

Financial Report 2020-21 (seven months to October 2020)

Key messages from the report:

- The projected loss of income due to the pandemic currently stands at c.£100k (registration fee and other income).
- Expenditure incurred will not be as high as forecast. We current forecast that we will prevent a year-end deficit from arising due to a reduction in expenditure more than offsetting the reduction in income. This assumes there is no significant increase in registrants leaving the Register in the coming months or that the second lockdown does not impact on our financial position further.
- Expenditure is under forecast for the seven months to October 2020 as we tighten our spending. If expenditure was spent evenly, we should have incurred 58% of the budget. We have spent 48% at the end of month seven.
- The number of non-practising registrants peaked at 327 in May 2020 and has since reduced to 215 as osteopaths return to practice. We will need to see whether this changes now that we are moving into a second lockdown.
- The total number of students joining the Register balances the number of registrants who have left.
- There are 76 registrants up to 31 October who have yet to renew, who represent a financial risk to GOsC. All have been issued with the appropriate reminder notices.
- A greater proportion of registrants are renewing their registration in full than we had forecast, although the direct debit deferral scheme has proven to be popular.
- There have been fewer direct debit failures than forecast since the start of the pandemic.
- At the end of October 2020, the current bank/cash position is better than forecast at the beginning of the pandemic. Actual - £565k against forecast £95k.
- Based on the financial position, and the better than forecast cash flow, we are confident that we will not need to liquidate funds from the investment portfolio.

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2020 and will conclude on 31 March 2021. In this report it will be described as FY2020-21.
2. The budget for FY2020-21 was approved by Council in January 2020.

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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. To give Council more robust financial information, we may from time to time shorten the reporting period and issue reports outside of the Council meeting cycle.
5. The financial quarters are as follows:

	Start	End
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. This financial report covers the period ending 31 October 2020, which is seven months into the financial year.
7. The structure of this report is:
 - Summary of financial position - income/expenditure narrative
 - Income and Expenditure Account (top-level department summary)
 - Balance Sheet, including explanatory notes
 - Cash flow: overview and projection
 - **Annex A:** Salient points from GOsC (Application for Registration and Fees) Rules 2000
 - **Annex B:** Expenditure Account (detailed departmental summaries)
 - **Annex C:** Cash flow: narrative

Summary of financial position

8. This report covers the seven-month period from 1 April 2020 to 31 October 2020. The accounts show a surplus (before spending from reserves) of £246k against a budgeted surplus of £271k for the same period.

Income

Headline position

9. The primary source of income is from registration fees paid by osteopaths. The GOsC does not have a single registration date meaning that in every month there is a proportion of osteopaths due to renew their registration. In accordance with accounting rules we need to ensure that we account for, and report, only the proportion of the fee relevant to the financial period.

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10. At 31 October 2020, income totalled £1.693m, which is £62k behind our budget forecast. Registration fees accounted for 99% of the total income received.

Coronavirus impact on registration fee income

11. The global pandemic has presented new and unforeseen challenges across all sectors. The impact on osteopaths was significant as the profession is primarily made up of self-employed individuals; many closed their practices, with those who remained open seeing a substantial drop in patient numbers. The effect for all is the same - a reduction in income, to varying degrees. The GOsC is not immune from the financial effects of the impact of coronavirus.
12. The GOsC (Application for Registration and Fees) Rules 2000 sets out the position with regards to the registration fee (referred in the Rules as the Retention Fee) and the Registrar's authority with regards to fees. The current level of registration fees paid by registrants are:

Practising status	Fee level £
Year 1 (entry fee)	320
Year 2 UK practising	415
Year 2 Non-practising or overseas	230
Year 3 UK practising	570
Year 3 Non-practising or overseas	320

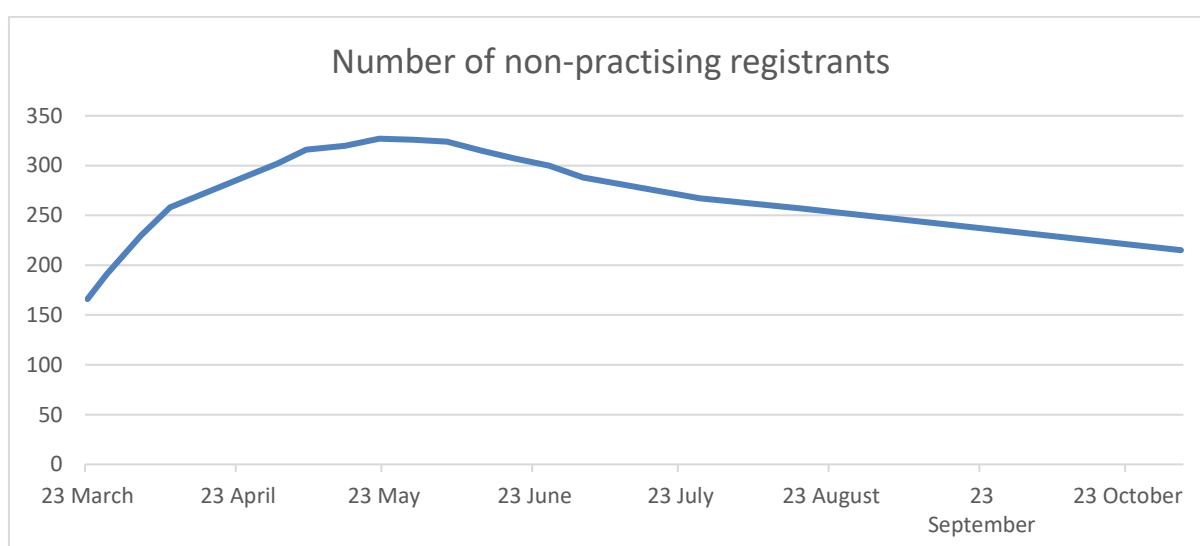
13. In recent discussions, Council have noted that it would be preferable for the non-practising fee to only apply to the period that a registrant is non-practising, and that as they return to work, the registration fee returns to the practising rate. This is discussed elsewhere on the Council agenda.
14. The composition of the Register at the beginning of lockdown, compared to the most recent data is set out in the table below.

Registration status	23 March	3 November	Variance #	Variance %
UK practicing	4,822	4,784	- 38	- 0.79%
Non-practising	166	215	+ 49	+ 29.52%
Overseas	451	442	- 9	- 1.99%
TOTAL	5,439	5,441	+ 2	+ 0.04%

15. We have seen osteopaths leave the Register since the start of the pandemic; however, this has been offset by students joining the Register. The number of osteopaths who left the Register is lower than we might have feared at the beginning of the lockdown, although this might still change over the coming months. Nonetheless, the Register is likely to plateau this year.

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16. The potential for the Register to plateau or increase only marginally in 2020 will mean a financial impact on the GOsC this year, and into future financial periods. In effect, this means we will need to reduce our expenditure in future financial years to be within our income budget.
17. The table above identifies a significant increase in the number of registrants who have converted their status from practising to non-practising during the lockdown period. However, over recent weeks we have seen that trend slow and start to reduce. Whether the number of non-practising registrants eventually returns to more traditional levels remains to be seen and this is something we will continue to monitor through registration data.



18. Assuming the current composition of the Register remains the same, we expect total registration fee income will be c.£90k lower in FY2020-21 than predicted through the lost income as registrants leave the Register or convert their registration status from practising to non-practising.
19. The difficulty of not having a single point in time when every registrant renews their registration is clear as we are constantly working with imperfect data and uncertainty.
20. As at 3 November 2020, we know the following about those registration months which are 'live' for renewal now.

Month	Expected to renew	Still to renew	Known direct debit payer	Paid prior year in full
August 2020	603	4	4	0
September 2020	506	10	4	6
October 2020	314	62	39	23
November 2020	128	77	38	39
December 2020	83	70	33	37
January 2020	104	104	57	47

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21. The risk for Council is that those registrants who have not yet renewed their registration up to 31 October 2020 fail to do so, meaning a further reduction in osteopaths on the Register, and an associated loss of income. Historically, there are always several registrants who need to be served with a 14-day notice of removal from the Register in order to prompt them to renew their registration.
22. There are currently 76 osteopaths who have not renewed their registration up to 31 October 2020. All have been issued with a 14-day notice of removal from the Register letter. Assuming all fail to renew, and all pay the UK practising fee, the GOsC would see a reduction in income of £43k, although this is very much a worse-case scenario and unlikely to materialise. This would be in addition to the reduction in income arising from those registrants who have already converted their status from practising to non-practising.
23. If all 76 osteopaths renew their registration but at the non-practising fee, the GOsC would see a reduction in income of £19k. This would be in addition to the reduction in income arising from those registrants who have already converted their status from practising to non-practising.
24. Of the 76 registrants yet to renew up to 31 October 2020, there are 47 (62%) who already have a direct debit instalment plan in place, meaning the registrant just needs to complete their self-declaration renewal form online. In a balance of risk, the Executive consider that these registrants are more likely to renew than not, meaning there is greater uncertainty over those who normally pay in full but have not yet renewed – 29 registrants.
25. Applying the same assumptions as set above, if that subset all failed to renew and they all paid the UK practising fee, the reduction in income would be £16k. If they all renewed but at the non-practising fee, the reduction in income would be £7k.
26. The table below summarises those scenarios:

Renewals outstanding	Number of registrants to renew	Income reduction if all fail to renew	Income reduction if all renew but as non-practising	Income reduction if all non-dd payers fail to renew	Income reduction if all non-dd payers renew but as non-practising
		£	£	£	£
To 31 October 2020	76	43k	19k	16k	7k

27. In a worst-case, albeit unlikely, scenario, if all 76 registrants fail to renew resulting in a reduction to income of £43k, in addition to the c.£90k reduction to income of which we are already aware, the reduction would increase to c.£133k.

Coronavirus impact on other income

28. The GOsC has some other small income streams which include advertising sales from The Osteopath magazine and investment/bank interest income.
29. Advertising income from The Osteopath magazine will be reduced, in part due to postponing one edition, and in part due to the impact on external advertisers being more cautious about placing advertisements. We prudently predict a reduction to income of c.£15k.
30. We have not changed the forecast for investment income at this stage. In March 2020, the stock market fell sharply and the GOsC investment fell in value by £150k. As at 30 September 2020, the valuation of the investment portfolio was £1.120m which demonstrates that the investment portfolio has recovered a significant proportion of the loss incurred prior to the year-end.
31. We will keep the investment portfolio under close scrutiny throughout of the year as markets remain volatile. However, if the stock market maintains performance we might have a large technical gain on investments being reported in the accounts at the year-end, in the same way we had a large technical loss reported in the prior year accounts due to the stock market crash that happened at the start of the pandemic.

Expenditure

32. At the seven-month position we have recorded actual expenditure of £1.446m against a budgeted position of £1.483m meaning we have spent less than budget forecasts, before designated spending from reserves, by £36k.
33. If expenditure was to be spent evenly through the financial year, we would have spent 58% of the budget. At 31 October 2020, we have spent 48% of the budget. We have adjusted our year-end forecast to reflect the forecast reduction in expenditure across our business. This is caused by expenditure being reigned in through continued homeworking and through activity being completed online.

Income and Expenditure Account (top-level summary)

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

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	Year to Date 1 April 2020 – 31 October 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	1,686,282	1,750,000	(63,718)	2,940,000	2,850,000
Other income	6,730	4,800	1,930	49,500	34,500
Total	1,693,012	1,754,800	(61,788)	2,989,500	2,884,500
Expenditure					
Employment costs	840,020	867,687	27,667	1,488,320	1,448,000
Education and professional standards	88,903	91,100	2,197	139,670	127,500
Communications, research and development	99,590	102,130	2,540	204,000	185,450
Registration administration	2,586	2,600	14	15,000	7,500
IT infrastructure	73,564	75,000	1,436	90,000	100,000
Fitness to practise, including legal	132,285	133,500	1,215	585,000	475,000
Governance	73,548	74,583	1,035	169,000	142,400
Administration and establishment	136,251	136,642	391	285,750	262,250
Total	1,446,747	1,483,242	36,495	2,976,740	2,748,100
Surplus before designated spending	246,265	271,558	(25,293)	12,760	136,400
Designated spending					
- CPD	5,102	-	-	107,731	
- IT	-	-	-	75,000	
Surplus after designated spending	241,163	-	-	-	-

35. The detailed departmental expenditure accounts can be found at Annex B.

Balance Sheet

36. The Balance Sheet for the period ended 31 October 2020 shows total reserves of £2.738m. Cash held in hand and at bank totals £565k with a further £1.011m (balance as at 31 March 2020) in an investment portfolio.

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37. The Balance Sheet as at 31 October 2020 is set out below:

	31 March 2020		31 October 2020	
	£	£	£	£
Non-current assets				
Assets (fixed/intangible)		1,740,888		1,722,919
Investment (portfolio)		1,010,777		1,010,777
Current assets				
Debtors	378,003		1,260,680	
Cash in bank and in hand	325,628		564,939	
	703,631		1,825,619	
Liabilities				
Creditors – within one year	(958,500)		(1,821,356)	
	(958,500)		(1,821,356)	
Net Current Assets/Liabilities		(254,869)		4,263
Total assets less total liabilities		2,496,796		2,737,959
Reserves				
General reserve		2,314,703		2,560,968
Designated funds				
- CPD scheme		107,093		101,991
implementation				
- IT investment		75,000		75,000
Total Reserves		2,496,796		2,737,959

Balance Sheet explanatory notes

Debtors

38. At the 31 October 2020, the total of Debtors had increased to £1.261m from the year-end position of £378k. This is in line with expectations. The reason for the increase is because 'registration fee debtors' spikes as the majority of the register renew their registration in the opening half of the financial year. The debtors figure will decrease as the financial year progresses.

Creditors

39. At the 31 October 2020, the total of Creditors has also increased to £1.821m from the year-end position of £959k. 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. As registration fees which have been invoiced are recognised in the accounts, the total of creditors will decrease as the financial year progresses.

Cash flow and reserves

40. During this period of uncertainty Council is right to closely monitor its cashflow and reserves. The following section provides an overview of the cash flow position and current cash flow projection. Narrative around the direct debit deferral scheme, management of expenditure, investment portfolio and 'free' reserves versus 'non-liquid' reserves can be found at Annex C.

Overview

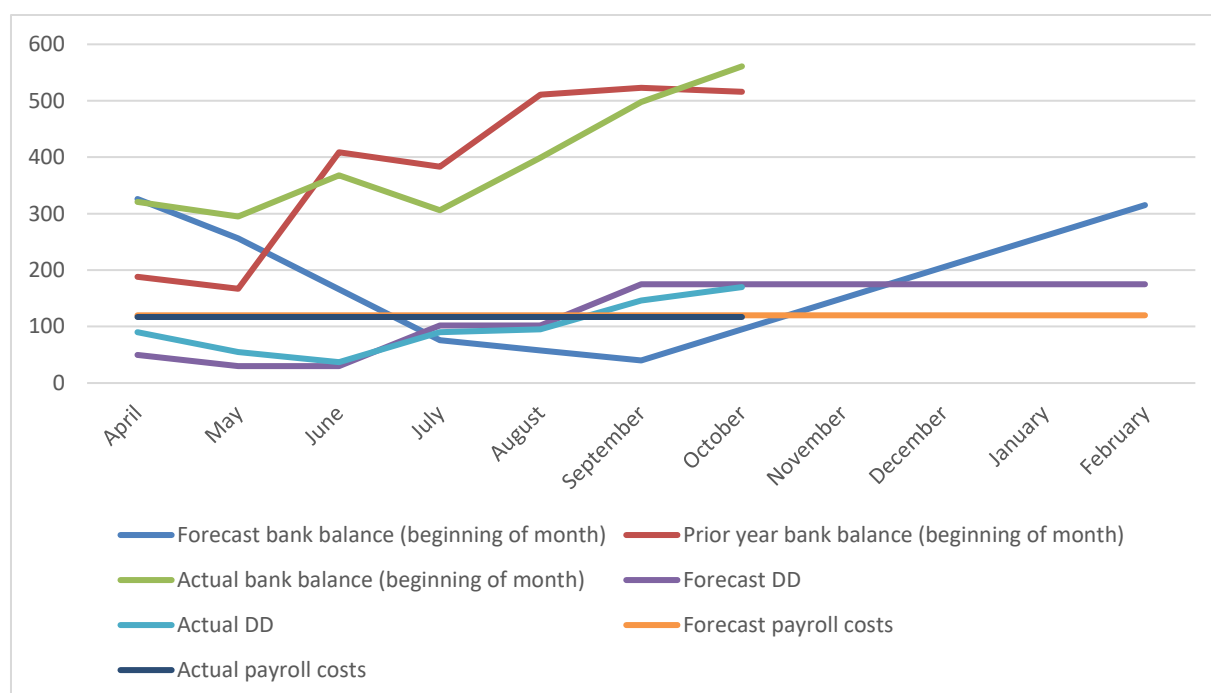
41. At 31 March 2020, the bank balance was £326k. At 31 October 2020, the bank balance was £565k, an increase of £239k. The bank position at 31 October 2020 is better than the original cash forecast of £95k for the same period. This due to three main reasons:
- a. Firstly, the number of failed direct debits has not been significant since the start of the pandemic.
 - b. Secondly, more registrants have renewed their registration and paid in full than we had forecast – our calculations were based on all registrants taking up the direct debit deferral scheme.
 - c. Thirdly, we have managed our cash outflows carefully.

Cash flow predictions

42. Our early predictions were based on all registrants paying by direct debit rather than in full. Our assumption was that registrants would want to hold onto their fee payment for as long as possible. While the direct debit deferral option has proven to be popular, we have seen registrants renew their registration and pay their fee in full.
43. In the period September to October 2020, we received £203k of registration fees paid in full which was only £38k higher than this time last year.
44. As reported earlier, the number of failed direct debits has not been as high as we might have expected during the early months of the pandemic.

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45. The original cash flow position was presented to Council in a graphical format, which is updated monthly as the actual position becomes clearer.



NB: the forecast assumes all registrants renew their registration and pay by direct debit. Some registrants will choose to pay in full, and in advance of their registration year. This also assumes there is no significant change in the Register, i.e. no significant increase in leavers.

46. Because the original cash flow forecast assumed registrants would pay by direct debit, it was forecast that the bank balance would fall close to zero around August 2020, and that Council might need to liquidate the cash holding in the investment portfolio. This is no longer a concern.
47. As discussed earlier in the report, there are 76 registrants who have not yet renewed their registration up to 31 October 2020, and the associated financial risk of these registrants failing to renew and pay. The table below is repeated for ease of reference.

Renewals outstanding	Number of registrants to renew	Income reduction if all fail to renew	Income reduction if all renew but as non-practising	Income reduction if all non-dd payers fail to renew	Income reduction if all non-dd payers renew but as non-practising
		£	£	£	£
To 31 October 2020	76	43k	19k	16k	7k

48. The cash flow forecast was prepared on the assumption that registrants renew their registration and pay by direct debit. Therefore, if any of the scenarios

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outlined in the table above were to happen, our forecast direct debit income would be overstated each month from November, by one tenth of the income reduction, as direct debit income is collected across ten months.

Charity Commission reporting

49. As well as being a statutory regulator, the GOsC is also a registered charity, and there are certain circumstances where we must make reports to the Charity Commission, including for example, serious adverse events such as significant reduction in income. Our predictions so far, suggest that GOsC would see income reduce by 2.5% against the budget set. We are also keeping a watchful eye on what might happen around those registrants who have yet to renew and the impact on the financial position.
50. At this stage, we do not need to make a report to the Charity Commission, because we are still able to fulfil our statutory responsibilities. The latest Charity Commission guidance describes the need for making a serious incident report as when financial losses are greater than £25k or 20%. While the reduction in registration fee income is significant, we are not forecasting this turning into a loss-making situation for the GOsC (yet) and as such, no serious incident report to the Charity Commission is required.

GOsC (Application for Registration and Fees) Rules 2000:

1. The salient points from the Fees Rules 2000 are as follows:
 - a. the fee to be paid in full, or by instalments. The Rules state that if paying by instalment, there should be a levy added to the fee. s(8)(1).
 - b. where an osteopath is not practicing as an osteopath for three months in their registration year a reduced non-practising fee applies. s(8)(1)(a).
 - c. the retention fee may only be paid in instalments with the agreement of the both the osteopath and the Registrar. s(8)(5).
 - d. except where the retention fee is being paid by instalments, if the retention fee has not been paid by the due date, and after appropriate notices have been served, the osteopath should be removed from the Register unless the Registrar considers there would be undue hardship in doing so. s(9)(1).
 - e. where the retention fee is being paid by instalments, if a payment is not received, and after appropriate notices have been served, the osteopath should be removed from the Register unless the Registrar considers there would be undue hardship in doing so. s(9)(4) and s(9)(5).

NB: Council should note that if a registrant is non-practising for three months and is eligible for the reduced fee, even if they subsequently return to practice, the reduced fee would apply for the rest of their registration year. If a registrant has not been out of practise for three months, (i.e. just six weeks) the reduced fee would not apply.

Departmental Expenditure Accounts

1. The individual departmental accounts are listed below with further narrative to support each business area. While the report would not normally comment on employment costs, due to the unprecedented nature of the pandemic, a short narrative is provided.

Employment costs

2. Employment costs include those expenses associated with pay, pensions, recruitment and staff training.

Education and professional standards

	Year to Date 1 April 2020 – 31 October 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	87,787	90,000	2,213	120,670	120,000
Research projects	1,116	1,100	(16)	19,000	7,500
Total	88,903	91,100	2,197	139,670	127,500

3. The seven-month position reports that expenditure of £89k has been incurred against a budget allocation of £91k. Historically spend for Professional Standards is incurred in the second half of our financial year and this will be the situation again in 2020-21, particularly for expenditure related to quality assurance.
4. The budget has up to £20k for research projects which includes research associated with piloting tools to explore effective decision making and whether those tools provide ways of embedding standards in practice (our values work), patient and public involvement activity and boundaries research. The bulk of the spend relates to the values activity which has been placed on hold. While we hope to revisit this activity later in the financial year, it is unlikely the full spend will be incurred in this year and the budget has been recast accordingly. This may be reduced further as the year progresses.

Communications, research and development

	Year to Date 1 April 2020 – 31 October 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	51,898	53,068	1,170	90,100	85,100
Engagement and events	1,074	1,292	218	9,600	9,600
Digital	6,266	6,500	234	33,550	20,000
Publications and subscriptions	0	438	438	750	750
<i>Research</i>					
NCOR infrastructure	15,602	16,333	731	28,000	27,500
IJOM	24,750	24,500	(250)	42,000	42,500
Total	99,590	102,131	2,541	204,000	185,450

- Expenditure of £100k is under budget by £2.5k. 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 (£53k) equal to 89% of expenditure, excluding spend on research activities (NCOR and IJOM).
- Production of The Osteopath magazine - which represents a significant amount of staff time and resource across all teams, and which the bulk of the publications spend - is under contract until July 2021. We have been considering how the contract can be delivered more flexibly during this current period. For example, the COVID-19 editions, and will be a smaller, less 'glossy' production, which will save some expenditure. However, we are contracted until July 2021 and costs will be incurred irrespective of whether the magazine is produced.
- Further consideration of our strategy to communications and engagement is necessary as we move towards an approach which is digital-first. This will feature in the Council discussions about the Communications and Engagement Strategy on the private agenda.
- The total cost of research activities is £39k which is made up of the GOsC contribution to the National Council for Osteopathic Research (NCOR) (£16k) and the cost of the subscription to the International Journal of Osteopathic Medicine (IJOM) (£25k). These activities support the delivery of our statutory responsibility to develop the profession.
- Our expenditure commitment to NCOR remains in place during FY2020-21, and until FY2021-22 for IJOM. In terms of our corporate subscription to IJOM, taken

out on behalf of the profession, we can explore what cost saving measures we may be able to introduce at the end of the current contract, i.e. limiting the number of publications which are made available through the subscription.

Registration administration

	Year to Date 1 April 2020 – 31 October 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	0	0	0	5,000	0
Registration assessments	2,586	2,600	14	10,000	7,500
Total	2,586	2,600	14	15,000	7,500

10. The seven-month position for Registration administration is marginally under budget.

11. As we move towards a digital-first future for our business operation, the need for expenditure on registration documentation is not needed and we have adjusted the forecast to reflect this approach.

12. Our expenditure on registration assessments also need to be reviewed. Currently we have a pool of registration assessors (contracted until July 2021) who undertake assessments of international applications we receive. These assessments are broadly cost neutral; however, we have a £10k budget allocation which represents the cost of training and appraisals of the registration assessors. We will explore how we might reduce costs further in this area and whether there are alternative ways of undertaking this activity.

IT infrastructure

	Year to Date 1 April 2020 – 31 October 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	72,950	74,500	1,550	85,000	95,000
IT sundries/consultancy	614	500	(114)	5,000	5,000
Total	73,564	75,000	1,436	90,000	100,000

13. Expenditure includes hosting fees and support costs for the cloud environment.

14. While the pandemic has presented many challenges, it has also forced us to work in different ways and to look afresh at how we operate. We took the opportunity to ask our staff team what they think we might do differently in the future to drive business improvement. Ideas included:

- Renewal process and associated processes becomes online only
- Student application process becomes online
- Committee papers/bundles online only
- We move to online meetings (across all parts of the business) becoming more normal

15. Due to the online working we have needed to increase our server capacity and we anticipate that our year-end costs will be slightly over budget this year.

Fitness to practise, including legal

	Year to Date 1 April 2020 – 31 October 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	5,040	5,000	(40)	15,000	15,000
Statutory committee costs					
- Investigating Committee	12,600	13,500	900	80,000	50,000
- Professional Conduct Committee	113,727	114,000	273	475,000	398,000
- Health Committee	918	1,000	82	10,000	7,000
Section 32 cases	0	0	0	5,000	5,000
Total	132,285	133,500	1,215	585,000	475,000

16. Statutory committee costs represent 96% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees at the seven-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.

17. The opening seven-months of the financial year do not represent the normal activity which takes place within fitness to practice as Council members will know we suspended substantive hearings until 3 July 2020, although we have recently restarted our activities through online and blended hearings.

18. The events that we currently have scheduled for the rest of 2020 are:

November 2020:

x1 x6 day PCC hearing
x1 x4 day PCC hearing
x1 x1 day IC meeting
x1 x1 day PCC training

December 2020:

x1 x1 day IC meeting

19. We have a good understanding of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs for cases held in Osteopathy House. However, these cost units will change, as more activity is undertaken online and we will need to keep these unit costs under review.

20. What we are able to do, based on the current schedule of activity, is to calculate our known costs, and this is reflected in the adjustment we have made to our year-end forecasts.

21. Last year, when all activity was carried out in Osteopathy House, our actual expenditure was lower than budget. We are forecasting that our year-end expenditure in fitness to practise will be lower than budgeted due to the pause in activity at the start of the financial year and the resumption of activity using online substantive hearings.

Governance

	Year to Date 1 April 2020 – 31 October 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	57,784	58,333	549	100,000	98,500
Tax liability on council member expenses	0	0	0	9,000	8,000
Council costs including reappointments	464	500	36	20,000	12,500
Other committee costs	6,761	7,000	239	15,000	12,500
PSA levy	8,539	8,750	211	15,000	14,650
Assurance audits	0	0	0	10,000	7,500
Total	73,548	74,583	1,035	169,000	142,400

22. Honorarium and responsibility allowances of £58k represent 79% of the total expenditure for the opening four-months. Overall expenditure of £74k is slightly under the budget forecast.

23. As we move to online meetings/committees being more of the norm, there will be a reduction in travel and accommodation costs as members will be joining the meetings from home and we have reflected a reduction in the year end expenditure forecast. These cost savings will also result in a smaller tax liability on the expenses, although that benefit will not be realised until FY2021-22 as the tax is paid in the following year.
24. The levy paid to the Professional Standards Authority remains payable during this period.
25. We have a budget allocation of £10k for assurance audits, which has been reduced slightly as the quote approved by the Audit Committee for an Equality, Diversity and Inclusion audit was cheaper than forecast. This work was initially delayed due to the pandemic, although we restarted the audit activity in August 2020.

Administration and establishment

	Year to Date 1 April 2020 – 31 July 2020				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	47,387	48,550	1,163	87,500	80,000
Office administration	33,229	34,175	946	94,000	75,000
Financial audit	0	0	0	18,500	18,500
Financing	15,893	16,000	107	22,000	25,000
Publications and subscriptions	3,574	1,750	(1,824)	1,750	1,750
Depreciation	36,167	36,167	0	62,000	62,000
Total	136,251	136,642	391	285,750	262,250

26. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£47k) – and office administration – insurance, postage, photocopying – (£33k). These areas represent 59% of the total expenditure at the seven-month position.
27. As we continue with homeworking, there are expected savings to be made around office administration, such as stationery, postage and printing. The year-end budget forecast has been adjusted to reflect this position. We also need to review expenditure through the lens of how Osteopathy House might be used in the future. The enforced period of homeworking has demonstrated that most of our business can be conducted remotely, and following the risk assessment as to how we could reopen the office with social distancing, not everyone may want to return, or be able to return. This may raise the possibility of vacant office space available for rental with GOsC as landlord.

Cash flow: narrative

Direct debit deferral scheme

1. Council met for an extraordinary meeting on 9 April 2020 to consider a paper outlining the impact of COVID-19 and what support it might be able to provide to registrants, balanced against the ongoing, future viability of the organisation.
2. The paper recognised the significant impact that COVID-19 was having on a profession which was primarily made up of self-employed practitioners, but that any assistance which GOsC could provide needed to be within the scope of the GOsC (Application for Registration and Fees) Rules 2000.
3. The first duty of the GOsC was to ensure the protection of patients and the public, and Council members, who, with GOsC being a registered charity are also Trustees, need to ensure decisions taken are in the organisation's best interests. This can sometimes mean there are competing and conflicting demands.
4. At the 9 April 2020 meeting, Council considered the financial impact on the GOsC of a loss of income through a change in the Register, i.e. registration fees collected not being as high as forecast. The Council needed to ensure the GOsC had sufficient cash flow in which to be able to discharge its responsibilities while trying to identify what support it might provide to registrants. It was recognised that not having a single point in time when the entire register renewed its registration was a disadvantage.
5. At the meeting, it agreed to introduce a direct debit deferral system for those registrants who were about to renew their registration in May and June 2020. Council later agreed to extend the direct debit deferral scheme for those due to renew their registration in July and August, but not for future registration months as registrants were starting to return to practice.

Management of expenditure

6. Due to the home working scenario, our normal business planning approach has been reworked. The business plan, which highlighted those activities that had been paused due to the pandemic, now reflects our plans to restart those activities, including which activities will need to continue in the next business year.
7. As previously reported to Council, many of the activities are driven by staff time meaning that pausing activity, or cancelling activity, will not automatically lead to expenditure reductions.
8. Expenditure will not be as high during the months when we are working from home compared to if the business was running as normal from Osteopathy House. We have discussed this earlier in the report, for example, and in line with Government advice about social distancing to stay alert and save lives, that

substantive fitness to practice hearings were postponed, until 3 July 2020. We are now listing hearings to be conducted using remote technology or as a 'blended hearing', part online, part in Osteopathy House.

9. By reworking our business planning approach, expenditure in this year can be better contained and reduced. We currently expect to contain the reduction to income by a greater saving to expenditure.
10. Our main area of fixed cost is around staffing – the average payroll (staff and Council member honorariums) and staff pension costs are c.£120k per month. Through careful supplier management, we can limit our payments to suppliers to a maximum of c.£60k-£70k per month without compromising the relationships that we have developed over several years.
11. During the early part of the pandemic, we needed to consider cash flow considerations and specifically whether we needed to liquidate some, or all, of the portfolio investment held with Brewin Dolphin in order to ensure we can meet our ongoing commitments. This is no longer a primary consideration as our cash position is significantly better than our worst-case forecast scenario.

Investment portfolio

12. As previously reported to Council, the investment portfolio, due to the volatility of the stock market, lost money. As at 31 March 2019, the investment portfolio was £571k. In 2019, Council agreed to close the 120-day bond as the interest rate had been significantly reduced. £585k was transferred into the investment portfolio in December 2019 on closure of the 120-day bond.
13. The combined total invested in the portfolio, in January 2020 was £1.156m.
14. At 31 March 2020, the GOsC investment stood at £1.011m, meaning the portfolio was reduced by c.£150k (13%) compared to the beginning of the year. Because of the outbreak of COVID-19, stock markets crashed and although are now showing some modest signs of recovery, they remain unpredictable. All investment portfolios have lost funds, and, in many ways, our investment portfolio is performing better than might have been expected.
15. At 30 September 2020, the investment stands at £1.120m with c.£140k held in cash. This could be immediately withdrawn and to the GOsC. Further withdrawals from the portfolio would need approximately 10 days-notice, although our current expectation is that we would not need to draw down on our investment in this financial year.

Free' reserves versus 'non-liquid' reserves

16. The investment forms part of the GOsC Balance Sheet. In terms of reserves which are immediately available, it would only be the investment portfolio and

the bank balance which are 'liquid' reserves and immediately available for use to manage the cashflow.

17. The remainder of the GOsC Balance Sheet is made up of the 'non-liquid assets', debtors and creditors. Non-liquid assets are those assets which would need to sell in order to generate cash. This is predominately Osteopathy House, so any conversion of the non-liquid asset into cash would not be quick.
18. The GOsC is mortgage-free and so a loan against Osteopathy House could be secured if needed to help manage cashflow. However, we have not considered this further as it would not be a prudent move for the GOsC to take out a debt it might not be able to service.
19. In terms of reserves, GOsC has a policy which sets out its target position which is based on an assessment of the likely risks and associated costs should they materialize. The target reserves are £350k-£700k however Council is not under any legislative requirements and the level of reserves it holds can be above or below its target reserve level.
20. In previous years, Council has been below, above and in-line with its target reserves position. The important issue for Council is to consider the possible financial impact of COVID-19 on its income in order to ensure the future viability of the organisation.
21. As at the year-end, the level of reserves was within the target range as agreed by Council. This is demonstrated by the table below.

	£
Funds held	2,496,796
Restricted funds	-
Designated funds	
- CPD	(107,093)
- IT Investment	(75,000)
Operational fixed assets	(1,740,888)
Funds remaining	573,815