

## Q1 2018 Finance Review

<b>Purpose of paper</b>	To report on the General Dental Council's financial outturn for the three months to 31 March 2018.
<b>Action</b>	For noting
<b>Corporate Strategy 2016-19</b>	Performance Objective 2: To improve our management of resources so that we become a more efficient regulator.
<b>Business Plan 2018</b>	Objective 2: Manage, the GDC's finances effectively, maintaining sufficient reserves to ensure resources are available to manage our statutory functions
<b>Decision Trail</b>	The Finance & Performance Committee discussed the financial outturn for the three months to 31 March 2018.
<b>Next stage</b>	na
<b>Recommendations</b>	Council is asked to note the report on the financial outturn for the three months to 31 March 2018.
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<b>Appendices</b>	Annex A – Staff Headcount Analysis Annex B – Balance Sheet <i>[March Financial performance report already distributed]</i>

## 1. Executive summary

- 1.1. This paper is to report on the GDC's financial performance for the three months ending 31 March 2018. At the end of March, the GDC's operating surplus was £2.7m higher than budgeted.
- 1.2. Income was £1.6m higher than budgeted due to more Dentists renewing their registration in December 2017 than budgeted. A 5% caution factor was applied to budgeted projections for both the Dentist and DCP ARF collections. However, 4% of the risk did not materialise.
- 1.3. Expenditure was £1.0m lower than budgeted, £0.1m of which is 'recurring' savings, £0.7m is 'one-off' savings and £0.2m are timing differences.

## 2. Income and expenditure account for the three months to 31 March 2018

- 2.1. The table below summarises the income and expenditure account for the 3 months ending 31 March 2018. It shows that actual income is £1.6m higher than budgeted and expenditure for the period is £1.0m lower than budgeted. The result for the period is an £28.2m surplus of income over expenditure, £2.7m higher than the £25.5m surplus budgeted.

	Year to Date			Full Year
	Actual	Budget	Variance to Budget	Budget
	£000	£000	£000	£000
<b>Income</b>				
<b>Fees</b>	36,421	34,814	1,607	43,322
<b>Investment income</b>	40	12	28	50
<b>Exam income</b>	422	422	0	1,588
<b>Miscellaneous income</b>	7	2	6	6
<b>Total Income</b>	<b>36,890</b>	<b>35,250</b>	<b>1,641</b>	<b>44,966</b>
<b>Expenditure</b>				
<b>Meeting fees &amp; Expenses</b>	1,510	1,569	58	5,969
<b>Legal &amp; Professional</b>	1,522	1,954	432	8,189
<b>Staffing costs</b>	4,474	4,808	334	19,881
<b>Other staff costs</b>	208	260	51	1,078
<b>Research &amp; Engagement</b>	18	134	116	683
<b>IT costs</b>	236	231	(5)	1,132
<b>Office &amp; Premises costs</b>	420	452	32	1,795
<b>Finance costs</b>	43	51	7	247
<b>Depreciation costs</b>	252	265	13	1,039
<b>Contingency</b>	0	0	0	1,845
<b>Total Expenditure</b>	<b>8,684</b>	<b>9,724</b>	<b>1,040</b>	<b>41,859</b>
<b>OPERATING SURPLUS BEFORE TAXATION</b>	<b>28,206</b>	<b>25,526</b>	<b>2,681</b>	<b>3,106</b>

- 2.2. Income was £1.6m higher than budgeted due to 1,785 more Dentists and 201 more Specialist renewing their registration than was budgeted. A 5% caution factor (£1.8m) was applied to budgeted ARF income to reflect various issues that were considered a risk to the number of dentists and DCPs that would renew their registration, including increased political uncertainty around the UK's exit from the European Union, since these did not materialise in 2017. However, these risks have largely not materialised in relation to dentist ARF income in 2018 either.

- 2.3. Expenditure was £1.0m lower than budgeted, largely due to the following:

### 2.3.1 Lower than budgeted meeting fees and expenses (£58,000)

- As a result of targeting performance improvements in the team, there has been an increase in the use of hearings capacity at additional cost. The utilisation rate was 91%, 94.5% and 90.5% in January, February and March respectively, compared with 80% budgeted. The higher than

budgeted utilisation rates have resulted in more productive days, fewer wasted days and no lost days compared with budget (£73,000).

- This cost has been more than offset by savings from FtP panel member recruitment now planned for later in 2018 (£38,000), savings from fewer expense claims for New Council members as the budget was based on the old Council members, savings from the cancellation of two planned CSG meetings and delayed Council Member recruitment (£37,000), deferred expenditure from the postponement of QA inspections to later in 2018 (£34,000) and savings from fewer DCS panel meetings (£11,000) and a new fee structure for Registration panel meetings (£14,000) held.

### **2.3.2 Lower than budgeted legal and professional fees (£432,000)**

- The budgeting assumption was that 55 new referrals would be allocated to external legal firms (ELPS) between July 2017 and March 2018. However, only 33 new referrals (60%) were allocated over the period because of fewer referrals to prosecution by case examiners overall, resulting in lower than budgeted external legal costs (£184,000).
- 185 new referrals were budgeted to be allocated to the in-house legal prosecution service (ILPS) between July 2017 and March 2018, but only 112 new referrals (60%) were allocated over the period, resulting in lower than budgeted counsel fees and disbursements (£93,000).
- Fewer prosecution referrals result from the continued decline in the number of incoming cases and the 2018 impact of the decline in productivity of the Casework team in 2017.
- Due to improvements in processes, fewer instances of external medical advice have been sought by the Casework team than budgeted (£26,000).
- The Q1 contingency for project costs was not used (£29,000) and a Mazars customer services audit budgeted to take place in Q1 has been postponed (£11,000).
- The commissioning of external legal advice by Corporate Legal has been less frequent than anticipated (£42,000).
- Work undertaken by Mercer in relation to the workforce planning project was budgeted in 2018, but some work was initiated in 2017 (£19,000).

### **2.3.3 Lower than budgeted staffing costs (£334,000)**

- Savings are largely due to vacant posts across the organisation which are in the process of being recruited to but have not yet been filled (16 posts). In addition, a net 3 new posts budgeted for as part of the Strategy directorate restructure have now been deleted, and a further 10 posts recruitment for which has been put on hold, partly due to the Estates strategy decision. These savings are partly offset by the cost of 3 additional caseworker roles that were recruited to assist with clearing the cases queued at the Assessment stage of the FtP process.

### **2.3.4 Lower than budgeted other staff costs (£51,000)**

- All Registration and Corporate Resources expenditure on learning and development has been placed on hold pending the redundancy and relocation of some directorate staff (£30,000).

### **2.3.5 Lower than budgeted research and engagement costs (£116,000)**

- Savings are largely due to delays in initiating research projects while the new Head of Policy and Research establishes the GDC's requirements for the year.

### **2.3.6 Lower than budgeted office and premises costs (£32,000)**

- Savings are partly due to a reduction in rental rates for the 83 Baker Street office, negotiated after the budget was set, and costs related to maintenance activity at Wimpole Street expected to be incurred later in the year.

### **2.3.7 Lower than budgeted depreciation costs (£13,000)**

- IT-related capital expenditure has been postponed due to the relocation of staff to Birmingham.

2.4. The £1.0m variance to budgeted expenditure was a mix of 'recurring' savings, 'one-off' savings and timing differences:

<b>'Recurring' savings/(overspend)</b>	<b>£000s</b>
<b>Hearings:</b> Increased utilisation of hearings capacity (92% compared with 80% budgeted)	<b>(73)</b>
<b>Governance:</b> fewer expenses claims for meetings held, savings from the cancellation of some planned meetings and a vacant post.	37
<b>Facilities:</b> reduced rental rates for the Baker Street office negotiated after the budget was set	10
<b>DCP Registration casework:</b> lower panellist fees and expenses due to a change in the fee structure	14
<b>Casework:</b> Fewer instances of medical advice sought because of improved processes	27
<b>DCS:</b> Fewer panel meetings held than budgeted due to 'shifting the balance'-related meetings no longer required	11
<b>Strategy:</b> lower than budgeted staffing costs due to decision to delete 5 posts from the new structure	58
	<b>84</b>
<b>'One-off' savings/(overspend)</b>	<b>£000s</b>
<b>Corporate Legal:</b> commissioning of external legal advice has been less frequent than anticipated.	42
<b>Corporate Resources:</b> provision for external project-related costs was not used in the period.	29
<b>ILPS:</b> lower counsel fees and disbursements from 73 fewer new referrals allocated to ILPS between July 2017 and March 2018 than budgeted	93
<b>ELPS:</b> lower conduct fees and disbursements due to 32 fewer new referrals than budgeted allocated to ELPs between July 2017 and March 2018	184
<b>Corporate Resources:</b> All learning and development expenditure is on hold pending the redundancy and relocation of directorate staff	30
<b>HR:</b> work undertaken by Mercer on workforce planning was budgeted in 2018 but some work initiated in 2017	19
<b>HR:</b> Credit relating to prior year group income protection costs	18
<b>FtP:</b> lower staffing costs due to a number of vacancies in DCS, Case Examiners, Case Review and FTP Improvement	42
<b>Registration:</b> lower staffing costs due to recruitment to some posts being put on hold (2 x enhanced CPD officers, 2 x registration officers)	46
<b>Programme and portfolio delivery:</b> lower staffing costs due to recruitment to a number of posts on hold in the quarter	75
<b>IT:</b> lower staffing costs due to a number of vacancies, with recruitment to some roles to take place in Birmingham	78
<b>Compliance:</b> Recruitment to a vacant Compliance Officer post is on hold	23
	<b>679</b>
<b>Savings/(overspends) from timing differences</b>	<b>£000s</b>
<b>Hearings:</b> FTP Panel member recruitment costs deferred	38
<b>Education QA:</b> lower meeting fees and expenses due to postponement of inspections	34
<b>Communications:</b> work on Digital Media content postponed	40
<b>Research:</b> delays in initiating research projects while new Head of Policy and Research establishes the GDC's requirements	71
<b>Facilities:</b> costs related to maintenance expected to be incurred later in the year	14
<b>Depreciation:</b> postponed IT capital expenditure due to the relocation of staff to Birmingham	13
<b>Finance:</b> general provision for pension advice (employer) used less than anticipated	12
<b>Corporate Resources:</b> delay in recruiting to Risk Analyst vacancy and lower audit fees from a postponed customer services audit (Mazars)	31
<b>Other</b>	24
	<b>277</b>
<b>Total expenditure variance to budget</b>	<b>1,040</b>

### **3. Staff headcount at 31<sup>st</sup> March 2018**

- 3.1 At the end of March 2018, total GDC staff headcount was 341.3 full time equivalents (compared with 340.8 at the end of December 2017), of which 295.3 were permanent employees (302.8 at December 2017), 42.0 were fixed term contractors (29.0 at December 2017) and 4.0 were agency temps (9.0 at December 2017).
- 3.2 This is 0.5 FTE more than was reported at the end of 2017 but 29.1 FTE fewer than budgeted as at 31<sup>st</sup> March 2018. The table at Annex A analyses total GDC headcount by cost centre, as at 31 March 2018.

### **4. Recommendation**

- 4.1. Council is asked to note the report on the GDC's financial outturn for the three months to 31 March 2018.

ANNEX A	PERIOD						YEAR END
	ACTUAL				BUDGET	BUDGET VS ACTUAL	BUDGET
	PERMANENT	FIXED TERM CONTRACT	TEMPORARY STAFF	TOTAL (INCL TEMPS)			
<u>COST CENTRES</u>							
FtP - Casework	37.0	7.0		44.0	41.4	(2.6)	41.4
FtP - Initial Assessment	7.0		1.0	8.0	7.0	(1.0)	7.0
FtP - Case Review	7.0			7.0	8.0	1.0	8.0
FtP - Case Examiners & IC	14.8	1.0		15.8	17.4	1.6	17.4
FtP Hearings	28.0			28.0	28.0	0.0	28.0
FtP - Improvement	2.0	1.0		3.0	4.0	1.0	3.0
Dental Complaints Service	8.6			8.6	9.8	1.2	9.8
<b>Total Fitness to Practice</b>	<b>104.4</b>	<b>9.0</b>	<b>1.0</b>	<b>114.4</b>	<b>115.6</b>	<b>1.2</b>	<b>114.6</b>
Registration	16.1	4.0		20.1	19.2	(0.9)	20.2
Registration - Operations	23.8	2.0	1.0	26.8	30.0	3.2	30.0
Registration - Management	3.0			3.0	4.0	1.0	4.0
ORE - Exams	3.0	1.0		4.0	3.9	(0.1)	3.9
CEO & Executive Directors	5.0			5.0	5.0	0.0	5.0
Finance & Procurement	11.5	3.0		14.5	12.5	(2.0)	12.5
IT	17.0	3.0		20.0	25.0	5.0	25.0
Projects	4.0	5.0		9.0	14.0	5.0	14.0
PMO	6.0			6.0	6.0	0.0	6.0
Corporate Resources	2.0			2.0	5.0	3.0	6.0
<b>Total Registration &amp; Corporate Resources</b>	<b>91.4</b>	<b>18.0</b>	<b>1.0</b>	<b>110.4</b>	<b>124.6</b>	<b>14.2</b>	<b>126.6</b>
In-House Legal Services	29.8	3.0		32.8	33.8	1.0	33.8
Illegal Practice	5.8	1.0		6.8	8.0	1.2	8.0
Corporate Legal	3.0			3.0	3.0	0.0	3.0
Information Governance	4.0			4.0	5.0	1.0	5.0
Legal Management	7.8	1.0		8.8	8.8	0.0	9.0
FtP - Commissioning	1.0			1.0	1.0	0.0	1.0
Governance	8.0		1.0	9.0	10.0	1.0	10.0
HR	7.9	5.0		12.9	12.9	0.0	12.9
Office Services	4.0			4.0	4.0	0.0	4.0
Compliance	4.6			4.6	5.6	1.0	5.6
<b>Total Organisational Development</b>	<b>75.9</b>	<b>10.0</b>	<b>1.0</b>	<b>86.9</b>	<b>92.1</b>	<b>5.2</b>	<b>92.3</b>
Policy	8.0	2.0		10.0	13.6	3.6	13.6
Communications & Engagement	5.0	2.0	1.0	8.0	11.0	3.0	11.0
Education QA	7.6	1.0		8.6	9.5	0.9	9.5
Research	2.0			2.0	3.0	1.0	3.0
Scotland	1.0			1.0	1.0	0.0	1.0
<b>Total Strategy</b>	<b>23.6</b>	<b>5.0</b>	<b>1.0</b>	<b>29.6</b>	<b>38.1</b>	<b>8.5</b>	<b>38.1</b>
<b>TOTAL GDC HEADCOUNT</b>	<b>295.3</b>	<b>42.0</b>	<b>4.0</b>	<b>341.3</b>	<b>370.4</b>	<b>29.1</b>	<b>371.6</b>

# ANNEX B

## Balance Sheet

	31-Dec-17 £'000	31-Mar-18 £'000
<b>Assets &amp; Liabilities</b>		
Property, plant & equipment	9,968	9,933
Intangible assets	382	333
Pension asset	1,500	1,500
Receivables	2,323	2,472
Less:		
<i>Deferred income</i>	(36,502)	(592)
<i>Payables</i>	(3,670)	(2,719)
<i>Non current assets</i>		
	<b>(25,999)</b>	<b>10,927</b>
<b>Represented by</b>		
Reserves:		
<i>General (opening)</i>	(12,123)	(20,460)
<i>Total income/(expenditure) for the year/YTD</i>	(8,147)	(28,205)
<i>Unrealised gain on investments</i>	(189)	-
<i>General (closing)</i>	(20,460)	(48,665)
<i>Pension (unrealised)</i>	(1,500)	(1,500)
<i>Investments (unrealised)</i>	(694)	(694)
	<b>(22,653)</b>	<b>(50,858)</b>
<b>Funds</b>		
Investments	948	948
Cash balances	47,705	38,983
	<b>48,652</b>	<b>39,931</b>
	<b>25,999</b>	<b>(10,927)</b>