

Finance and Performance Committee's Annual Report to Council

Purpose of paper	To provide a report on the work of the Finance and Performance Committee in 2018.
Action	For discussion and noting
Status	Public session
Corporate Strategy 2016-19	Performance Objective 1: To improve our performance across all our functions so that we are highly effective as a regulator.
Business Plan 2018	N/A
Decision Trail	<p>In accordance with the General Dental Council Standing Orders for the Non-Statutory Committee of Council 2018, committees are required to report on expenditure, progress made against work programmes and planned work programmes for the following year.</p> <p>The draft annual report was approved by FPC on 19 November subject to additions following the meeting which it was agreed would be approved by the Chair. The Committee also approved the draft Work Programme 2019.</p>
Recommendations	The Council is asked to discuss and note the 2018 Annual Report to Council
Authorship of paper and further information	<p>Polly Button, Governance Manager</p> <p>pbutton@gdc-uk.org</p> <p>020 7167 6331</p>
Appendices	<p>Appendix 1 - Finance and Performance Committee Terms of Reference</p> <p>Appendix 2 - 2019 Work programme draft</p>

Executive summary

1. The paper sets out the work carried out by the Finance and Performance Committee (the Committee) during 2018.
2. The Council is asked to discuss and note the 2018 Annual Report to Council.

Introduction and background

3. 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). The Committee held 5 meetings and 3 teleconferences. The final meeting of the year was held in the new Birmingham office, 1 Colmore Square.
4. The key purposes of the Committee as defined in its Terms of Reference (Appendix 1) are:
 - “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.”
5. 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.
6. 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.

Financial and business planning 2018

Financial reporting

7. 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.
8. In February, the Committee discussed the reasons for the significant variance from budget in 2017. Part of this variance related to a high level of one-off savings, a proportion of which related to vacant posts, budgeted but unfilled. The Committee emphasised that posts included in the budget should be filled without unnecessary delay to ensure that the organisation was appropriately staffed to deliver the business plan.
9. The Committee agreed the efficiency savings achieved in 2017, which would be included in the Annual Report and Accounts. These had been fully audited by the external auditors. The

Committee also agreed that the Q4 2017 financial outturn and the December 2017 management accounts were a suitable basis from which to prepare the 2017 Annual Report and Accounts.

10. The Committee discussed a paper, which set out the reasons for the significant increase in the forecast surplus, which was not identified until Q3 2017, and the lessons that could be learned.
11. In June, the Committee discussed the implications of Brexit and noted that the GDC was undertaking some research with EU registrants to explore the likely impact of Brexit. This issue was raised at the next Dental Professional Forum.
12. The Committee queried the underspend in Q1 on legal and professional fees. The Principal Legal Advisor indicated that the number of cases referred to prosecution in Q1 had been lower than budgeted. In addition, more favourable rates had been negotiated with external lawyers.
13. At the July meeting, the Committee analysed the GDC's financial performance in the 6 months to the end of June 2018 and forecast income and expenditure for the full year. The Committee also discussed vacancy management, learning and development, data security, workforce planning and recruitment in Birmingham.
14. At the November meeting the Committee noted the significant fewer meetings and enquired if this had any impact to the business. The Executive Director, Registration and Corporate Recourses responded there had been smarter meetings, rather than fewer, with the use of video meetings, which had saved on travel and accommodation fees.

Resourcing bridging paper

15. The Committee received financial activity reports (FARs) from all areas of the business at each meeting where variance in performance against budget was scrutinised by the Committee.
16. At the June meeting, the Committee received for the first time the Resourcing Bridging paper. The aim of this report was to provide a complete overview of performance for each budget area including risks, financial and KPI performance. In September, due to the introduction of the bridging paper, the Committee agreed to retire the FAR's.
17. The Committee received updates on the progress against the 2018 Business Plan at each meeting. The Committee also received a quarterly operational plan status report and the benefits realisation status report. The Committee discussed the casework performance and improvement plan at each meeting which provided an update on the measures being taken to reduce the current number of outstanding cases in FtP.

Performance 2018

Balanced Scorecard

18. The Committee received quarterly reports on performance across the directorates via the balanced scorecard. Several pieces of development work had been undertaken throughout the year and were reported on at each Council meeting as a separate item on the agenda

Fitness to Practise (FTP) Performance Reporting

19. The Executive Director for FtP provided an update to each meeting of the Committee and discussed the Casework Performance Improvement Plan. This showed successful improvements in the reduction of cases in progress and improvements to timeliness. In November the teams were nearing the final stages of the organisations SharePoint 2016 upgrade which was one of the many changes being implemented as past of the FtP End to End review.

In-Depth Reviews

20. The Committee undertook in-depth reviews into Corporate Resources, Estates, Soft Powers, Forecasting and Organisational Development. The Committee discussed areas of positive performance, but focused specifically on underperformance, risks and opportunities. In-depth reviews were attended by heads of service/senior management from the respective directorates. After the Corporate Recourses in-depth review in February 2018, the Committee agreed to continue the thematic approach in 2018 with a view to reverting to directorate reviews in 2019.

Pensions

21. 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.
22. The Committee considered a one-off contribution from the GDC could be used in order to reduce the deficit and advance the Plan towards buy-out and/or enable a lower risk investment strategy to be pursued. The Committee endorsed the plan to review all options for the GDC to reduce the risks associated with the defined benefit pensions scheme. In November, the Committee further discussed the various options for a one-off contribution by the GDC and subsequently agreed to recommend to Council the appropriate sum.

Investment Principles and Strategy

23. In February, the Committee discussed the proposed amendments to the investment principles and strategy. The Council had requested that the investment principles be updated to include a specific reference to an ethical investment strategy.
24. The Committee agreed to recommend the proposal that the GDC should have no direct investments in companies with more than 5% of turnover derived from the production of alcohol, tobacco or healthcare provision to Council.
25. In November, the Committee recommended to Council the current investment principles and the amended banking arrangements.

Forward planning

26. In June, the Committee were updated on the programme of work that was underway to develop the Strategic Planning Framework. The programme was made up of 4 distinct but aligned workstreams; the Costed Corporate Plan (CCP), the corporate strategy, the fees policy and the 2019 ARF communications.
27. Throughout the rest of the year the Committee discussed the progress of the CCP and the initial high-level priorities for 2019-2021. The Committee were informed that the budget setting process was underway alongside work on the 2019 business plan. The Committee were happy with the process, and in September, recommended the plan to the Council for consideration and approval.
28. Following the approval, the Committee requested some visibility of the implementation plans and the PMO had worked with finance, strategy and internal communication teams to develop this. This gave high-level visibility about implementation, evaluation and communication activities planned between now and the end of 2019 as a cyclical process. Communication updates for all key stakeholders would take place on an on-going basis and the team would work closely with the Strategy team to align CCP timetabling with work to develop the new Corporate Strategy.

Budget setting for 2019

29. In August, a teleconference was held as an opportunity for the Committee to discuss the budget principles, challenge assumptions and seek clarifications. This would ensure a smooth process and confident outcome for the Executive when the final budget proposal was discussed at the September meeting, before being recommended to Council for approval in October.
30. In September, the Committee received the final draft budget and confirmed that all actions were complete from the August teleconference. The Committee noted the teleconference had been a good exercise and the Committee and recommended approval of the draft 2019 budget to Council.

Estates strategy and management

31. The Committee received updates at each meeting which discussed Strand 1, Strand 2, the building selection, IT infrastructure, facilities, the outcome of the staff consultation, recruitment, operational continuity, the fit-out and the opening of 1 Colmore Square on 1 October 2018. The lease on 83 Baker street was due to end on 31 January 2019. The Committee thanked the Director of Registration and Corporate Resources and the team for their hard work.
32. In September, the Committee held a teleconference and were provided with an update to the financial business case and progress overview that was presented to Council in July 2018, based on further information received to date and issues identified by the programme team. Key costs in that area included building costs, IT costs and people costs.
33. The Committee suggested amendments and clarity in the text but were happy with the overall content and outcomes. As a result of the discussion, the paper and comments were incorporated and presented to Council in October.

Policies and initiatives

34. In February, the Committee received a presentation on the GDC's pension scheme.
35. At each meeting the Committee received updates on the progress of the new fees policy. The project continued to be overseen by the programme board on the CCP.
36. In July, the Committee noted the report which provided an update on the GDC procurement and contract management activity over 12 months. The next update in 2019 would span the April to December period and would be concurrent with the GDC financial year.
37. In September, the Committee received an update which provided an overview and assurance that resilience and succession were a focus on the People Strategy agenda.

In November, the Committee reviewed and recommended to Council the updated financial policies and procedures which included changes to the Procurement policy and the staff and Associates expense Policy.

38. The Committee also discussed the GDC reserves policy and the next steps for development for a new policy would be presented to Council in December. A new draft policy and policy principles would be brought back to the next Committee meeting in February 2019.

Governance

Expenditure

39. The only costs associated with the Committee in 2018 were those relating to travel and subsistence of Council members for the meetings held.

Terms of Reference

40. The Committee reviewed and **approved** the Terms of Reference at the meeting in November

Work Programme 2019

41. The Committee reviewed and approved the draft work programme 2019 at the meeting in November

Committee effectiveness

42. In June, the Committee held an effectiveness session, based around the Facet5 Teamscape. The main premise was collaborative working across all parties to ensure best committee effectiveness.
43. For the November meeting, the Chair and the Executive Director, Registration and Corporate Resources worked on streamlining the agenda and Committee papers to avoid duplication with the bridging paper and the balanced scorecard.

Recommendation

44. The Council is asked to discuss and note 2018 Finance and Performance Committee Annual Report to Council.

Appendix 1 **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.

¹ Examples include the ORE fee, initial registration fee and restoration fee.

² Purchase or lease of property and major building works.

- F14. Advise the Council on any borrowing which it needs to undertake.
- F15. Advise the Council on an accommodation strategy.
- F16. Advise the Council on any changes to the Financial Procedures policy.
- 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 and exception reports on procurement activities.

Miscellaneous

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