

## Q1 Finance Review and Forecast

<b>Purpose of paper</b>	To report on the General Dental Council's financial performance outturn for the three months to 31 March 2019.
<b>Action</b>	For <b>discussion</b>
<b>Corporate Strategy</b>	Performance Objective 2: To improve our management of resources so that we become a more efficient regulator.
<b>Business Plan</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>	Paper discussed at SLT Board meeting 8 May Paper discussed at FPC meeting 21 May
<b>Next stage</b>	N/A
<b>Recommendations</b>	The Council is asked to discuss the report on the GDC's Q1 financial outturn and forecast for 2019.
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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 2019. At the end of March, the GDC's operating surplus was £1.5m higher than budgeted.
- 1.2. Income was £0.2m higher than budgeted due to:
- 82 more dentists and 14 specialists renewing their registration than budgeted.
  - Additional income generated from Bank interest and S&W investments totalling £0.1m.
- 1.3. Expenditure was £1.2m lower than budgeted, £0.1m of which is 'recurring' savings, £0.6m is 'one-off' savings and £0.5m are timing differences.
- 1.4. In January 2019, a high-level review of budgeted income and expenditure for 2019 was undertaken. It has identified risks of £235,000 to the budget and savings opportunities totalling £161,000. The total risk to the 2019 budget was £74,000.
- 1.5. In April, based on the Q1 outturn, a detailed review of income and expenditure for the remainder of 2019 has indicated that the budgeted operating surplus of £4.4m could increase by £1m to a surplus of £5.4m by the end of 2019. This position will be reviewed as part of our Q2 forecasting exercise.
- 1.6. Council are asked to discuss the report on the GDC's financial performance for the three months to 31 March 2019.

## 2. Income and expenditure account for the three months to 31 March 2019

- 2.1. The table below summarises the income and expenditure account for the 3 months ending 31 March 2019. It shows that actual income is £0.2m higher than budgeted and expenditure for the period is £1.2m lower than budgeted. The result for the period is an £32.7m surplus of income over expenditure, £1.5m higher than the £31.4m deficit budgeted.

	Year to Date			Full Year
	Actual	Budget	Variance to Budget	Budget
	£000	£000	£000	£000
<b>Income</b>				
Fees	41,628	41,549	78	45,747
Investment income	112	12	100	50
Exam income	430	422	9	1,588
Miscellaneous income	6	2	5	6
<b>Total Income</b>	<b>42,176</b>	<b>41,985</b>	<b>191</b>	<b>47,390</b>
<b>Expenditure</b>				
Meeting fees & Expenses	1,503	1,836	333	6,551
Legal & Professional	1,598	1,864	266	7,619
Staffing costs	4,761	5,156	395	20,390
Other staff costs	192	385	193	1,536
Research & Engagement	112	149	37	741
IT costs	354	394	39	1,333
Office & Premises costs	515	474	(41)	1,750
Finance costs	60	44	(16)	245
Depreciation costs	293	298	5	1,175
Contingency	0	0	0	1,662
<b>Total Expenditure</b>	<b>9,390</b>	<b>10,600</b>	<b>1,210</b>	<b>43,003</b>
HMRC Refund	(107)	0	107	0
<b>OPERATING SURPLUS BEFORE TAXATION</b>	<b>32,679</b>	<b>31,385</b>	<b>1,509</b>	<b>4,388</b>

2.2. Income was £0.2m higher than budgeted due to:

- 82 more dentists and 14 specialists renewing their registration than budgeted.
- Additional income generated from Bank interest and S&W investments totalling £0.1m.

2.3. The key drivers for expenditure being £1.2m lower than budgeted were as follows:

- **Recurring savings/(overspend):** higher or lower than budgeted 2019 expenditure that has resulted from a permanent change in the GDC's circumstances and, as such, savings/overspends are expected to persist throughout this financial year and will impact on the budget requirements for future years.
- **'One off' savings/(overspend):** these are only expected to occur in 2019. Costs are expected to return to budgeted 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.

<b>Recurring' savings/(overspend)</b>	<b>£000s</b>
<b>Casework:</b> Fewer instances of medical advice sought because of improved processes which are now embedded.	15
<b>HR/Estates:</b> The recruitment budgets are underspent in both Estates (£81,000) and HR (£41,000) as we try to lead the recruitment process ourselves as part of our recruitment strategy. The expectation is for the underspend to continue however this may be at a reduced rate if we incur costs for external recruitment costs where we struggle to fill any vacant roles.	122
<b>Estates:</b> The overspend is as a result of the Colmore Square rent budgeted on the basis that the rent holiday would be spread over a five-year period. However, aligned to accounting policy IFRS16, the rent holiday must be spread over the life of the lease. Therefore, the budget for 2019 is understated.	(41)
	<b>96</b>
<b>'One-off' savings/(overspend)</b>	
<b>Corporate Legal:</b> The release of a 2018 accrual for tribunal costs that is no longer payable	15
<b>Corporate Resources:</b> The release of 2018 over provided accruals for Pennington's and Mazars audits.	16
<b>ILPS:</b> 186 new referrals were budgeted to be allocated to the in-house legal prosecution service (ILPS) between July 2018 and March 2019, but only 120 new referrals (64%) were allocated over the period, resulting in lower than budgeted counsel fees and disbursements.	106
<b>ELPS:</b> 45 new referrals were budgeted to be allocated to external legal firms (ELPS) between July 2018 and March 2019, but 41 new referrals (91%) were allocated over the period because of fewer referrals to prosecution by case examiners overall resulting in lower than budgeted external legal costs.	38
<b>Staff costs:</b> Vacant posts across the organisation which are in the process of being recruited to, but have not yet been filled (net saving of £300k when taking into account any temporary staff cover). In addition, a number of the new Birmingham posts have been recruited below market rate, generating a saving of around £135k in the quarter.	435
<b>Communications:</b> Development of the GDC website that was due to be delivered in 2018 and identified in January 2019 as a risk to the 2019 budget.	(30)

<b>Estates:</b> Rent for Baker Street (January 2019) that was incorrectly omitted during budget setting.	(10)
	<b>570</b>
<b>Savings/(overspends) from timing differences</b>	
<b>Education QA:</b> lower meeting fees and expenses due to postponement of inspections	125
<b>Hearings:</b> 76 lost and wasted days in the quarter has resulting in lower productive days than that budgeted year to date. However, the higher number of referrals in Q1 has led to an increased forecast in Q4.	149
<b>Governance:</b> The commissioning of external consultancy has been slower than originally budgeted, with work expected to be commissioned in Q2	25
<b>HR:</b> The budget profiling of Life Assurance and Income protection premiums has created a favourable variance; these costs are due for payment later in the year (£163,000)	163
<b>FtP Staff costs:</b> The budget profiling of the E2E staff savings has an adverse contribution to the year to date variance as the savings were profiled over the full year but are unlikely to start to take effect until later in Q2.	(40)
<b>HR:</b> Expenditure on learning and development has not taken place according to the original budget profile. Courses budgeted to take place in Q1 but have now been reschedule to Q2.	82
<b>IT:</b> Savings due to the profiling of purchase of software licences against the number of budgeted licences based on assumptions relating to the timing of relocation of staff to Birmingham and the number of people in post.	39
<b>Finance:</b> Profiling difference in relation to bank charges.	(16)
<b>Research:</b> delays in commissioning of research projects, in particular around the Seriousness Review, which is a joint procurement with the NMC, offset by progressing work on the publications cost project quicker than anticipated.	37
<b>Not analysed</b>	(20)
	<b>544</b>
<b>Total expenditure variance to budget</b>	<b>1,210</b>

### 3. Staff headcount at 31st March 2019

3.1. At the end of March 2019, the total GDC headcount was:

Contract type	March 2019 FTE	December 2018 FTE	Movement FTE
Permanent	311.4	296.8	14.6
Fixed Term Contract	46.2	62.8	(16.6)
Temporary Staff	4.0	12.0	(8.0)
Total	361.6	371.6	(10.0)

3.2. This is 10.0 FTE less than was reported at the end of 2018 but 11.7 FTE fewer than budgeted as at 31st March 2019.

3.3. The table at Annex A analyses total GDC headcount by cost centre, as at 31 March 2019.

#### **4. Q1 forecast review**

4.1. A detailed review of forecast income and expenditure for 2019 has been undertaken in April.

4.2. It shows that the budgeted operating surplus of £4.4m could increase by £1m to a surplus of £5.4m by the end on 2019. This position will be reviewed as part of our Q2 forecasting exercise.

#### **5. Recommendations**

5.1. Council are asked to **discuss** the report on the GDC's Q1 financial outturn and the risk to the 2019 forecast.

#### **6. Appendices**

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

## Annex A – Staff Headcount Analysis

COST CENTRES	PERIOD					
	ACTUAL				BUDGET	VARIANCE TO BUDGET
	PERMANENT	FIXED TERM CONTRACT	TEMPORARY STAFF	TOTAL (INCLUDING TEMPS)		
FtP - Casework	28.4	10.6		39.0	34.6	(4.4)
FtP - Initial Assessment	6.0	1.0		7.0	1.0	(6.0)
FtP - Case Review	7.0			7.0	4.0	(3.0)
FtP - Case Examiners & IC	13.6	1.0		14.6	15.0	0.4
FtP Hearings	22.8	4.0		26.8	31.8	5.0
FtP - Improvement/Management	3.0			3.0	3.0	0.0
Dental Complaints Service	7.6			7.6	6.6	(1.0)
<b>Total Fitness to Practice</b>	<b>88.4</b>	<b>16.6</b>	<b>0.0</b>	<b>105.0</b>	<b>96.0</b>	<b>(9.0)</b>
Registration	20.0			20.0	21.0	1.0
Registration - Operations	26.0	2.0		28.0	28.0	0.0
Registration - Management	3.0			3.0	4.0	1.0
ORE - Exams	5.0			5.0	4.0	(1.0)
CEO & Executive Directors	6.0			6.0	6.0	0.0
Finance & Procurement	12.0		1.0	13.0	13.0	0.0
IT	19.0	3.0		22.0	25.0	3.0
Projects	6.8	4.0		10.8	13.6	2.8
PMO	5.0	1.6		6.6	7.0	0.4
Corporate Resources	3.0			3.0	6.0	3.0
<b>Total Registration &amp; Corporate Resources</b>	<b>105.8</b>	<b>10.6</b>	<b>1.0</b>	<b>117.4</b>	<b>127.6</b>	<b>10.2</b>
In-House Legal Services	26.8	6.0	1.0	33.8	33.8	0.0
Illegal Practice	9.8	2.0		11.8	10.8	(1.0)
Corporate Legal	6.8	2.0		8.8	10.8	2.0
Information Governance	4.0	2.0		6.0	6.0	0.0
Legal Management	4.0			4.0	6.0	2.0
External Legal Prosecution Services	1.0			1.0	1.0	0.0
Governance	8.0		2.0	10.0	11.0	1.0
<b>Total Legal &amp; Governance</b>	<b>60.4</b>	<b>12.0</b>	<b>3.0</b>	<b>75.4</b>	<b>79.4</b>	<b>4.0</b>
HR	16.0	3.0		19.0	20.9	1.9
Facilities	4.0			4.0	5.0	1.0
Compliance	3.6			3.6	5.6	2.0
<b>Total Organisational Development</b>	<b>23.6</b>	<b>3.0</b>	<b>0.0</b>	<b>26.6</b>	<b>31.5</b>	<b>4.9</b>
Policy	11.6	2.0		13.6	15.0	1.4
Communications & Engagement	8.0	2.0		10.0	9.0	(1.0)
Education QA	9.6			9.6	9.8	0.2
Research	3.0			3.0	4.0	1.0
Scotland	1.0			1.0	1.0	0.0
<b>Total Strategy</b>	<b>33.2</b>	<b>4.0</b>	<b>0.0</b>	<b>37.2</b>	<b>38.8</b>	<b>1.6</b>
<b>HEADCOUNT CHARGED TO OPERATING SPEND</b>	<b>311.4</b>	<b>46.2</b>	<b>4.0</b>	<b>361.6</b>	<b>373.3</b>	<b>11.7</b>

## Annex B – Balance Sheet

### Balance Sheet

	31-Dec-18 £'000	31-Mar-19 £'000
<b>Assets &amp; Liabilities</b>		
Property, plant & equipment	11,699	11,414
Intangible assets	213	221
Pension asset	3,930	3,930
Receivables	1,795	1,748
<b>Less:</b>		
<i>Deferred income</i>	(41,714)	(580)
<i>Payables</i>	(7,917)	(5,444)
<i>Non current assets</i>		
	<b>(31,994)</b>	<b>11,287</b>
<b>Represented by</b>		
<b>Reserves:</b>		
<i>General (Opening)</i>	(15,528)	(20,907)
<i>Total income/(expenditure) for the year/YTD</i>	(5,380)	(32,894)
<i>Unrealised gain on investments</i>		
<i>General (Closing)</i>	(20,907)	(53,802)
<i>Pension (unrealised)</i>	(3,930)	(3,930)
<i>Investments (unrealised)</i>	173	173
	<b>(24,664)</b>	<b>(57,558)</b>
<b>Funds</b>		
Investments	14,315	14,933
Cash balances	42,343	31,338
	<b>56,658</b>	<b>46,271</b>
	<b>31,994</b>	<b>(11,287)</b>