balance of expenditure relating to Council and Committee costs.

Administration and establishment

	Year to Date 31 March 2015		
	Actual	Budget	Variance
Expenditure			
Premises	90,631	85,000	(5,631)
Office administration	82,155	82,500	345
Financial audit	20,160	20,000	(160)
Financing	17,790	16,000	(1,790)
Publications and subscriptions	1,689	1,750	61
Depreciation	93,548	100,000	6,452
Total	305,973	305,250	(723)

26. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£91k) – and office administration – insurance, postage, photocopying – (£82k). These areas represent 56% of the total expenditure at the year-end.

27. Total expenditure in this area was £305k and is in line with the budget forecast.

Balance Sheet

28. The Balance Sheet for the year-ended 31 March 2015 shows total reserves of £2.42m. The Balance Sheet position remains healthy and demonstrates that the GOsC is well placed to meet its future obligations and the challenges ahead.

29. Cash held in hand and at bank totals £692k as at 31 March 2015 of which £500k is being held in a bond with Secure Trust Bank generating a greater level of interest for the GOsC (2% AER) than retaining it in a current account.

	31 March 2014		31 March 2015	
	£	£	£	£
Non-current assets				
Fixed assets	1,857,935		1,770,101	
Investments	500,000		500,000	
		2,357,935		2,270,101
Current assets				
Debtors	341,973		412,060	
Cash in hand and at bank	860,224		692,192	
	1,202,197		1,104,252	
Liabilities				
Creditors – within one year	(983,701)		(956,547)	
Creditors – over one year	-		-	
	(983,701)		(956,547)	
Net Assets		218,496		147,705
Total assets less total liabilities		2,576,431		2,417,806
Reserves				
General reserve		2,476,431		2,317,806
Designated funds				
- Governance arrangements		100,000		100,000
Total Reserves		2,576,431		2,417,806