

Financial Report at end of Q2 2016-17

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2016 and will conclude on 31 March 2017. In this report it will be described as FY2016-17.
2. The budget for FY2016-17 was approved by Council at its meeting of February 2016 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 second financial report of FY2016-17 covers the period ending 30 September 2016, which is six 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 six month period from 1 April 2016 to 30 September 2016.
2. The half-year accounts show a surplus (before spending from reserves on development projects) of £259k against a budgeted forecast of £255k for the same period. The surplus has arisen because of more income being received.

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 30 September 2016, income totalled £1.559m, which was £4k ahead of the budget forecast. Registration fees accounted for £1.533m, which was equal to 98% of the total income received.
5. Other income totals £26k which is in line with the budget forecast.
6. For the purpose of the budget and this quarterly financial report, any movement in the value of the GOsC's stock market investments has been excluded.

Expenditure

7. At the six month position we have recorded actual expenditure of £1.3m against a budgeted position of £1.3m meaning we are in line with budget forecasts.
8. We have made some adjustments to the year-end forecast which sees an increase in the surplus from £11k to £19k. We have made two minor amendments in two areas (PSA levy and tax liability on Council expenses) where the full year expenditure will be fractionally lower than the budget provision. We have also adjusted the budget line for registration appeals as we do not anticipate any appeals being received in the remainder of the financial year.
9. Although expenditure is aligned with the budget forecast at half-year stage, the Executive will be closely monitoring expenditure and revising the budget projections before end of Quarter 3.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2016 – 30 September 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	1,533,043	1,530,000	3,043	2,790,000	2,790,000
Other income	26,089	25,145	944	48,500	48,500
Total	1,559,132	1,555,145	3,987	2,838,500	2,838,500
Expenditure					
Employment costs	677,380	671,864	(5,516)	1,329,827	1,335,827
Education and professional standards	33,433	33,600	167	135,946	130,946
Communications, research and development	86,637	88,901	2,264	219,420	219,420
Registration administration	7,178	7,175	(3)	43,200	35,700
IT infrastructure	50,200	50,850	650	72,000	72,000
Fitness to practise, including legal	220,820	220,800	(20)	580,000	580,000
Governance	70,436	71,675	1,239	160,750	159,110
Administration and establishment	154,116	155,155	1,039	286,750	286,750
Total	1,300,200	1,300,020	(180)	2,827,893	2,819,753
Surplus	258,932	255,125	3,807	10,607	18,747

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 2016 – 30 September 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	28,169	28,200	31	99,146	94,146
Continuing fitness to practise framework	4,964	5,000	36	8,000	8,000
Student fitness to practise	0	0	0	2,000	2,000
Osteopathic pre-registration education	0	0	0	6,000	6,000
Osteopathic Practice Standards	0	0	0	20,000	20,000
Publications and subscriptions	300	400	100	800	800
Total	33,433	33,600	167	135,946	130,946

12. The six month position reports expenditure of £33k has been incurred against the same budget allocation.

13. Expenditure within Professional Standards tends to be back-loaded and Council can expect to see a greater level of spend at the nine-month position ended December 2016.

Communications, research and development

	Year to Date 1 April 2016 – 30 September 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publication production	36,618	36,926	308	76,518	76,518
Engagement activities	1,937	3,525	1,588	45,385	45,385
Website	15,006	15,200	194	30,967	30,967
Publications and subscriptions	116	150	34	300	300

Annex C to 5

<i>Research</i>					
NCOR infrastructure (net)	13,250	13,225	(25)	26,500	26,500
IJOM	19,710	19,875	165	39,750	39,750
Total	86,637	88,901	2,264	219,420	219,420

14. Expenditure of £87k is within budget by £2k. Communication with the profession through publications (£37k) 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 £33k, which is made up of the GOsC contribution to NCOR (£13k) and the cost of the profession-wide subscription to the *International Journal of Osteopathic Medicine* (£20k).
16. Engagement activities are budgeted at £45k which includes provision for independently-facilitated policy development events. The Executive is currently considering whether the budget provision would be better spent on engagement with registrants through a communications survey and we will be in a better position at the nine-month stage to identify whether there are any underspend against budget.

Registration administration

	Year to Date 1 April 2016 – 30 September 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	0	0	0	3,000	3,000
Registration appeals	0	0	0	7,500	0
Registration assessments	7,178	7,175	(3)	32,700	32,700
Total	7,178	7,175	(3)	43,200	35,700

17. The six month position for Registration administration is in line with budgeted expectations. The cost of registration assessments is as planned, with expenditure to be incurred in the final half of the year for the recruitment of additional assessors and the associated training on existing processes and the EU Directive.
18. To date we have no outstanding registration appeals. Therefore, we have released the budget and increased the forecast year-end surplus.

Fitness to practise, including legal

	Year to Date 1 April 2016 - 30 September 2016			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Other legal costs	18,025	12,500	(5,525)	12,500	12,500
Statutory committee costs					
- Investigating Committee	41,195	41,200	5	75,000	75,000
- Professional Conduct Committee	151,998	157,400	5,402	420,000	420,000
- Health Committee	8,703	8,800	97	67,500	67,500
Section 32 cases	899	900	1	5,000	5,000
Total	220,820	220,800	(20)	580,000	580,000

19. Statutory committee costs represent 91% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees. Council members are aware that this area of business represents the most significant area of risk to the expenditure forecasts in terms of volatility. Other legal costs relate to opinion/advice on judicial reviews.
20. Over the last year we have increased resources in this area and Council can take assurance the team continue 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. Further, the team continue to explore how the in-house database can be used to its fullest potential to streamline case management procedures.
21. Looking ahead, we have the following events forecast until the end of the financial year, where Council will see that activity starts to increase. The unknown factor is any interim suspension orders or additional days which may occur.

October 2016

- x1 7 day PCC hearing
- x1 5 day PCC hearing
- x1 2 day PCC hearing
- x2 1 day PCC hearings
- x1 1 day IC meeting

November 2016

- x2 5 day PCC hearings

December 2016

- x1 4 day PCC hearing
- x1 1 day PCC hearing

January 2017

- x2 1 day PCC hearings

February 2017

- x1 4 day PCC hearing
- x1 1 day IC meeting

March 2017

- x2 5 day PCC hearings

22. Based on our understand of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs, we forecasting that by the year-end, the costs will be contained within budget. 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.
23. 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 2016 - 30 September 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	49,727	50,500	773	64,500	64,500
IT sundries/consultancy	473	350	(123)	7,500	7,500
Total	50,200	50,850	650	72,000	72,000

24. Expenditure of £50k is in line with budgeted forecasts for the six-month position.
25. We anticipate that the budget provision for IT sundries/consultancy will be spent by the year-end specifically on an external audit of IT/cyber-security risks. A paper detailing the scope of the IT audit activity will be presented to Audit Committee in November 2016.

Governance

	Year to Date 1 April 2016 - 30 September 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	48,731	49,875	1,144	99,750	99,750
Tax liability on council member expenses	0	0	0	9,000	8,569
Council costs including reappointments	7,647	7,650	3	20,000	20,000
Other committee costs	7,662	7,650	(12)	15,000	15,000
PSA levy	6,396	6,500	104	14,000	12,791
Internal operations, including training	0	0	0	3,000	3,000
Total	70,436	71,675	1,239	160,750	159,110

26. Honorarium and responsibility allowances of £49k represent 69% of the total expenditure for the opening six months. Overall expenditure of £70k is in line with the budget forecast.

27. We are aware that the PSA levy and the tax liability on Council member expenses will be slightly lower than the full-year budget and therefore we have adjusted the year-end forecast by a total sum of £1.6k.

Administration and establishment

	Year to Date 1 April 2016 - 30 September 2016				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	67,283	68,300	1,017	99,000	99,000
Office administration	43,357	43,255	(102)	88,500	88,500
Financial audit	0	0	0	21,500	21,500
Financing	11,990	12,200	210	16,000	16,000
Publications and subscriptions	1,486	1,400	(86)	1,750	1,750
Depreciation	30,000	30,000	0	60,000	60,000
Total	154,116	155,155	1,039	286,750	286,750

28. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£67k) – and office administration – insurance, postage, photocopying – (£43k). These areas represent 72% of the total expenditure at the six month position.
29. Total expenditure in this area was £154k and is in line with the budget forecast.

Balance Sheet

30. The Balance Sheet for the period ended 30 September 2016 shows total reserves of £2.796m. 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.
31. Cash held in hand and at bank totals £615k as at 30 September 2016 with a further £565k is 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.
32. The Balance Sheet as at 30 September 2016 is:

Annex C to 5

	31 March 2016		30 September 2016	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,846,598		1,818,468
Current assets				
Debtors	327,858		1,154,424	
Cash in bank and in hand	219,119		615,524	
Investment (portfolio)	568,524		568,524	
Investment (120-day bond)	559,840		565,440	
	1,675,341		2,903,912	
Liabilities				
Creditors – within one year	(974,937)		(1,926,683)	
	(974,937)		(1,926,683)	
Net Current Assets		700,404		977,229
Total assets less total liabilities		2,547,002		2,795,697
Reserves				
General reserve		2,422,002		2,670,697
Designated funds				
- Governance arrangements		100,000		100,000
- RQ accreditation		25,000		25,000
Total Reserves		2,547,002		2,795,697

Balance Sheet explanatory notes

Debtors

33. At the 30 September 2016, the total of Debtors had increased to £1.15m from the year-end position of £328k. 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

34. At the 30 September 2016, the total of Creditors has also increased to £1.93m from the year-end position of £975k. 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.