## Finance and Performance Committee’s Annual Report to Council

<table>
<thead>
<tr>
<th>Purpose of paper</th>
<th>To provide a report on the work of the Finance and Performance Committee in 2017.</th>
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<tbody>
<tr>
<td>Action</td>
<td>For discussion and noting</td>
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<tr>
<td>Status</td>
<td>Public session</td>
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<tr>
<td>Corporate Strategy 2016-19</td>
<td><strong>Performance Objective 1:</strong> To improve our performance across all our functions so that we are highly effective as a regulator.</td>
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<tr>
<td>Business Plan 2017</td>
<td><strong>Priority 1:</strong> Continue to build a cost effective and efficient organisation.</td>
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### Decision Trail

In accordance with the General Dental Council Standing Orders for the Non-Statutory Committee of Council 2016, committees are required to report on expenditure, progress made against work programmes and planned work programmes for the following year.

At its meeting on 22 November 2017, the Finance and Performance Committee approved the 2017 Annual Report to Council, subject to additions following the meeting which it was agreed would be approved by the Chair. The Committee Work Programme was also approved at this meeting.

### Recommendations

The Council is asked to discuss and note the 2017 Finance and Performance Committee Annual Report to Council.

### Authorship of paper and further information

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### Appendices

Appendix 1 - Finance and Performance Committee Terms of Reference
Executive summary

1. The paper sets out the work carried out by the Finance and Performance Committee (the Committee) during 2017. The Committee received and approved the

2. At its meeting on 22 November 2017, the Finance and Performance Committee approved the 2017 Annual Report to Council, subject to additions following the meeting which it was agreed would be approved by the Chair. The Committee Work Programme was also approved at this meeting.

3. The Council is asked to discuss and note the 2017 Finance and Performance Committee Annual Report to Council.

Introduction and background

4. The current membership of the Finance and Performance Committee, as approved by the Council at its meeting on 26 October 2017, comprises of Terry Babbs (current Chair and Council Lay Member), Margaret Kellett (Council Registrant Member), Kirstie Moons (Council Registrant Member) and Anne Heal (Council Lay Member). Jayendra Patel (Council Registrant Member) was also a Committee member until his term of office expired on 30 September 2017.

5. The key purpose of the Committee is:
   - “To challenge and monitor the Executive on financial and other performance, to work with the Executive to develop an appropriate and proportionate data set to enable the Council to carry out its functions, and to provide guidance to the Executive on major operational matters such as property strategy, investment and technology development.
   - To work with the Executive in developing the General Dental Council’s (GDC) financial strategy, including assisting the Executive in developing the Business Plan (which includes the annual budget), and the rolling three-year Business Plan, and to assist the Council in reaching its decision on the Business Plan and the Corporate Plan.”

6. The Committee also has delegated powers to:
   - Approve the assumptions and objectives to be used in the planning cycle.
   - Approve the budgeting approach and annual targets for efficiency in accordance with the Council’s strategy.
   - Approve the GDC’s banking procedures and arrangements.

7. In accordance with the General Dental Council’s (GDC) Standing Orders for the Non-Statutory Committees of Council 2016, clause 8.4, the Committee is required to report annually to the Council on its expenditure, its progress made against the work programme for that year and its planned work programme for the following year.

8. The current terms of reference of the Committee are attached at Appendix 1.

Financial and business planning 2017

Financial reporting

9. Quarterly reports were presented to the Committee on the GDC’s financial performance, including detailed reporting on income, expenditure and headcount. In particular, the Committee monitored trends and issues, scrutinising performance and considering the reasons for any variance from budget and the implications for quality, reserves, expenditure, headcount and productivity. Financial performance was monitored with due regard to risks and opportunities. The Committee expressed concern that the forecast at the end of Q2, indicating
a move from a small budgeted deficit to a larger surplus position, could be reflective of a wider forecasting issue.

10. The Committee also scrutinised the effectiveness of cost efficiencies made across the organisation, focusing on favourable and unfavourable variances. The Committee considered optimising delivery of cost efficiencies through collaborative working.

11. The Committee received financial activity reports from all areas of the business at each meeting where variance in performance against budget was scrutinised by the Committee.

12. The Committee received detailed reporting on the financial performance of Fitness to Practise and the number of cases sent to external legal providers throughout the year as a key driver of cost.

13. The Committee monitored the level of reserves which, at the start of the year were well below the GDC’s target of four-to-six months operating expenditure. The Committee expressed concern about the financial position, which changed substantially during 2017, due to a number of factors and sought assurances from the Executive.

Business Planning Reporting

14. The Committee received updates on progress against the 2017 Business Plan at each meeting. Each ‘live’ project within the Business Plan was assigned a risk rating reflective of progress. The Committee particularly focused on those projects assigned ‘red’ or ‘amber’ risk ratings, in addition to those projects where risk ratings had changed from the previous report. The Committee also received a quarterly Benefits Tracking Report which was developed in year.

15. Where projects had been delayed or reprioritised, the Committee sought assurances from staff with regard to interdependencies and the impact on the respective areas of the organisation.

Performance 2017

Balanced Scorecard

16. The Committee received quarterly reports on performance across the directorates via the balanced scorecard. In response to the Committee’s recommendation in 2016, the scorecard was revised to align this more closely with the GDC’s risk registers, corporate strategy and 2017 Business Plan.

17. The scorecard was subject to continued developmental work throughout the year. Developments reflected the revised organisational structure, decommissioning and replacement of some performance indicators, and the introduction of several performance indicators.

18. The scorecard drew attention to key areas where performance targets were not being met for scrutiny by the Committee, who particularly focused on those key performance indicators (KPIs) rated ‘red’ or ‘amber’ and monitored trends. The Committee scrutinised all of the KPIs for one directorate at each meeting (in-depth directorate reviews), with effect from 23 May 2017.

Fitness to Practise (FTP) Performance Reporting

19. The Executive Director for FTP provided an update to each meeting of the Committee on FTP performance and in respect of the FTP improvement programme. The Committee also reviewed key KPIs in the main FTP functions of triage, casework, adjudications and management. Timeliness and FTP resource continued to be areas of focus.
In-Depth Reviews

20. The Committee undertook in-depth reviews into Registration, Strategy, Organisational Development and FTP directorates. The Committee discussed areas of positive performance, but focussed specifically on underperformance, risks and opportunities. In-depth reviews were attended by heads of service/senior management from the respective directorates. After the last in-depth directorate review (Corporate Resources), scheduled to take place on 1 March 2018, the Committee agreed to move to a thematic approach in 2018 with a view to revert back to directorates in 2019.

Pensions Annual Funding Update

21. The Committee received the update report which noted that the defined benefit section of the pension scheme showed an increased deficit at the annual valuation on 1 April 2017. The Committee expressed concerns about the trajectory shown in the actuarial review.

22. The Committee noted the annual funding update for the defined benefit section of the pension scheme and the Pension and the GDC 1970 Life Assurance Plan Annual Report and Accounts for the year to 31 March 2017.

Internal Audit Report – Rolling Forecast Model

23. The Committee received an Internal Audit Report on the Rolling Forecast Model which had been recommended by the Audit and Risk Committee for discussion since it contained a number of value for money points. The Committee received an update on the suggested approach to action to address root causes for underlying performance and value for money issues which it was content with.

Forward planning

Business planning for 2018

24. The Committee noted the timetable and the approach to developing the draft Business Plan for 2018, which would be planned in tandem with the 2018 budget setting process. The Committee noted that the format for the Business Plan had moved to a three-year plan with a 12-month focus. In addition to the agreed 2018 key priorities, the Business Plan would include projects from the 2017 Business Plan that would extend into 2018 and work that would be scoped in 2018 for delivery in 2019.

25. The Committee reviewed the content and discussed the balance of the draft 2018 Business Plan between improving performance and advancing strategic priorities within the budget. The Committee welcomed and endorsed the new approach to the development of the draft 2018 Business Plan.

26. The Committee recommended the draft 2018 Business Plan to the Council for approval at its meeting on 28 September 2017.

Budget setting for 2018

27. Consistent with the previous year, a rolling forecast approach was taken to projecting the GDC’s future requirements for financial resources from 2018 - 2020. As part of its remit, the Committee scrutinised the key assumptions underpinning the 2018 budget and the projections for 2019 and 2020.

28. The Committee reviewed and discussed in detail the draft 2018 Budget. The Committee agreed with the general shape and approach to the budget but requested that further information and explanation, particularly around the process and rigour applied to the
headcount decisions, was included in the report before submission to the Council for approval at its meeting on 28 September 2017.

29. At its meeting on 7 September 2017, the Committee deferred recommendation that the Council approve the draft 2018 Budget pending amendment and further review. The draft 2018 Budget was subsequently updated in response to the Committee’s suggestions and comments which the Committee endorsed electronically and recommended to the Council for approval at its meeting on 28 September 2018. The Committee agreed to discuss the revised framework for the management of reserves and contingencies in budgeting and also discuss the headcount approval process.

Estate strategy and management

30. The Committee discussed short, medium and long-term options regarding the estate strategy and received updates at subsequent meetings. Consideration was given to the deliverability and implications of these various options.

Policies and initiatives

31. The Committee received the Headcount Control and Salary Budget Policy which was updated and included process changes. The policy was further revised to reflect the use of ‘enabling provisions’ in the budget in relation to headcount requirements which were not finalised. The Committee approved the change.

32. At its meeting on 16 February 2017, the Committee discussed a report on the GDC’s approach to cost control, which outlined the approach to budget management and cost control at the GDC. The Committee discussed the increased cost to regulate the dentistry profession, complexity of cases and efficiency of the process.

33. The Committee discussed a framework for the management of the GDC’s general distributable reserve and use of contingencies in budgeting.

34. The Committee reviewed and approved Banking Arrangements which were updated to reflect changes in staffing, and organisational structure. The Committee also reviewed the Investment Principles and Strategy and a report on financial policies and procedures (including the Procurement Policy) and recommended the revised policies and strategy to the Council for approval.

Governance

Expenditure

35. The only costs associated with the Committee in 2017 were those relating to travel and subsistence of Council members for the meetings held.

Terms of Reference

36. The Committee reviewed its terms of reference at its September 2017 meeting. The proposed changes in part arose following a discussion between the Chairs of the Finance and Performance Committee and Policy and Research Board on the delineation of responsibilities on areas of common interest. The Committee agreed that both the annual and exception reports from procurement should form part of its remit in the future. The Committee terms of reference have been updated as a result and the Council is asked to approve these changes.
Work Programme 2018

37. The Committee work programme for 2018 was approved by the Committee at its meeting on 22 November 2017, subject to amending this to reflect the Committee’s decision to assume within its remit annual and exception reports from procurement.

Recommendation

38. The Council is asked to discuss and note the 2017 Finance and Performance Committee Annual Report to Council.
Appendix 1: Finance and Performance Committee Terms of Reference

Terms of Reference: Finance and Performance Committee

Key purpose
F1. To challenge and monitor the Executive on financial and other performance, to work with the Executive to develop an appropriate and proportionate data set to enable the Council to carry out its functions, and to provide guidance to the Executive on major operational matters such as property strategy, investment and technology development.

F2. To work with the Executive in developing the General Dental Council’s (GDC) financial strategy, including assisting the Executive in developing the Business Plan (which includes the annual budget), and the rolling three-year Business Plan, and to assist the Council in reaching its decision on the Business Plan and the Corporate Plan.

Delegated Powers
F3. Approval of assumptions and objectives to be used in the planning cycle.
F4. Approval of the budgeting approach and annual targets for efficiency in accordance with the Council’s strategy.
F5. Approval of the GDC’s banking procedures and arrangements.

Functions and Duties
Financial and business planning
F6. Provide in-depth scrutiny of the Business Plan (which includes the annual budget) and the rolling three-year Business Plan, to ensure that they are fit for purpose and in line with Corporate Strategy.
F7. Assist the Council with the approval of the Business Plan (which includes the annual budget) and the rolling three-year Business Plan; any changes to the Annual Retention Fee and any other fees1; and the reserves policy.
F8. Assist the Council with consideration of any amendments to the current year budget, including any virements between directorates, which exceed the agreed limits.
F9. Advise the Council on any calls on reserves.
F10. Review the Management Accounts and other Performance Reports which will enable the Committee to hold the Executive to account in terms of its financial and operational performance.
F11. Provide in-depth scrutiny on the coherence and rigour of the financial modelling underlying the fees strategy.
F12. Advise the Council on the approval of any contracts or purchases which require Council approval.2
F13. Advise the Council on the treasury and investment policies and oversee the adherence to these policies.
F14. Advise the Council on any borrowing which it needs to undertake.
F15. Advise the Council on an accommodation strategy.

1 Examples include the ORE fee, initial registration fee and restoration fee.
2 Purchase or lease of property and major building works.
F17. Advise the Council on the adequacy of its insurance arrangements.
F18. Communicate to the Remuneration Committee any financial advice it receives in relation to the Pension Scheme, which may require a change to the GDC Pension Scheme.
F19. Advise the Council on any actuarial assumptions in regard to the GDC Pension Schemes and the financial implications of any proposed changes to pension arrangements.

Performance
F20. The development, with the Executive, of a performance data set which will be meaningful to the Council so that the Council has the right performance data to be able to understand the performance of the GDC operationally and its compliance with its targets including tracking delivery of the annual business plan and three-year corporate plan.
F21. To review, with the Executive, and report to the Council on:
   a. the continued appropriateness of the indicators
   b. the reliability of the data.
F22. To review the GDC’s performance and report quarterly to the Council on:
   a. the GDC’s performance against targets and plans
   b. the effectiveness of the Executive’s proposals to tackle areas of under-performance with emphasis on areas of particular risk or sensitivity.
F23. To review, with the Executive, opportunities to deliver operational improvements with existing approaches and resource allocation.
F24. To review, with the Executive, whether the shape and nature of operational resource deployment may need to change to support longer term strategic developments.
F25. To review, with the Executive, the annual report on procurement activities and exception reports.

Miscellaneous
F26. Perform such other functions as the Council may delegate to, or confer upon, the Committee.