

Q4 Financial Review

Purpose of paper	To report on the General Dental Council's (GDC's) financial outturn for 2018, 2018 efficiency savings and the risks and opportunities to the 2019 Budget
Action	For noting
Corporate Strategy 2016-19	Objective 2: To improve our management of resources so that we become a more efficient regulator.
Business Plan 2016	Objective 2: Manage, the GDC's finances effectively, maintaining sufficient reserves to ensure resources are available to manage our statutory functions.
Decision Trail	<p>The Finance & Performance Committee discussed the Q4 2018 outturn on 28 March 2019 and recommended to the Audit & Risk Committee that the:</p> <ul style="list-style-type: none"> Q4 2018 financial outturn and the December 2018 management accounts are a suitable basis from which to prepare the 2018 Annual Report and accounts Proposed efficiency savings disclosures are appropriate
Next step	Not Applicable
Recommendations	Council are asked to note the report on the Q4 financial outturn.
Authorship of paper and further information	<p>Samantha Bache, Head of Finance and Procurement sbache@gdc-uk.org 0121 752 0049 Gurvinder Soomal, Executive Director, Registration & Corporate Resources gsoomal@gdc-uk.org 020 7167 6333</p>
Appendices	<p>Annex A – Staff Headcount Analysis Annex B – Balance Sheet (December Financial Performance Report has already been issued.)</p>

Executive summary

1. The final outturn (pre-audit adjustments) is an operating surplus £5.5m, £2.3m higher than budgeted.
 - 1.1. Income was £2.3m higher than budgeted due to:
 - More dentists renewing their registration in December 2017 than budgeted (£1.6m);
 - More DCPs renewing registrations in September 2018 than budgeted (£0.5m);
 - More first year Dentist registrations and income from investments and sale of assets that wasn't originally budgeted for (£0.2m).
 - 1.2. Expenditure was £0.1m higher than budgeted. This is a net figure, taking into account £168,000 of 'recurring' savings, £689,000 of 'one-off' overspends and £387,000 of savings relating to timing differences in the budget profile.
 - 1.3. The annual risk and opportunities review of the 2019 budget has highlighted an immaterial financial risk to the 2019 budget of £74,000.
 - 1.4. Finance are not aware of any strategic risks that would impact on the conclusion that the GDC remains a going concern for the next 12 months.

Income and expenditure account for twelve months to 31 December 2018

2. The table below summarises the income and expenditure account for the twelve months ended 31 December 2018. It shows actual income is £2.3m higher than budgeted and expenditure is £0.1m higher than budgeted. The result for the period is a surplus of income over expenditure of £5.5m. This is £2.3m higher than the budgeted surplus of £3.2m.

	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	45,456	45,443	43,322	13	2,135	45,443	43,322
Investment income	285	254	50	31	235	254	50
Exam income	1,589	1,589	1,588	0	1	1,589	1,588
Miscellaneous income	18	19	6	(1)	12	19	6
Total Income	47,348	47,305	44,966	43	2,382	47,305	44,966
Expenditure							
Meeting fees & Expenses	5,676	5,830	5,969	154	293	5,830	5,969
Legal & Professional	6,798	6,993	8,189	196	1,391	6,994	8,189
Staffing costs	23,467	23,518	19,844	49	(3,623)	23,517	19,844
Other staff costs	977	1,173	1,012	196	35	1,173	1,012
Research & Engagement	381	615	683	234	302	615	683
IT costs	1,352	1,254	1,132	(98)	(220)	1,254	1,132
Office & Premises costs	1,919	1,916	1,795	(4)	(124)	1,916	1,795
Finance costs	259	264	247	5	(12)	264	247
Depreciation costs	1,061	1,103	1,039	42	(21)	1,103	1,039
Contingency	0	760	1,845	760	1,845	760	1,845
Total Expenditure	41,891	43,426	41,756	1,536	(134)	43,426	41,756
OPERATING SURPLUS / (DEFICIT) BEFORE TAXATION	5,457	3,879	3,210	1,579	2,248	3,879	3,210

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

3.1. A 5% caution factor was applied to budgeted ARF income to reflect discussions on risks linked to the number of dentists and DCPs that would renew their registration, the most significant of which was 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 December 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

3.2. In addition, there have been more first year Dentist registrations and unbudgeted income was received from investments and sale of assets, generating an additional £0.2m of income not budgeted.

3.3. The drivers for expenditure being £0.1m higher 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.

Recurring' savings/(overspend), where we expect to gain efficiencies going into 2019	£000s
Hearings: Increased utilisation of hearings capacity (84% compared with 80% budgeted)	(64)
Registration casework: lower panellist fees and expenses due to a change in the fee structure	91
Casework: Fewer instances of medical advice sought because of improved processes	18
DCS: Fewer panel meetings held than budgeted due to 'shifting the balance'-related meetings no longer required	64
Finance: lower than budgeted expenditure on employer-commissioned professional advice in relation to the Pension scheme	59
Net Total	168
'One-off' savings/(overspend) in 2018	
Corporate Legal: commissioning of external legal advice has been less frequent than anticipated.	91
Facilities: reduced rental rates for the Baker Street office negotiated after the budget was set but the overall variance is overspend mainly due to the overspend on Light & heat, postage, repairs for building, electricals & security. We vacated our Baker Street office in January 2019.	(12)
Casework: additional external resources including support for Rule 4 process	(111)
Corporate Resources: provision for external project-related costs was not used in the period.	125
ILPS: lower counsel fees and disbursements from fewer new referrals allocated to ILPS between July 2017 and September 2018 than budgeted	554
ELPS: lower conduct fees and disbursements due to fewer new referrals than budgeted allocated to ELPs between July 2017 and September 2018	558

Corporate Resources: All learning and development expenditure was on hold pending the redundancy and relocation of directorate staff	38
FtP: higher staffing costs due to additional resources approved in Casework and termination costs offset number of vacancies	(23)
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	218
IT: lower staffing costs due to a number of vacancies, with recruitment to some roles to take place in Birmingham	355
IT: increase cost of IT development consultancy due to vacant roles covered by IT consultants.	(239)
Compliance: Recruitment to a vacant Compliance Officer post is on hold	56
Hearings: FTP Panel member recruitment planned but not undertaken in 2018	57
HR: Pension advice costs relating to Mastertrust selection and implementation higher than budgeted	(48)
DCS: Croydon office rent and service charge savings (due to DCS moving to Wimpole Street)	41
Policy: overspend on salary costs due to approved recruitment of senior strategy staff not included in the budget	(129)
Corporate resources: Agreement by Council for a one-off contribution to the pension scheme.	(2,300)
Net Total	(689)
Savings/(overspends) from timing differences in budget profile	
Education QA: lower meeting fees and expenses due to postponement of inspections	100
Communications: work on Digital Media content started later than planned due to delays in approval of project.	75
Governance: fewer expenses claims for meetings held, savings from the postponement of some planned regional meetings and carrying a vacant post.	94
Research: delays in initiating research projects while new Head of Policy and Research established the GDC's requirements	174
Other	(56)
Net Total	387
Total expenditure variance to budget	(134)

4. The Financial Review in the 2018 Annual Report and Accounts will include information on efficiency savings achieved, summarised as follows:
- 4.1. Actual savings from new initiatives in 2018, plus actual savings in 2018 from initiatives started in previous 4 years - **£6.7m**
 - 4.2. Cumulative savings over 5 years to December 2017 - **£12.5m**
 - 4.3. Potential savings in 2019 from initiatives started in previous 4 years - **£6.5m**

Staff headcount at 31 December 2018

5. At the end of December 2018, the total GDC headcount was 371.6 full time equivalents (FTE) (compared with 368.8 at the end of September 2018), of which:

Contract type	December 2018 FTE	September 2018 FTE	Movement FTE
Permanent	296.8	272.6	24.2
Fixed Term Contract	62.8	82.2	(19.4)
Temporary Staff	12.0	14.0	(2.0)

- The total FTE is 2.8 more than was reported at the end of September 2018 and 4.8 FTE more than the December 2018 budget. The table at annex B analyses GDC headcount by cost centre at 31 December 2018.

Risks and opportunities to 2019 budget

6. A high-level review of budgeted income and expenditure for 2019 has been undertaken, the results of which were considered and discussed by the Financial and Performance Committee at their February 2019 meeting. The result of the exercise shows that our allocated budget for 2019 remains broadly in balance with our agreed budget. We identified a small financial risk of £74,000 for the year.
7. The key points to note for 2019 are:
 - 7.1. We approached the 2019 budget with a view to minimising variances that had arisen before. Key areas where this approach has been successful are:
 - 7.1.1. **Fee income** - We elected not to apply a caution rating to registrant volumes, as this had substantially failed to materialise in previous years. This approach appears to have been successful with the number of Dentists renewals holding up well in December 2018. For DCPs, the risk was reduced by virtue of a change in accounting policy, which meant that seven months of income received in 2018 would accrue to 2019. Any risk attaching to the ARF for DCPs is restricted to five months from August, and there are no indications at this stage that the budget for these months is incorrect.
 - 7.1.2. **FTP budget model** - We have benefited from a period of relative stability in the number of incoming cases relative to previous years. We have also held monthly budget meetings with FtP heads to ensure that our forecasting assumptions are robust and current. They have proved to be in line with the budget that was set. For case examiners, the less ambitious productivity assumptions indicated by the model (as against management assumptions) accepted as the basis for the 2019 budget have proved correct. Therefore, the degree of risk or opportunity attaching to the later stages of enforcement, prosecution and hearings, are not materially affected.

Recommendations

- 7.1. Council are asked to note the report on the Q4 2018 financial review.

Appendices

- Annex A – Staff Headcount Analysis
- Annex B – Balance Sheet

ANNEX A

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)						
FtP - Casework	28.8	12.6	1.0	42.4	44.4	2.0	42.4	0.0	44.4	42.4
FtP - Initial Assessment	4.5	1.0	1.0	6.5	7.0	0.5	7.0	0.5	7.0	7.0
FtP - Case Review	7.0			7.0	7.0	0.0	8.0	1.0	7.0	8.0
FtP - Case Examiners & IC	13.6	1.0		14.6	14.6	0.0	16.4	1.8	14.6	16.4
FtP Hearings	19.8	7.6	1.0	28.4	29.0	0.6	27.8	(0.6)	29.0	27.8
FtP - Improvement	3.0			3.0	3.0	0.0	2.0	(1.0)	3.0	2.0
Dental Complaints Service	6.1			6.1	6.6	0.5	9.8	3.7	6.6	9.8
Total Fitness to Practice	82.8	22.2	3.0	108.0	111.6	3.6	113.4	5.4	111.6	113.4
Registration	21.0	1.0		22.0	22.0	0.0	20.2	(1.8)	22.0	20.2
Registration - Operations	28.0	4.0	6.0	38.0	38.0	0.0	28.0	(10.0)	38.0	28.0
Registration - Management	3.0			3.0	6.0	3.0	4.0	1.0	6.0	4.0
ORE - Exams	7.0			7.0	6.0	(1.0)	3.9	(3.1)	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	15.0	1.0	11.5	(2.5)	15.0	11.5
IT	17.0	6.0		23.0	26.0	3.0	26.0	3.0	26.0	26.0
Projects	4.6	5.0		9.6	13.8	4.2	14.6	5.0	13.8	14.6
PMO	5.0	1.6		6.6	5.6	(1.0)	6.0	(0.6)	5.6	6.0
Corporate Resources	4.0			4.0	5.0	1.0	7.0	3.0	5.0	7.0
Total Registration & Corporate Resources	105.6	19.6	7.0	132.2	142.4	10.2	126.2	(6.0)	142.4	126.2
In-House Legal Services	25.8	6.0	1.0	32.8	33.8	1.0	33.8	1.0	33.8	33.8
Illegal Practice	9.8	1.0		10.8	11.8	1.0	8.0	(2.8)	11.8	8.0
Corporate Legal	4.0			4.0	4.0	0.0	3.0	(1.0)	4.0	3.0
Information Governance	4.0	2.0		6.0	6.0	0.0	5.0	(1.0)	6.0	5.0
Legal Management	5.8	2.0		7.8	7.8	0.0	8.8	1.0	7.8	8.8
External Legal Prosecution Services	1.0			1.0	1.0	0.0	1.0	0.0		1.0
Governance	9.0		1.0	10.0	10.0	0.0	11.0	1.0	10.0	11.0
HR	11.9	4.0		15.9	18.9	3.0	12.9	3.0	18.9	12.9
Office Services	4.0	1.0		5.0	5.0	0.0	4.0	1.0	5.0	4.0
Compliance	3.6			3.6	3.6	0.0	5.6	2.0	3.6	5.6
Total Organisational Development	78.9	16.0	2.0	96.9	101.9	5.0	93.1	(3.8)	100.9	93.1
Policy	12.0	2.0		14.0	15.0	1.0	8.6	(5.4)	15.0	8.6
Communications & Engagement	8.0	2.0		10.0	10.0	0.0	11.0	1.0	10.0	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	4.0	2.0	2.0	4.0
Scotland	1.0			1.0	1.0	0.0	1.0	0.0	1.0	1.0
Total Strategy	29.5	5.0	0.0	34.5	35.5	1.0	34.1	(0.4)	35.5	34.1
HEADCOUNT CHARGED TO OPERATING SPEND	296.8	62.8	12.0	371.6	391.4	19.8	366.8	(4.8)	390.4	366.8

Balance Sheet

		31-Dec-17 £'000	31-Dec-18 £'000
Assets & Liabilities			
Property, plant & equipment		9,968	11,699
Intangible assets		382	213
Pension asset		1,500	1,500
Receivables		2,323	1,775
Less:			
	<i>Deferred income</i>	(36,502)	(36,931)
	<i>Payables</i>	(3,670)	(7,813)
	<i>Non current assets</i>		
		(25,999)	(29,556)
Represented by			
Reserves:			
	<i>General (Opening)</i>	(12,123)	(20,270)
	<i>Total income/(expenditure) for the year/YTD</i>	(8,147)	(5,505)
	<i>Unrealised gain on investments</i>		
	<i>General (Closing)</i>	(20,270)	(25,776)
	<i>Pension (unrealised)</i>	(1,500)	(1,500)
	<i>Investments (unrealised)</i>	(883)	(883)
		(22,653)	(28,159)
Funds			
Investments		948	15,372
Cash balances		47,705	42,343
		48,652	57,715
		25,999	29,556