

Financial Report 2018-19 (six months to September 2018)

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2018 and will conclude on 31 March 2019. In this report it will be described as FY2018-19.
2. The budget for FY2018-19 was approved by Council at its meeting of January 2018 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 FY2018-19 covers the period ending 30 September 2018, which is halfway or 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 2018 to 30 September 2018.
2. The half-year accounts show a surplus (before spending from reserves on development projects) of £6k against a budgeted deficit of £33k 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 2018, income totalled £1.460m, which was £1k ahead of the budget forecast. Registration fees accounted for £1.452m, which was equal to 99% of the total income received.
5. Other income totals £7.4k which is slightly ahead of 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 £1.453m against a budgeted position of £1.491m meaning we have spent less than budget forecasts.
8. We are continuing to explore whether it is possible to obtain a back-dated business rate refund. The Partner, Global Head of Non Profits, of Crowe continues to liaise with Southwark Council as we are moving slowly towards a resolution. Council should take assurance that in line with the concept of prudence, we are not relying on any possible refund to support or underpin the GOsC financial position.
9. We are looking to contain the recruitment costs of appointing a new Chief Executive and Registrar within the total expenditure envelope, and without needing to use reserves to cover the unbudgeted costs.

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2018 – 30 September 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	1,452,207	1,453,000	(793)	2,872,000	2,872,000
Other income	7,351	5,800	1,551	39,500	39,500
Total	1,459,558	1,458,800	758	2,911,500	2,911,500
Expenditure					
Employment costs	702,878	728,305	25,427	1,432,609	1,432,609
Education and professional standards	61,340	62,010	670	172,793	172,793
Communications, research and development	82,068	81,292	(776)	204,750	204,750
Registration administration	13,006	13,000	(6)	24,500	24,500
IT infrastructure	57,103	58,500	1,397	70,000	70,000
Fitness to practise, including legal	328,017	330,100	2,083	580,000	580,000
Governance	76,217	77,665	1,448	155,250	155,250
Administration and establishment	132,668	140,660	7,992	261,500	261,500
Total	1,453,297	1,491,532	38,235	2,901,402	2,901,402
Surplus before designated spending	6,261	(32,732)	38,993	10,098	10,098
Designated spending					
- CPD	14,736	-	-	70,842	-
- ODG projects	3,000	-	-	-	-
Surplus after designated spending	(11,475)	-	-	-	-

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 2018 – 30 September 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	57,598	57,300	(298)	96,473	96,473
CPD	0	-	0	10,400	10,400
Osteopathic Practice Standards	1,162	1,250	88	25,000	25,000
Research projects	2,580	3,000	420	40,000	40,000
Publications and subscriptions	-	460	460	920	920
Total	61,340	62,010	670	172,793	172,793

12. The six month position reports expenditure of £61k has been incurred against a budget allocation of £62k. The majority of the expenditure relates to the quality assurance process (£57k), which is equivalent to 94% of the total spend.

13. The remaining expenditure is forecast to be spent in the second half of the year.

Communications, research and development

	Year to Date 1 April 2018 – 30 September 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	35,441	33,850	(1,591)	85,650	85,650
Engagement and events	2,403	2,850	447	21,600	21,600
Digital Publications and subscriptions	10,723	10,850	127	30,015	30,15
	-	287	287	575	575
<i>Research</i>					
NCOR infrastructure	13,296	13,250	(46)	26,500	26,500
IJOM	20,205	20,205	-	40,410	40,410
Total	82,068	81,292	(776)	204,750	204,750

14. Expenditure of £82k is slightly over budget by £776. Communication with the profession through publications includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution and totals (£35k) equal to 43% of the departmental spend.
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 subscription to IJOM (£20k).

Registration administration

	Year to Date 1 April 2018 – 30 September 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	4,570	4,500	(70)	4,500	4,500
Registration appeals	590	600	10	5,000	5,000
Registration assessments	7,846	7,900	54	15,000	15,000
Total	13,006	13,000	(6)	24,500	24,500

16. The six month position for Registration administration is fractionally over budget. The departmental expenditure incurred is on registration documentation, including certificate production (£4.5k) and registration assessment activity (£8k) which includes training and appraisal of assessors.

Fitness to practise, including legal

	Year to Date 1 April 2018 - 30 September 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	18,000	20,000	2,000	25,000	25,000
Statutory committee costs					
- Investigating Committee	28,570	28,500	(70)	75,000	75,000
- Professional Conduct Committee	278,795	278,950	155	450,000	450,000
- Health Committee	2,040	2,000	(40)	28,000	28,000
Section 32 cases	612	650	38	2,000	2,000
Total	328,017	330,100	2,083	580,000	580,000

17. Statutory committee costs represent 94% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees at the six 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 remained busy for the Regulation team in terms of hearings, although they are confident that the full year budget will be sufficient when considering future workload. Looking ahead, we have the following events scheduled.

October

- 4 x 1 day PCC
- 1 x 2 day PCC
- 1 x 4 day PCC
- 1 x 1 day IC
- 1 x 1 day PCC ISO

November

- 1 x 2 day PCC
- 2 x 4 day PCC
- 1 x 1 day IC
- 1 x 1 day PCC training

December

- 1 x 1 day PCC (restoration hearing)
- 1 x 4 day PCC
- 1 x 1 day IC

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 2018 - 30 September 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	56,750	58,150	1,400	69,000	69,000
IT sundries/consultancy	353	350	(3)	1,000	1,000
Total	57,103	58,500	1,397	70,000	70,000

22. Expenditure of £57k is under the budgeted forecast of £58k; The expenditure incurred includes the hosting fees and support costs for the cloud environment and the costs of implementing the new hybrid cloud system.

Governance

	Year to Date 1 April 2018 - 30 September 2018				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	48,895	49,875	980	99,750	99,750
Tax liability on council member expenses	8,540	8,540	-	9,000	9,000
Council costs including reappointments	6,065	6,300	235	17,500	17,500
Other committee costs	5,910	5,950	40	15,000	15,000
PSA levy	6,807	7,000	193	14,000	14,000
Total	76,217	77,665	1,448	155,250	155,250

23. Honorarium and responsibility allowances of £49k represent 64% of the total expenditure for the opening six months. Overall expenditure of £76k is slightly under the budget forecast of £77k.

Administration and establishment

	Year to Date 1 April 2018 - 30 September 2018			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	44,178	50,000	5,822	80,000	80,000
Office administration	48,798	51,000	2,202	95,250	95,250
Financial audit	1,260	1,260	-	16,500	16,500
Financing	12,545	12,500	(45)	18,000	18,000
Publications and subscriptions	887	900	13	1,750	1,750
Depreciation	25,000	25,000	0	50,000	50,000
Total	132,668	140,660	7,992	261,500	261,500

24. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£44k) – and office administration – insurance, postage, photocopying – (£49k). These areas represent 70% of the total expenditure at the two month position. Total expenditure in this area was £132k and is under budget by £8k.

Balance Sheet

25. The Balance Sheet for the period ended 30 September 2018 shows total reserves of £2.502m. 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.

26. Cash held in hand and at bank totals £547k with a further £1.13m being split between an investment portfolio and a 120-day bond with Secure Trust.

27. The Balance Sheet as at 30 September 2018 is:

Annex B to 5

	31 March 2018		30 September 2018	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,796,779		1,789,943
Current assets				
Debtors	382,420		1,036,629	
Cash in bank and in hand	169,332		547,380	
Investment (portfolio)	551,021		551,021	
Investment (120-day bond)	577,623		577,623	
	1,680,396		2,712,653	
Liabilities				
Creditors – within one year	(962,988)		(1,999,883)	
	(962,988)		(1,999,883)	
Net Current Assets		717,409		712,770
Total assets less total liabilities		2,514,188		2,502,713
Reserves				
General reserve		2,443,346		2,446,606
Designated funds - CPD scheme implementation		70,842		56,107
Total Reserves		2,514,188		2,502,713

Balance Sheet explanatory notes

Debtors

28. At the 30 September 2018, the total of Debtors had increased to £1.037m from the year-end position of £382k. 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 financial year.

Creditors

29. At the 30 September 2018, the total of Creditors has also increased to £2m from the year-end position of £963k. 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.