

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 second financial report of FY2017-18 covers the period ending 30 September 2017, 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 2017 to 30 September 2017.
2. The half year accounts show a surplus (before spending from reserves on development projects) of £167k against a budgeted forecast of £150k 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 30 September 2017, income totalled £1.522m, which was £5k ahead of the budget forecast. Registration fees accounted for £1.50m, which was equal to 98% of the total income received.
5. Other income totals £17k which was in line with budget estimates.
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 six month position we have recorded actual expenditure of £1.35m against a budgeted position of £1.36m meaning we are slightly under budget forecasts.
8. Council will recall from the financial report it received in May 2017 that although GOsC had been registered as a charity, our business rates had not been adjusted to reflect our new status. This has now been rectified and GOsC has received a refund to reflect the overpayment of business rates.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2017 – 30 September 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	1,505,376	1,500,000	5,376	2,835,000	2,835,000
Other income	17,242	17,150	92	46,500	46,500
Total	1,522,618	1,517,150	5,468	2,881,500	2,881,500
Expenditure					
Employment costs	709,313	720,687	11,374	1,411,373	1,411,373
Education and professional standards	34,786	35,560	774	167,393	167,393
Communications, research and development	81,414	81,995	581	204,180	204,180
Registration administration	19,427	17,750	(1,677)	34,000	34,000
IT infrastructure	39,540	40,250	710	70,000	70,000
Fitness to practise, including legal	238,471	239,650	1,179	580,000	580,000
Governance	74,208	75,600	1,392	158,250	158,250
Administration and establishment	158,303	155,525	(2,778)	246,250	246,250
Total	1,355,462	1,367,017	11,555	2,871,446	2,871,446
Surplus before designated spending	167,156	150,133	17,023	10,054	10,054
Designated spending					
- CPD	6,836	-	-	100,000	
- ODG	14,743	-	-	-	
Surplus after designated spending	145,577	-	-	-	-

Income and Expenditure Account (detailed departmental summaries)

10. 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 – 30 September 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	28,609	28,600	(9)	94,473	94,473
CPD	0	0	0	2,000	2,000
Student fitness to practise	0	0	0	5,000	5,000
Osteopathic Practice					
Standards	5,611	5,750	139	30,000	30,000
Research projects	566	750	184	35,000	35,000
Publications and subscriptions	0	460	460	920	920
Total	34,786	35,560	774	167,393	167,393

11. The six month position reports expenditure of £35k has been incurred against a budget allocation of £36k.

12. Quality assurance of £29k represents 82% of the total expenditure at end September 2017 with expenditure on the OPS review representing the balance.

Communications, research and development

	Year to Date 1 April 2017 – 30 September 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publication production	28,422	29,100	678	82,230	82,230
Engagement activities	2,406	2,620	214	19,150	19,150
Website	17,625	17,000	(625)	34,650	34,650
Publications and subscriptions	0	150	150	300	300

Annex B to 5

<i>Research</i>					
NCOR infrastructure	13,250	13,250	0	26,500	26,500
IJOM	19,711	19,875	164	39,750	39,750
Total	81,414	81,995	581	204,180	204,180

13. Expenditure of £81k is within budget by £581. Communication with the profession through publications (£28k) includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.
14. The total cost of research activities is £33k which is made up of the GOsC contribution to NCOR (£13k) and the cost of the subscription to IJOM (£19k).

Registration administration

	Year to Date 1 April 2017 – 30 September 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	4,000	4,500	500	4,500	4,500
Registration appeals	0	0	0	5,000	5,000
Registration assessments	15,427	13,250	(2,177)	24,500	24,500
Total	19,427	17,750	(1,677)	34,000	34,000

15. The six month position for Registration administration is over budget by £1.6k and will be brought back in line by the end of the financial year.
16. 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 overspends in other areas.

Fitness to practise, including legal

	Year to Date 1 April 2017 - 30 September 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	32,392	33,300	908	75,000	75,000
- Professional Conduct Committee	201,644	201,850	206	450,000	450,000
- Health Committee	3,457	3,500	43	37,500	37,500
Section 32 cases	438	450	12	5,000	5,000
Total	238,471	239,650	1,179	580,000	580,000

17. Statutory committee costs represent 98% 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.
18. 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.
19. The opening six months of the financial year have been busy for the Regulation team in terms of hearings, which has resulted in some significant expenditure. Looking beyond the end of September, we have the following events scheduled for the rest of the calendar year.

October 2017

- 1 x 5 day PCC case
- 1 x 5 day PCC case
- 1 x 7 day PCC case
- 1x 3 day PCC case
- 1 x 2 day PCC case

November 2017

- 1 x 2 day PCC case
- 1 x 5 day PCC case

- 1 x 1 day IC meeting
- 1 x 5 day PCC case
- 1 x 2 day PCC case
- 1 x 1 day PCC case
- 1 x 4 day PCC case

December 2017

- 1 x 1 day PCC case
- 1 x 4 day PCC case
- 1 x 1 day IC meeting
- 1 x 5 day PCC case

20. 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.
21. 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 - 30 September 2017			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
IT infrastructure (Cloud) /	31,196	31,250	54	43,150	43,150
CRM support	8,344	9,000	656	25,850	25,850
IT sundries/consultancy	0	0	0	1,000	1,000
Total	39,540	40,250	710	70,000	70,000

22. Expenditure of £39k is slightly over the budgeted forecast for the six-month position with expenditure being focussed on the IT infrastructure.
23. 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 is receiving regular updates on the progress made against implementing those audit findings.

Governance

	Year to Date 1 April 2017 - 30 September 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	48,931	49,875	944	99,750	99,750
Tax liability on council member expenses	7,343	9,000	1,657	9,000	9,000
Council costs including reappointments	4,148	4,225	77	17,500	17,500
Other committee costs	7,196	5,500	(1,696)	18,000	18,000
PSA levy	6,590	7,000	410	14,000	14,000
Total	74,208	75,600	1,392	158,250	158,250

24. Honorarium and responsibility allowances of £49k represent 65% of the total expenditure for the opening six months. Overall expenditure of £74k is in line with the budget forecast.

Administration and establishment

	Year to Date 1 April 2017 - 30 September 2017				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	50,817	47,000	(3,817)	72,000	72,000
Office administration	69,106	69,775	669	90,500	90,500
Financial audit	0	0	0	16,000	16,000
Financing	11,688	12,000	312	16,000	16,000
Publications and subscriptions	1,692	1,750	58	1,750	1,750
Depreciation	25,000	25,000	0	50,000	50,000
Total	158,303	155,525	(2,778)	246,250	246,250

25. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£51k) – and office administration – insurance, postage, photocopying – (£70k). These areas represent 75% of the total expenditure at the six month position. Total expenditure in this area was £158k and is over budget by £3k. Total spend will be in line with budget by the end of the financial year.

Balance Sheet

26. The Balance Sheet for the period ended 30 September 2017 shows total reserves of £2.674m. 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.

27. Cash held in hand and at bank totals £553k as at 30 September 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.

28. The Balance Sheet as at 30 September 2017 is:

	31 March 2017		30 September 2017	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,796,898		1,776,185
Current assets				
Debtors	397,198		1,081,943	
Cash in bank and in hand	209,992		553,334	
Investment (portfolio)	573,094		573,094	
Investment (120-day bond)	570,512		570,512	
	1,750,796		2,778,883	
Liabilities				
Creditors – within one year	(1,019,523)		(1,880,987)	
	(1,019,523)		(1,880,987)	
Net Current Assets		731,273		897,896
Total assets less total liabilities		2,528,171		2,674,081
Reserves				
General reserve		2,428,171		2,580,927
Designated funds - CPD scheme implementation		100,000		93,154
Total Reserves		2,528,171		2,674,081

Balance Sheet explanatory notes

Debtors

29. At the 30 September 2017, the total of Debtors had increased to £1.081m 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

30. At the 30 September 2017, the total of Creditors has also increased to £1.88m 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.