

Annex B to Item 6

Financial Report 2022-23 (six months to September 2022)

Key messages from the report:

- Registration fees are broadly where we would expect, having reviewed the register movements, though fractionally lower than the six-month budget prediction.
- As is usual, the bulk of the work in progress is invoiced in the second half of the financial year, so the expenditure levels are below budget for the six months to 30 September 2022.
- The investment portfolio has been significantly impacted by the recent economic turmoil; however, the Balance Sheet is in a strong position, meaning we can face future challenges from a position of financial health.
- The economic challenges has meant that for our investment portfolio equity valuations are down c.£137k at 30 September 2022.
- Cash at bank is up on the year-end position, reflecting that the spend will take place in the latter part of the financial year.

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2022 and will conclude on 31 March 2023. In this report it will be described as FY2022-23.
2. The budget for FY2022-23 was approved by Council in February 2022.
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

Annex B to Item 6

6. This financial report covers the period ending 30 September 2022, 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 2022 to 30 September 2022. The accounts show a surplus (before spending from reserves) of c.£48k against a budgeted surplus of c.£32k 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 2022, income totalled c.£1.43m, which is below 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 c.£1.39m meaning spending is 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 48% of the FY budget. We have revised the year-end forecasted budget position to reflect the evolving financial position.

Annex B to Item 6

Income and Expenditure Account (top-level summary)

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

	Year to Date 1 April 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	1,433,993	1,460,000	(26,007)	2,857,250	2,857,250
Other income	831	2,350	(1,519)	32,500	32,500
Total	1,434,824	1,462,350	(27,526)	2,889,750	2,889,750
Expenditure					
Employment costs	796,622	780,500	(16,122)	1,561,000	1,572,304
Education and professional standards	55,567	81,625	26,058	148,250	114,750
Communications, research and development	62,835	88,325	25,490	185,250	148,200
Registration administration	9,263	5,000	(4,263)	10,000	13,500
IT infrastructure	75,418	66,350	(9,068)	106,400	141,800
Fitness to practise, including legal	185,249	213,000	27,751	450,000	450,000
Governance	74,738	73,500	(1,238)	154,000	152,600
Administration and establishment	127,570	121,600	(5,970)	260,000	258,165
Total	1,387,262	1,429,900	42,638	2,875,300	2,851,319
Surplus before designated spending	47,562	32,450	15,112	14,450	38,431
Designated spending	-	-	-	-	-
Surplus after designated spending	47,562	32,450	15,112		

Annex B to Item 6

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

Balance Sheet

15. The Balance Sheet for the period ended 30 September 2022 shows total reserves of c.£2.95m (including designated funds). Cash held in hand and at bank totals c.£1.17m with a further c.£1.25m (balance as at 31 March 2022) in an investment portfolio. As is normal practice we have not recorded any changes to the investment portfolio in the figures below, as the valuations are fluctuating.

16. The Balance Sheet as at 30 September 2022 is set out below:

	31 March 2022			30 September 2022	
	£	£		£	£
Non-current assets					
Assets (fixed/intangible)		1,650,250			1,617,220
Investment (portfolio)		1,249,568			1,249,568
Current assets					
Debtors	384,449			1,120,531	
Cash in bank and in hand	825,254			1,172,531	
	1,209,703			2,293,062	
Liabilities					
Creditors – within one year	(1,139,103)			(2,141,870)	
	(1,139,103)			(2,141,870)	
Net Current Assets/Liabilities		70,600			151,192
Provisions		(65,500)			(65,500)
Total assets less total liabilities		2,904,918			2,952,480
Reserves					
General reserve		2,722,825			2,770,387
Designated funds		182,093			182,093
Total Reserves		2,904,918			2,952,480

Annex B to Item 6

Balance Sheet explanatory notes

Debtors

17. At the 30 September 2022, the total of Debtors had increased to c.£1.12m from the year-end position of c.£384k. 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 2022, the total of Creditors has also increased to c.£2.14m from the year-end position of c.£1.14m. 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 2022, the bank balance was c.£825k. At 30 September 2022, the bank balance was c.£1.17m, an increase of c.£347k. 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 2022, the investment stood at c£1.25m. 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.
22. The most up to date investment valuation is c.£1.12m at 30 September 2022 down c.£137k since last reported at 31 March 2022. The portfolio remains in an environment of market volatility, resulting from the impact of the increased price of oil, the cost of living crisis and rising inflation.
23. We continue to keep in close contact with Brewin Dolphin concerning our investment portfolio. We recognise that dips in the valuation can happen which is why Council has taken a medium to long term view in respect of the investment valuation.

Annex B to Item 6

Charity Commission reporting

24. 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.
25. We do not foresee any need to make a report to the Charity Commission during financial year 2022-23.

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 economic climate, 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 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Quality assurance	50,955	63,400	12,445	111,800	101,200
Publications & subscriptions	620	450	(170)	900	900
Osteopathic Practice Standards	3,617	3,400	(217)	6,800	6,750
GOPRE	-	-	-	-	-
Research projects	375	14,375	14,000	28,750	5,900
Total	55,567	81,625	26,058	148,250	114,750

3. The six-month position reports that a total expenditure of c.£55.6k has been incurred against a budget allocation of £81.6k. 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 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publications	-	17,400	17,400	31,800	9,500
Engagement and events	2,523	12,875	10,352	38,350	25,150
Digital	28,718	25,050	(3,668)	49,500	49,550

Annex A

Publications and subscriptions	-	-	-	-	-
<i>Research</i>					
NCOR infrastructure	13,286	14,000	714	28,000	27,000
IJOM	18,308	19,000	692	38,000	37,000
Total	62,835	88,325	25,490	185,650	148,200

4. Expenditure of c.£63k is currently under budget. The total cost of research activities is c.£32k which is made up of the GOsC contribution to the National Council for Osteopathic Research (NCOR) (£13.5k) and the cost of the subscription to the International Journal of Osteopathic Medicine (IJOM) (£18.5k). These activities support the delivery of our statutory responsibility to develop the profession.

Registration administration

	Year to Date 1 April 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	5,422	2,000	(3,422)	6,000	8,900
Registration assessments	3,841	3,000	(841)	4,000	4,600
Total	9,263	5,000	(4,263)	10,000	13,500

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. Signs indicate that we need to budget for increased expenditure in this activity and that we have underbudgeted this year.

IT infrastructure

	Year to Date 1 April 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Software - Licensing	20,193	6,350	(13,843)	12,700	25,000
CRM support	17,057	20,000	2,943	43,500	55,000
Infrastructure	36,060	18,000	(18,060)	36,200	59,000
IT Security	-	5,000	5,000	10,000	500
	-	15,000	15,000	-	-

Annex A

Cyber Security Essential Plus IT Consultancy cover	2,108	2,000	(108)	4,000	2,300
Total	75,418	66,350	(9,068)	106,400	141,800

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.
7. The overspend relates to additional software costs, the Integra upgrade and costs relating to the previous financial year that were not accrued.

Fitness to practise, including legal

	Year to Date 1 April 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Other legal costs	5,400	8,000	2,600	6,000	6,000
Statutory committee costs					
- Investigating Committee	50,325	40,000	(10,325)	70,000	70,000
- Professional Conduct Committee	125,400	160,000	34,600	368,000	368,000
- Health Committee	3,884	3,000	(884)	5,000	5,000
Section 32 cases	240	2,000	1,760	1,000	1,000
Total	185,249	213,000	27,751	450,000	450,000

8. Statutory committee costs represent 97% 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.
9. The events that we currently have scheduled for the next five months are:

October 2022

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

January 2023

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

Annex A

November 2022

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

February 2023

1 x 1 day IC meeting

December 2022

1 x 1 day IC meeting

Governance

	Year to Date 1 April 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	51,445	52,500	1,055	105,000	104,000
Council costs including reappointments	7,710	6,250	(1,460)	12,500	12,400
Tax liability (expenses)	-	-	-	2,000	2,000
PSA levy	7,308	7,250	(58)	14,500	14,200
Other committee costs	8,275	7,500	(775)	16,000	16,000
Council Associates					
Programme	-	-	-	4,000	4,000
Equality and Diversity	-	-	-	-	-
Consultancy Support					
Total	74,738	73,500	(1,238)	154,000	152,600

10. Honorarium and responsibility allowances of £51.4k represent 69% 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 2022 – 30 September 2022				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	43,309	43,600	291	79,000	78,450
Office administration	30,577	26,500	(4,077)	61,000	59,815
Financial audit	-	-	-	18,500	18,500
Financing	18,698	17,000	(1,698)	33,000	32,950
Publications and subscriptions	1,956	500	(1,456)	2,500	2,450
Depreciation	33,030	34,000	970	66,000	68,950
Total	127,570	121,600	(5,970)	260,000	261,115

11. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£43.3K) – and office administration – insurance, postage, photocopying – (£30.6K). These areas represent 58% of the total expenditure at the six-month position.

12. 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.