

Annex B to Item 6

Financial Report 2021-22 (six months to September 2021)

Key messages from the report:

- Income is higher than expected as the hesitancy that presented itself during the uncertain and volatile financial period of the pandemic is showing signs of recovery.
- Expenditure levels are significantly below budget for the six months to 30 September 2021. The reason for the underspend is predominately the extended hybrid working that is becoming embedded in GOsC culture.
- The Balance Sheet is in a strong position, meaning we can face future challenges from a position of financial health.
- Cash at bank is up on the year-end position reflecting that we have a number of registrants renewing their registration and paying in full.
- The investment portfolio has recovered significantly following the stock market crash at the beginning of the global pandemic.

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2021 and will conclude on 31 March 2022. In this report it will be described as FY2021-22.
2. The budget for FY2021-22 was approved by Council in February 2021.
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

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6. This financial report covers the period ending 30 September 2021, which is six 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: Expenditure Account (detailed departmental summaries)

Summary of financial position

8. This report covers the six-month period from 1 April 2021 to 30 September 2021. The accounts show a surplus (before spending from reserves) of £301k against a budgeted surplus of £219k for the same period.

Income

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.
10. At 30 September 2021, income totalled £1.5m, which is slightly above our budget forecast for the same period. Registration fees accounted for 99.9% of the total income received.

Expenditure

11. At the six-month position we have recorded actual expenditure of £1.2m meaning spending is significantly under the budget forecasts, before designated spending from reserves. In-house activities and associated costs have not returned to pre-pandemic levels.
12. Expenditure is currently below the predicted forecast, with a spend of 42% of the FY budget. We have revised the year-end forecasted budget position to reflect the evolving financial position.

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Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2021 – 30 September 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	1,501,887	1,490,000	11,887	2,875,000	2,875,000
Other income	4,817	4,000	817	25,000	25,000
Total	1,506,704	1,494,000	12,704	2,900,000	2,900,000
Expenditure					
Employment costs	735,432	741,000	5,568	1,525,280	1,525,280
Education and professional standards	36,795	45,800	9,005	143,170	143,170
Communications, research and development	44,917	48,750	3,833	119,400	119,400
Registration administration	4,707	2,500	(2,207)	5,000	5,000
IT infrastructure	52,410	50,000	(2,410)	100,000	100,000
Fitness to practise, including legal	134,431	200,000	65,569	585,000	500,000
Governance	73,556	68,500	(5,056)	152,500	152,500
Administration and establishment	123,608	118,500	(5,108)	255,650	255,650
Total	1,205,856	1,275,050	69,194	2,886,000	2,801,000
Surplus before designated spending	300,848	218,950	81,898	14,000	99,000
Designated spending	-	-	-	-	-
Surplus after designated spending	300,848	218,950	81,898		

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14. The detailed departmental expenditure accounts can be found at Annex A.

Balance Sheet

15. The Balance Sheet for the period ended 30 September 2021 shows total reserves of £3.09m (including designated funds). Cash held in hand and at bank totals £1.13m with a further £1.23m (balance as at 31 March 2021) in an investment portfolio.

16. The Balance Sheet as at 30 September 2021 is set out below:

	31 March 2021			30 September 2021	
	£	£		£	£
Non-current assets					
Assets (fixed/intangible)		1,671,106			1,680,172
Investment (portfolio)		1,234,760			1,234,760
Current assets					
Debtors	611,659			1,190,258	
Cash in bank and in hand	401,168			1,132,525	
	1,012,827			2,322,783	
Liabilities					
Creditors – within one year	(1,060,280)			(2,078,454)	
	(1,060,280)			(2,078,454)	
Net Current Assets/Liabilities		(47,453)			244,329
Provisions		(65,500)			(65,500)
Total assets less total liabilities		2,792,913			3,093,761
Reserves					
General reserve		2,510,820			2,811,668
Designated funds		282,093			282,093
Total Reserves		2,792,913			3,093,761

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Balance Sheet explanatory notes

Debtors

17. At the 30 September 2021, the total of Debtors had increased to £1.19m from the year-end position of £612k. This increase 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

18. At the 30 September 2021, the total of Creditors has also increased to £2.08m from the year-end position of £1.06m. 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 investments

19. Council closely monitors its cashflow and reserves. The following section provides an overview of the cash flow position and current cash flow projection.
20. At 31 March 2021, the bank balance was £401k. At 30 September 2021, the bank balance was £1.13m, an increase of £729k. The reason for the increase is that we have a cyclical registration year, so a larger number of registrants are renewing their registration now and paying in full, which means an increase in the cash balance.

Investment portfolio

21. At 30 September 2021, the investment stood at £1.28 with c.£120k 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 expectation is that we would not need to draw down on our investment in this financial year.

Charity Commission reporting

22. 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.
23. We do not foresee any need to make a report to the Charity Commission during financial year 2021-22.

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 2021 – 30 September 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	30,851	40,000	9,149	116,750	116,750
Publications & subscriptions	874	800	(74)	920	920
Osteopathic Practice	5020	4500	(520)	6,000	6,000
Standards	50	500	450	1,500	1,500
GOPRE					
Research projects	-	-	-	18,000	18,000
Total	36,795	45,800	9,005	143,170	143,170

3. The six-month position reports that a total expenditure of £36.8k has been incurred against a budget allocation of £45.8K. Historically most of the departmental spend happens in the latter months of the financial year and we expect FY2021-22 to be the same.

Communications, research and development

	Year to Date 1 April 2021 – 30 September 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	-	-	-	10,500	10,500
Engagement and events	-	-	-	3,500	3,500
Digital	12,905	15,000	2,095	38,650	38,650

Annex A

Publications and subscriptions	999	750	(249)	750	750
<i>Research</i>					
NCOR infrastructure	13,286	14,000	714	28,000	28,000
IJOM	17,727	19,000	1,273	38,000	38,000
Total	44,917	48,750	3,833	119,400	119,400

4. Expenditure of £45k is under currently under budget. The total cost of research activities is £31k which is made up of the GOsC contribution to the National Council for Osteopathic Research (NCOR) (£13.3k) and the cost of the subscription to the International Journal of Osteopathic Medicine (IJOM) (£17.7k). These activities support the delivery of our statutory responsibility to develop the profession.

Registration administration

	Year to Date 1 April 2021 – 30 September 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	-	-	-	-	-
Registration assessments	4,707	2,500	(2,207)	5,000	5,000
Total	4,707	2,500	(2,207)	5,000	5,000

5. The six-month position for Registration administration is significantly over budget. The cost of registration assessments is offset by the fees paid by applicants applying for registration. We will need to explore whether this has been accounted for correctly in the accounting system due to the overspend being reported here.

IT infrastructure

	Year to Date 1 April 2021 – 30 September 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
IT infrastructure (Cloud) / CRM support	50,437	42,500	(7,937)	85,000	85,000
IT sundries/consultancy	1,973	7,500	5,527	15,000	15,000
Total	52,410	50,000	(2,410)	100,000	100,000

6. Expenditure includes hosting fees and support costs for the cloud environment. Expenditure is also being incurred to insure additional IT cover, by way of third-party support.

Fitness to practise, including legal

	Year to Date 1 April 2021 – 30 September 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	3,078	5,000	1,922	15,000	15,000
Statutory committee costs					
- Investigating Committee	27,557	30,000	2,443	75,000	70,000
- Professional Conduct Committee	99,127	160,000	60,873	480,000	400,000
- Health Committee	1,518	3,000	1,482	10,000	10,000
Section 32 cases	3,151	2,000	(1,151)	5,000	5,000
Total	134,431	200,000	65,569	585,000	500,000

7. Statutory committee costs represent 98% 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.

8. The events that we currently have scheduled for the next five months are:

October 2021

1 x 1 day ISO hearing
1 x 5 day hearing
1 x 3 day hearing

November 2021

1 x 6 day hearing
1 x 1 day PCC ISO
3 x 1 day IC meetings
1 x 3 day hearing

December 2021

1 x 1 day IC meeting

January 2022

1 x 1 day PCC review hearing
1 x 6 day PCC hearing

February 2022

1 x 1 day IC meeting

Governance

	Year to Date 1 April 2021 – 30 September 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	49,691	50,000	309	100,000	100,000
Tax liability on council member expenses	-	-	-	-	-
Council costs including reappointments	7,710	5,000	(2,710)	10,500	10,500
Other committee costs	8,723	6,000	(2,723)	12,000	12,000
PSA levy	7,432	7,500	68	15,000	15,000
Council Associates Programme	-	-	-	7,500	7,500
Assurance audits	-	-	-	7,500	7,500
Total	73,556	68,500	(5,056)	152,500	152,500

9. Honorarium and responsibility allowances of £49.7k represent 68% of the total expenditure for the opening six-months. As anticipated, we are incurring a greater level of expenditure in this area as we have begun recruitment campaigns to fill arising vacancies within the governance structure.

Administration and establishment

	Year to Date 1 April 2021 – 30 September 2021				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	39,941	38,500	(1,441)	78,500	78,500
Office administration	28,074	29,500	1,426	59,000	59,000
Financial audit	3,100	3,000	(100)	18,500	18,500
Financing	20,427	15,000	(5,427)	22,000	22,000
Publications and subscriptions	326	500	174	1,750	1,750
Depreciation	31,740	32,000	260	75,900	75,900
Total	123,608	118,500	(5,108)	255,650	255,650

10. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£39.9k) – and office administration – insurance, postage, photocopying – (£19.1k). These areas represent 53% of the total expenditure at the six-month position.
11. As we return to a hybrid way of office working, we will need to monitor our expenditure patterns to ensure that we have made the correct assumptions about office expenditure when setting the budget. We will advise Council as the year progresses.