

Procedure for Access to Free Reserves

Purpose of paper	To propose a procedure governing access to the Free Reserves.
Action	For approval
Corporate Strategy	Objective 2: To improve our management of resources so that we become a more efficient regulator.
Business Plan	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 step	Not applicable
Recommendations	The Council is asked to approve the proposed procedure for access to free reserves and make the relevant delegations
Authorship of paper and further information	Ian Brack, Chief Executive, Registrar and Accounting Officer ibrack@gdc-uk.org 020 7167 6365
Appendices	Appendix 1: Procedure for Access to Free Reserves

1. Executive summary

- 1.1 The adoption of a revised approach to budgeting in 2019 means that central contingency revisions are significantly reduced and unbudgeted costs are now met from the Free reserves.
- 1.2 No procedural framework currently exists setting out how requests for reserve funds should be addressed to Council. Furthermore, the only extant delegations relating to the approval of unbudgeted expenditure outside of Council sessions relate solely to headcount issues.
- 1.3 This paper seeks the Council's agreement to a procedure relating to access to the free reserves for non-staff costs, which mirrors the approach adopted for unbudgeted headcount requests.

2. Background

- 2.1 The GDC budget for 2019 saw very significant reductions to the level of contingent provisions. This reflected an intention, where unbudgeted expenditure was deemed necessary, to meet it from the reserves.
- 2.2 At present, any such request to Council would be treated in exactly the same way as other Council papers: whilst there is a reasonable expectation that requests would be robust, no specific guidance exists which setting out what a request for reserve funding should incorporate or how it should be processed.
- 2.3 Additionally, a procedural framework enabling the authorisation of calls on reserves outside of Council meetings exists only in relation to unbudgeted headcount proposals. There is no mechanism to approve non-staff expenditure which is unbudgeted.
- 2.4 Whilst the preferred route should always be that calls on reserves are decided in Council, the approach adopted in the 2019 budget means that a mechanism for urgent approval of unbudgeted costs related to non-staff items is necessary.
- 2.5 This paper seeks to identify specific requirements and assumptions relating to requests for reserve funds, and to set out a process, mirroring that adopted for unbudgeted headcount, for handling urgent requests for reserve funds outside of Council meetings.

3. Proposed procedure governing access to the free reserves

- 3.1 The proposed draft procedure is set out at Appendix 1.
- 3.2 Council members should note that the proposed procedure would require a delegation to the Chair of Council and the Committee Chairs to approve urgent requests for access to reserve funds.
- 3.3 A limit of £250,000 is set on requests which can be dealt with under the proposals. Council members are asked to consider whether this is an appropriate level.

4. Recommendation

- 4.1 The Council is asked to:
 - (i) Consider the proposed procedure for access to the free reserves and, in particular, the upper cost limit proposed;
 - (ii) approve the procedure, and;
 - (iii) Make the appropriate delegations to the Chair and Chairs of Committees

Procedure for Access to Free Reserves

1. This procedure relates to non-staff expenditure. Requests for unbudgeted staff expenditure are covered by the GDC Headcount and salary budget policy.
2. Resource decisions are taken by the Council in session. The primary occasion for this is the approval of the annual budget and, as a matter of course, the executive must take all reasonable steps to ensure that the budget comprises a comprehensive summary of the expenditure necessary to deliver the business plan and to meet key performance indicators for the coming year.
3. Nevertheless, it is recognised that on occasion, costs may arise which could not be predicted at the time the budget was finalised. In such circumstances, the executive should give the Council the earliest possible notice of the probable cost and indicate as quickly as possible when a request for additional funds will be brought to Council.
4. No request for additional funding from the reserves may be brought to Council without the endorsement of EMT (which may take place as part of an SLT meeting) and the approval of the Accounting Officer.
5. Any request must be the subject of a paper, which should clearly identify the unbudgeted sum sought, the current uncommitted free reserves and the level of free reserves which would remain were the request to be approved.
6. The paper should also make clear any costs in future years which would need to be incorporated into the annual budget. The request must be supported by a business case.
7. Where an urgent requirement of less than £250,000 arises which cannot wait until the next scheduled Council meeting for determination, then upon the endorsement of the proposal by EMT, the Accounting Officer will, if they approve the proposal, seek the agreement of the Chair of Council and the relevant Committee Chairs of Council to a release of free reserves, prior to any expenditure.
8. This will be undertaken by correspondence between the Accounting Officer and the Chairs. The Chair of Council will determine which Committee Chairs are relevant in each case. The Chairs may approve or reject the request, or may determine that the matter must be remitted to full Council by correspondence. The Accounting Officer will notify the relevant Director of the outcome of the request.
9. Any requests for funding sought outside of Council must be reported to the next Council meeting, with the outcome.
10. In the unlikely event that an urgent request for a sum in excess of £250,000 was endorsed by EMT and approved by the Accounting Officer, the request must be dealt as a Council decision by correspondence.