

Finance review Q3

Purpose of paper	To report on the GDC's financial performance for the nine months to 30 September 2018
Action	For discussion.
Status	Public session
Corporate Strategy 2016-19	Objective 2: To improve our management of resources so that we become a more efficient regulator.
Business Plan 2018	Objective 2: Manage, the GDC's finances effectively, maintaining sufficient reserves to ensure resources are available to manage our statutory functions.
Decision Trail	Not applicable
Next stage	Not applicable
Recommendations	The Council is asked to discuss the report on the GDC's financial performance for the nine months to 30 September 2018.
Authorship of paper and further information	Gurvinder Soomal, Director of Registration & Corporate Resources gsoomal@gdc-uk.org 020 7167 6333 Samantha Bache, Head of Finance and Procurement sbache@gdc-uk.org 0121 752 0049
Appendices	Appendix A – Staff Headcount Analysis Appendix B – Balance Sheet

1. Executive Summary

- 1.1. This paper is to report on the GDC's financial performance for the nine months ending 30 September 2018. At the end of September, the GDC's operating surplus was £4.4m higher than budgeted.
- 1.2. Income was £2.3m higher than budgeted due to:
- More dentists renewing their registration in December 2017 than budgeted (£1.6m);
 - More DCP's renewing registrations in July 2018 than budgeted (£0.5m);
 - More first year Dentist registrations and income from investments and sale of 'end of useful economic life' assets that wasn't originally budgeted for (£0.2m).
- 1.3. Expenditure was £2.1m lower than budgeted, of which £102,000 are 'recurring' savings, £1.6m are 'one-off' savings and £432,000 are savings relating to timing differences in the budget profile.

2. Income and expenditure account for nine months to 30 September 2018

- 2.1. The table below summarises the income and expenditure account for the nine months ended 30 September 2018. It shows actual income is £2.3m higher than budgeted and expenditure is £2.1m lower than budgeted. The result for the period is £19.2m surplus of income over expenditure, £4.4m higher than the £14.8m surplus budgeted and £820,000 higher than forecast at the end of Q3.

	Year to Date					Full Year	
	Actual	Forecast	Budget	Variance to Forecast	Variance to Budget	Forecast	Budget
	£000	£000	£000	£000	£000	£000	£000
Income							
Fees	45,254	45,226	43,106	28	2,148	45,402	43,322
Investment income	209	77	38	132	171	100	50
Exam income	1,589	1,588	1,588	1	1	1,588	1,588
Miscellaneous income	15	10	5	5	11	14	6
Total Income	47,067	46,901	44,736	166	2,330	47,104	44,966
Expenditure							
Meeting fees & Expenses	4,305	4,417	4,549	112	244	5,974	5,969
Legal & Professional	5,230	5,527	6,327	298	1,098	7,389	8,189
Staffing costs	14,338	14,359	14,666	20	327	19,778	19,778
Other staff costs	697	781	772	84	76	1,272	1,078
Research & Engagement	205	293	545	87	339	487	683
IT costs	864	929	814	65	(50)	1,403	1,132
Office & Premises costs	1,324	1,323	1,352	(1)	28	1,926	1,795
Finance costs	150	147	167	(4)	17	239	247
Depreciation costs	756	747	781	(9)	25	1,061	1,039
Contingency	0	0	0	0	0	4,233	1,845
Total Expenditure	27,870	28,525	29,973	653	2,103	43,762	41,756
OPERATING SURPLUS / (DEFICIT) BEFORE TAXATION	19,196	18,376	14,763	820	4,434	3,342	3,209

- 2.2. Income was £2.3m higher than budgeted largely due to the following:

- A 5% caution factor was applied to budgeted ARF income to reflect discussions on risk linked to the number of dentists and DCPs that would renew their registration. The most significant of which being a downturn in EEA registrant applications due to the

withdrawal of the UK from the European Union. The potential risk to income was budgeted at £2.3m for the full year and the actual materialisation of that risk at the end of September 2018 is as follows:

Registrant	5% caution factor	Risk materialised	Income in excess of budget
Dentist	£1.8m	£0.2m	£1.6m
DCP	£0.5m	£0.0m	£0.5m

- In addition, there have been more first year Dentist registrations and income from investments and sale of assets that wasn't originally budgeted for, generating an addition £0.2m of income not budgeted.

2.3. Expenditure was £2.1m lower than budgeted, largely due to:

Lower than budgeted meeting fees & expenses (£244,000)

- As a result of targeting performance improvements in the team, there has been an increase in the use of hearings capacity at an additional cost. The utilisation rate was as follows in the year to date, compared with 80% budgeted.

January	91%
February	94.5%
March	90.5%
April	87%
May	91%
June	85%
July	59%
August	80%
September	79%

- The higher than budgeted utilisation rates have resulted in more productive days, and fewer lost and wasted days compared with budget (£77,000).
- This cost has been more than offset by the following savings:

Fewer Governance meetings held and savings from deferment of planned meetings to 2019.	£61,000
Fewer DCS meetings	£51,000
Fewer registration panel meetings	£57,000
Savings in Education QA – members fees, inductions and recruitment.	£83,000
FtP panel member recruitment	£55,000

Lower than budgeted legal & professional fees (£1.1m)

- 59 new referrals were budgeted to be allocated to external legal firms (ELPS) between October 2017 and September 2018, but only 41 new referrals were allocated (11 of which were transferred from ILPS to ELPS in May, June and July 2018), resulting in lower than budgeted external legal costs (£559,000). Fewer prosecution referrals result from the continued decline in the number of incoming cases and the 2018 impact of the decline in throughput at rule 4 stage. Whilst initial assessment caseloads are still higher than the steady state level, the improved throughput means they are on track to hit targets by the end of the year.
- 227 new referrals were budgeted to be allocated to the in-house legal prosecutions service (ILPS) between October 2017 and September 2018. 180 were allocated over the period and 11 existing, more complex cases were transferred to ELPS to free up ILPS capacity for the increase in referrals, leading to only 180 new referrals for ILPS between October 2017 and September 2018, resulting in lower than budgeted counsel fees and disbursements (£364,000).
- There has been lower than budgeted expenditure on employer-commissioned professional advice in relation to the Pension scheme. (£47,000).
- The contingencies for project costs over Q1-3 were not required (£82,500) and following the postponement of the external audit of the FtP function, the provision for costs (£15,000) has been moved to 2019.

Lower than budgeted staffing costs (£327,000)

- Savings are largely due to having run vacant posts across the organisation through the first three quarters of the year and delays in the filling of new posts. Vacancies within FtP have now been filled.
- There were delays in the recruitment in the Portfolio Delivery team (£168,000) and the IT team (£289,000). Savings in staffing costs are partly offset by higher than budgeted external consultancy (£150,000).

Lower than budgeted other staff costs (£76,000)

- Delays in initiating learning & development activity following an internal audit meant that there is an underspend year to date (£111,000). This has been partly offset by an overspend on non-Estates Strategy recruitment (£66,000). (Further Birmingham related expenditure on recruitment has been incurred (£88,000) provision for which is held in contingency.)
- Lower than budgeted expenditure on learning and development in Registration and Corporate Resources is largely due to plans changing with the relocation of posts to Birmingham as part of the Estates Strategy (£42,000).
- Travel and subsistence expenses across the teams in the Strategy directorate have been lower than budgeted (£19,000).
- Travel and subsistence expenses for Legal Management have incurred a budgetary overspend (£30,000) due to the original budget not being profiled. It is expected that this will fall within full year budget by the end of the year.
- Other variances against budget are across directorates and mainly relate to savings in travel and subsistence.

Lower than budgeted research & engagement costs (£233,000)

- The underspend is due to the delayed start of research projects that were budgeted.

Lower than budgeted communication costs (£106,000)

- The underspend is in relation to reduced expenditure around publications and events.

2.4. The drivers for expenditure being £2.1m lower than budgeted were as follows:

- **Recurring savings/(overspend):** higher or lower than budgeted expenditure that results from a permanent change in the GDC's circumstance and, as such, savings/overspends are expected to persist year on year.
- **'One off' savings/(overspend):** these are only expected to occur in 2018. Costs are expected to return to budget levels in future years.
- **Savings/(overspend):** due to timing differences: these arise when activities are brought forward, or postponed, and related expenditure occurs earlier or later than projected in the budget.

	£000s
'Recurring savings/(overspend)	
Hearings: Increased utilisation of hearings capacity (84% compared with 80% budget)	(74)
Facilities: reduced rental rates for the Baker Street office negotiated after the budget was set	34
Registration casework: lower panellist fees and expenses due to a change in the fee structure	57
Casework: Fewer instances of medical advice sought because of improved processes	30
Casework: higher than budgeted professional fees	(43)
DCS: Fewer panel meetings held than budgeted due to 'shifting the balance'-related meetings no longer required	51
Finance: lower than budgeted expenditure on employer-commissioned professional advice in relation to the Pension scheme	47
	102
'One-off' savings/(overspend)	
Corporate Legal: commissioning of external legal advice has been less frequent than anticipated.	92
Corporate Resources: provision for external project-related costs was not used in the period.	106
ILPS: lower counsel fees and disbursements from fewer new referrals allocated to ILPS between October 2017 and September 2018 than budgeted	364
ELPS: lower conduct fees and disbursements due to fewer new referrals than budgeted allocated to ELPs between October 2017 and September 2018	558
Corporate Resources: All learning and development expenditure is on hold pending the redundancy and relocation of directorate staff	43
FtP: higher staffing costs due to additional resources approved in Casework and termination costs off-set number of vacancies	(52)
Registration: lower staffing costs due to recruitment to some posts being put on hold (2 x enhanced CPD officers, 2 x registration officers)	80
Programme and portfolio delivery: lower staffing costs due to recruitment to a number of posts on hold in the quarter	167
IT: lower staffing costs due to a number of vacancies, with recruitment to some roles to take place in Birmingham	283
IT: increase cost of IT development consultancy due to vacant roles covered by IT consultants.	(150)

Compliance: Recruitment to a vacant Compliance Officer post is on hold	31
Hearings: FTP Panel member recruitment planned but not anticipated in 2018	55
HR: Pension advice costs relating to Mastertrust selection and implementation	(28)
DCS: Croydon office rent and service charge savings (due to DCS moving to Wimpole Street)	20
	1,569
Savings/(overspends) from timing differences	
Education QA: lower meeting fees and expenses due to postponement of inspections	91
Communications: work on Digital Media content postponed whilst we clarified organisational requirements.	38
Research: delays in initiating research projects while new Head of Policy and Research establishes the GDC's requirements and the team were recruited. The team is now in place and procurement of new contracts is well progressed.	233
Governance: fewer expenses claims for meetings held, and deferment of the planned Wales meetings to early 2019.	61
Other	9
	432
Total expenditure variance to budget	2,103

3. Staff headcount at 30 September 2018

- 3.1. At the end of September 2018, the total GDC headcount was 368.8 full time equivalents (FTE) (compared with 350.1 at the end of June 2018), of which:

Contract type	September 2018 FTE	June 2018 FTE	Movement
Permanent	272.6	272.1	0.5
Fixed Term Contract	82.2	69.0	13.2
Temporary Staff	14.0	9.0	5.0

The total FTE is 18.7 more than was reported at the end of June 2018 and 8.5 FTE more than the September 2018 budget. The variance is largely due to the additional resources approved for Casework and parallel running of Registration posts. (Headcount wasn't budgeted, but resourcing is within the agreed provision for the Birmingham move.)

The table at appendix 1 analyses GDC headcount by cost centre at 30 September 2018.

Appendix A – Staff Headcount Analysis

COST CENTRES	PERIOD								YEAR END	
	ACTUAL				FORECAST	VARIANCE TO FORECAST	BUDGET	VARIANCE TO BUDGET	FORECAST	BUDGET
	PERMANENT	FIXED TERM CONTRACT	TEMPORARY STAFF	TOTAL (INCLUDING TEMPS)						
FitP - Casework	28.8	16.6	4.0	49.4	50.4	1.0	42.4	(7.0)	43.4	42.4
FitP - Initial Assessment	4.0	2.0	1.0	7.0	7.0	0.0	7.0	0.0	6.0	7.0
FitP - Case Review	8.0			8.0	8.0	0.0	8.0	0.0	7.0	8.0
FitP - Case Examiners & IC	15.0	1.0		16.0	17.0	1.0	17.4	1.4	15.6	16.4
FitP Hearings	20.8	8.0	1.0	29.8	29.8	0.0	28.0	(1.8)	30.8	27.8
FitP - Improvement	2.0			2.0	3.0	1.0	4.0	2.0	3.0	2.0
Dental Complaints Service	6.6			6.6	6.6	0.0	9.8	3.2	6.6	9.8
Total Fitness to Practice	85.2	27.6	6.0	118.8	121.8	3.0	116.6	(2.2)	112.4	113.4
Registration	13.6	8.0	2.0	23.6	22.6	(1.0)	20.2	(3.4)	22.0	20.2
Registration - Operations	17.8	8.0	3.0	28.8	29.8	1.0	27.0	(1.8)	42.0	28.0
Registration - Management	2.0	1.0		3.0	4.0	1.0	3.0	0.0	4.0	4.0
ORE - Exams	4.0	1.0		5.0	5.0	0.0	3.9	(1.1)	6.0	3.9
CEO & Executive Directors	5.0			5.0	5.0	0.0	5.0	0.0	5.0	5.0
Finance & Procurement	11.0	2.0	1.0	14.0	14.0	0.0	12.5	(1.5)	13.0	11.5
IT	15.0	6.0		21.0	21.0	0.0	26.0	5.0	26.0	26.0
Projects	4.6	7.0		11.6	12.6	1.0	9.0	(2.6)	14.6	14.6
PMO	5.0	1.6		6.6	6.0	(0.6)	6.0	(0.6)	6.0	6.0
Corporate Resources	3.0			3.0	3.0	0.0	5.0	2.0	5.0	7.0
Total Registration & Corporate Resources	81.0	34.6	6.0	121.6	123.0	1.4	117.6	(4.0)	143.6	126.2
In-House Legal Services	27.8	6.0		33.8	33.8	0.0	33.8	0.0	29.0	33.0
Illegal Practice	6.8		1.0	7.8	7.8	0.0	8.0	0.2	7.8	8.0
Corporate Legal	4.0			4.0	4.0	0.0	3.0	(1.0)	4.0	3.0
Information Governance	5.0			5.0	6.0	1.0	5.0	0.0	6.0	5.0
Legal Management	6.8	1.0		7.8	8.8	1.0	8.8	1.0	8.8	8.8
External Legal Prosecution Services	1.0			1.0	1.0	0.0	1.0	0.0	1.0	1.0
Governance	8.0		1.0	9.0	11.0	2.0	10.0	1.0	11.0	10.0
HR	7.9	6.0		13.9	15.9	2.0	12.9	1.0	15.9	13.9
Office Services	4.0	1.0		5.0	5.0	0.0	4.0	1.0	5.0	4.0
Compliance	4.6			4.6	4.6	0.0	5.6	1.0	4.6	5.6
Total Organisational Development	75.9	14.0	2.0	91.9	97.9	6.0	92.1	0.2	93.1	92.3
Policy	13.0	1.0		14.0	13.0	(1.0)	9.5	(4.5)	14.0	8.6
Communications & Engagement	8.0	4.0		12.0	11.0	(1.0)	11.0	(1.0)	9.0	11.0
Education QA	6.5	1.0		7.5	7.5	0.0	9.5	2.0	7.5	9.5
Research	2.0			2.0	2.0	0.0	3.0	1.0	2.0	4.0
Scotland	1.0			1.0	1.0	0.0	1.0	0.0	1.0	1.0
Total Strategy	30.5	6.0	0.0	36.5	34.5	(2.0)	34.0	(2.5)	33.5	34.1
HEADCOUNT CHARGED TO OPERATING SPEND	272.6	82.2	14.0	368.8	377.2	8.4	360.3	(8.5)	382.6	366.0

Appendix B – Balance Sheet

		31-Dec-17 £'000	30-Sep-18 £'000
Assets & Liabilities			
Property, plant & equipment		9,968	11,186
Intangible assets		382	251
Pension asset		1,500	1,500
Receivables		2,323	2,802
Less:			
	<i>Deferred income</i>	(36,502)	(6)
	<i>Payables</i>	(3,670)	(5,859)
	<i>Non current assets</i>		
		(25,999)	9,875
Represented by			
Reserves:			
	<i>General (Opening)</i>	(12,123)	(20,270)
	<i>Total income/(expenditure) for the year/YTD</i>	(8,147)	(19,146)
	<i>Unrealised gain on investments</i>		
	<i>General (Closing)</i>	(20,270)	(39,416)
	<i>Pension (unrealised)</i>	(1,500)	(1,500)
	<i>Investments (unrealised)</i>	(883)	(883)
		(22,653)	(41,799)
Funds			
Investments		948	15,198
Cash balances		47,705	16,727
		48,652	31,924
		25,999	(9,875)