

Quarter 4 2019 - Financial Review

Executive Director	Gurvinder Soomal, Executive Director, Registration and Corporate Resources
Author(s)	Steve Mcilraith, Financial Controller Samantha Bache, Head of Finance and Procurement
Type of business	To note
Issue	To report on the GDC's financial performance for the full year ending 31 December 2019.
Recommendation	The Council is asked to note the contents of this paper.

1. Financial Position 31 December 2019

- 1.1 This paper is to report on the unaudited financial performance for the twelve months ending 31 December 2019. The financial outturn position reported is subject to final audit adjustments, corporation tax and adjustment for first time adoption of IFRS 16 'Leases'.
- 1.2 At the end of December, the GDC's operating surplus was £5.6m higher than budgeted at £10m, and £2.2m higher than forecasted at the end of Q3. Actual income is £0.8m higher than budgeted and expenditure is £4.7m lower than budgeted for the period.
- 1.3 The table below summarises the income and expenditure account for the twelve months ending 31 December 2019:

	Year to Date					Full Year		
	Actual	Forecast	Budget	Variance to Forecast	Variance to Budget	Forecast	Budget	Variance to Budget
	£000	£000	£000	£000	£000	£000	£000	£000
Income								
Fees	46,019	46,011	45,747	8	272	46,011	45,747	264
Investment income	575	551	50	24	525	551	50	501
Exam income	1,593	1,593	1,588	0	5	1,593	1,588	5
Miscellaneous income	22	13	6	9	16	13	6	7
Total Income	48,208	48,167	47,390	41	818	48,167	47,390	777
Expenditure								
Meeting fees & Expenses	5,669	5,755	6,551	86	882	5,755	6,551	796
Legal & Professional	6,761	7,510	7,619	750	858	7,510	7,619	110
Staffing costs	19,338	19,118	20,390	(221)	1,052	19,118	20,390	1,272
Other staff costs	1,005	1,145	1,534	140	529	1,145	1,534	389
Research & Engagement	494	467	741	(27)	247	467	741	274
IT costs	1,305	1,361	1,333	56	28	1,361	1,333	(28)
Office & Premises costs	2,201	2,095	1,750	(107)	(451)	2,095	1,750	(345)
Finance costs	356	369	245	14	(110)	369	245	(124)
Depreciation costs	1,155	1,148	1,175	(6)	20	1,148	1,175	27
Contingency	0	1,497	1,662	1,497	1,662	1,497	1,662	165
Total Expenditure	38,284	40,465	43,001	2,181	4,717	40,465	43,001	2,536
HMRC Refund	(108)	(104)	0	(4)	108	(104)	0	107
OPERATING SURPLUS / (DEFICIT) BEFORE TAXATION	10,032	7,807	4,390	2,219	5,643	7,807	4,390	3,420

2. Income

- 2.1 Income was £0.8m higher than budgeted due to the following:
- Additional unbudgeted income generated from bank interest and investments totalling £0.5m, as a result of the decision to deposit £15m with our investors being reached after the 2019 budget had been set.
 - 82 more dentists and 14 more specialists renewing their registration than budgeted in December 2018, generating an additional £0.1m of revenue.
 - Additional income from DCPs to that budgeted of around £0.2m relating to a timing difference in the budget profile following the application of IFRS 15, which requires us to spread income over the period to which the registration relates.
- 2.2 A £108k HMRC refund was received earlier in the year relating to Hearings and Panel Members Tax & NI.

3. Expenditure

- 3.1 Expenditure was £4.7m lower than budgeted. This comprises of £1m of 'recurring savings' £3.4m of 'one-off savings' and £0.3m of savings related to timing differences in the budget profile.
- 3.2 The significant variances (defined as circa £0.1m or higher) for expenditure being £4.7m lower than budgeted are as follows:

Recurring savings/(overspend): higher or lower than budgeted 2019 expenditure that results from a permanent change in the GDC's circumstances and as such, 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.

Recurring' savings/(overspend)	£000s
Staff costs: Vacant posts across the organisation which are in the process of being recruited to but have not yet been filled. Savings achieved by new Birmingham posts which have been recruited below market rate, where budgets were held at full salary cost	1,052
Other recurring savings/(overspend)	(16)
	1,036
'One-off' savings/(overspend)	
People Services/Estates: Improvements in the recruitment process during 2019 as part of the recruitment strategy, where less reliance has been placed upon agencies.	296
Estates: The Colmore Square rent budget was understated on the basis that the rent holiday would be spread over a five-year period. However, in accordance with accounting policies the rent holiday must be spread over the life of the lease.	(328)
Finance: Smith & Williamson investment management fee not budgeted for in 2019.	(97)
Estates – exit provision: The 2018 exit provision has been reduced as a result of successful redeployment of staff to other roles, or where the individual has chosen to exit the organisation early.	138
Estates Other staff costs: full year savings made on travel and subsistence to December 2019.	116

People Services: Unrequired Legal defence budget provided for in 2019, and a reduction in learning and development budgeted activity as a result of more internally led initiatives.	183
People Services: Additional expenditure incurred by the Trustee on professional advisers regarding the closure of the DC14 pension scheme.	(143)
Education QA: The original budget was based on 60 meetings, however multiple meetings can be completed in one day, which has led to lower costs even where more inspections have been completed than originally expected.	123
Contingency: £1.7m overall underspend on Contingency Reserve not required in 2019, this can be analysed by: <ul style="list-style-type: none"> • Estates dual running costs £787k, which was unrequired in full due to some posts exiting earlier than anticipated and posts being successfully redeployed elsewhere in the business. At the time of setting this provision the exact number and nature of posts likely to be affected was unclear as the Strand 2 consultation had not completed. As line detail was not available to the Estates Programme, this provision was never able to be allocated to directorate budgets. This underspend therefore is in part offset by overspends on staff costs reported elsewhere in the organisation. • Estates provision £160k – not required but held as prudent. • Unrequired central contingency £715k 	1,662
Hearings: 367 lost and wasted days in 2019 resulting in lower productive days than that budgeted for the year.	625
ILPS: The underspend at financial year end relates to lower levels of actual expenditure compared to that forecast for the later months of the year. This is largely as a result of a number of cases in 2019 not reaching the hearing stage due to an increase in cases impacted by Rule 6E.	673
Meetings Fees and Expenses: Areas such as Governance and ORE have spent below forecasted levels in 2019 on meeting fees and expenses. <ul style="list-style-type: none"> • Governance Team restructuring has resulted in an underspend for 2019. • ORE – ARF Administration costs were £25k below budgeted levels due to economies of scale and negotiation of improved rates with the Electoral Reform Service. 	125
Other 'one off' Savings/(overspends)	(17)
	3,356
Savings/(overspends) from timing differences	
Research: There have been delays in commissioning of 2019 research projects, in particular the Seriousness Review, which is a joint procurement with the NMC, and Accessibility in the Complaints Handling Research.	198
In-House Legal Advisory Service: The budget is for appeals and external miscellaneous legal advice that was planned to be spent in the last quarter of the year but will be spent in Q1 2020.	127
	325
Total expenditure variance to budget	4,717

4. Staff headcount at 31 December 2019

4.1 At the end of December 2019, the total GDC headcount was:

Contract type	Sept 2019 FTE	Dec 2019 FTE	Movement FTE (-)/+

Permanent	314.8	315.7	0.9
Fixed Term Contract	35.6	28.6	(7.0)
Temporary Staff	10.0	12.0	2.0
Total	360.4	356.3	(4.1)

4.2 This is 4.1 FTE less than was reported at the end of Sept 2019, which reflects the net effect of staff leaving the London office compared to staff being recruited into the Birmingham office as the Estates Programme comes to a close.

5. Development, consultation and decision trail

5.1 The indicative financial results for 2019 have previously been considered in detail by the Senior Leadership Team and the Financial Performance Committee.

6. Next steps and communications

6.1 The financial statements will be updated for the adjustments required in recognition first time adoption of IFRS 16 'Leases' and calculated Corporation Tax charge due for 2019.

6.2 The external auditors are completing their annual audit of our financial statements, and any audit adjustments identified will be incorporated into our 2019 Annual Report and Accounts. We aim to lay our Annual Report and Accounts before Parliament's summer recess.

Appendices

- a. Appendix 1 – Headcount analysis at 31 December 2019

Samantha Bache, Head of Finance and Procurement

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09 March 2020

Appendix 1 – Headcount analysis at 31 December 2019

GDC HEADCOUNT

For the period ending 31st December 2019

COST CENTRES	PERIOD								YEAR END		FORECAST VS BUDGET	PRIOR YEAR - 2018
	ACTUAL 31/12/19				FORECAST 31/12/19	VARIANCE TO FORECAST	BUDGET 31/12/19	VARIANCE TO BUDGET	FORECAST	BUDGET		
	PERMANENT	FIXED TERM CONTRACT	TEMPORARY STAFF	TOTAL (INCLUDING TEMPS)								
FiP - Casework	29.8	2.0	1.0	32.8	28.8	(4.0)	34.6	1.8	40.1	34.6	(5.5)	42.4
FiP - Initial Assessment	6.0	0.0	0.0	6.0	6.0	0.0	1.0	(5.0)	1.0	1.0	0.0	6.5
External Legal Prosecution Services	1.0	0.0	0.0	1.0	1.0	0.0	1.0	0.0	1.0	1.0	0.0	1.0
FiP - Case Examiners & IC	13.8	0.0	0.0	13.8	13.6	(0.2)	17.0	3.2	11.6	17.0	5.4	14.6
FiP - Case Review	6.9	0.0	0.0	6.9	6.8	(0.1)	2.0	(4.9)	3.0	2.0	(1.0)	7.0
FiP Hearings	23.8	2.0	0.0	25.8	26.0	0.2	31.8	6.0	26.0	31.8	5.8	28.4
FiP - Improvement/Management	2.0	2.0	0.0	4.0	3.0	(1.0)	3.0	(1.0)	1.0	3.0	2.0	3.0
Dental Complaints Service	6.6	0.0	0.0	6.6	6.6	0.0	6.6	0.0	6.6	6.6	0.0	6.1
Total Fitness to Practice	89.9	6.0	1.0	96.9	91.8	(5.1)	97.0	0.1	90.3	97.0	6.7	109.0
Registration	22.0	2.0	0.0	24.0	24.0	0.0	21.0	(3.0)	24.0	21.0	(3.0)	22.0
Registration - Operations	26.0	0.0	6.0	32.0	28.0	(4.0)	28.0	(4.0)	27.0	28.0	1.0	38.0
ORE - Exams	4.0	0.0	0.0	4.0	4.0	0.0	4.0	0.0	4.0	4.0	0.0	7.0
Registration - Management	3.0	0.0	0.0	3.0	4.0	1.0	4.0	1.0	3.0	4.0	1.0	3.0
Projects	10.8	1.6	0.0	12.4	13.4	1.0	13.6	1.2	12.8	13.6	0.8	9.6
PMO	6.0	0.0	0.0	6.0	7.0	1.0	7.0	1.0	7.0	7.0	0.0	6.6
Finance & Procurement	10.0	1.0	3.0	14.0	16.0	2.0	13.0	(1.0)	13.0	13.0	0.0	14.0
IT	17.0	0.0	0.0	17.0	21.0	4.0	26.0	9.0	24.0	26.0	2.0	23.0
CEO & Executive Directors	5.0	1.0	0.0	6.0	6.0	0.0	5.0	(1.0)	6.0	5.0	(1.0)	5.0
Corporate Resources	7.9	0.0	0.0	7.9	7.0	(0.9)	6.0	(1.9)	7.0	6.0	(1.0)	4.0
Facilities	5.0	0.0	0.0	5.0	5.0	0.0	5.0	0.0	5.0	5.0	0.0	5.0
Total Registration & Corporate Resources	116.7	5.6	9.0	131.3	135.4	4.1	132.6	1.3	132.8	132.6	(0.2)	132.2
In-House Legal Services	27.8	7.0	0.0	34.8	38.0	3.2	33.8	(1.0)	38.0	33.8	(4.2)	32.8
Illegal Practice	10.0	1.0	1.0	12.0	12.0	0.0	10.8	(1.2)	11.8	10.8	(1.0)	10.8
Corporate Legal	9.0	0.0	0.0	9.0	9.0	0.0	10.8	1.8	9.0	10.8	1.8	4.0
Governance	7.0	2.0	0.0	9.0	9.0	0.0	11.0	2.0	11.0	11.0	0.0	10.0
Information Governance	4.0	1.0	0.0	5.0	5.0	0.0	6.0	1.0	6.0	6.0	0.0	6.0
Legal Management	3.0	1.0	0.0	4.0	4.0	0.0	6.0	2.0	4.0	6.0	2.0	7.8
Total Legal	60.8	12.0	1.0	73.8	77.0	3.2	78.4	4.6	79.8	78.4	(1.4)	71.4
People Services	15.0	3.0	1.0	19.0	21.0	2.0	19.9	0.9	21.0	19.9	(1.1)	15.9
Compliance	1.0	0.0	0.0	1.0	1.0	0.0	5.6	4.6	0.0	5.6	5.6	3.6
Total Organisational Development	16.0	3.0	1.0	20.0	22.0	2.0	25.5	5.5	21.0	25.5	4.5	24.5
Policy	10.7	1.0	0.0	11.7	15.6	3.9	15.0	3.3	15.6	15.0	(0.6)	14.0
Communications & Engagement	6.8	1.0	0.0	7.8	7.6	(0.2)	9.0	1.2	8.0	9.0	1.0	10.0
Research	5.0	0.0	0.0	5.0	4.0	(1.0)	4.0	(1.0)	4.0	4.0	0.0	2.0
Education QA	8.8	0.0	0.0	8.8	9.8	1.0	9.8	1.0	9.8	9.8	0.0	7.5
Scotland	1.0	0.0	0.0	1.0	1.0	0.0	1.0	0.0	1.0	1.0	0.0	1.0
Total Strategy	32.3	2.0	0.0	34.3	38.0	3.7	38.8	4.5	38.4	38.8	0.4	34.5
HEADCOUNT CHARGED TO OPERATING SPEND	315.7	28.6	12.0	356.3	364.2	7.9	372.3	16.0	362.3	372.3	10.0	371.6