

To note

Report of the Resources Committee 2009/10

Issue

1. This paper summarises the work undertaken by the Resources Committee since March 2009.

Recommendation

2. To note the work of the Resources Committee since March 2009 (paragraphs 7 - 85).

Further information

3. If you require further information about this paper, please contact us by email: gmc@gmc-uk.org or tel. 0161 9236602.

Background

4. The purpose of the Resources Committee is to guide Council on the appropriate Human Resources, Information Systems, property and financial strategies such that the GMC can fulfil its statutory functions and remain at all times in sound financial and operational health.
5. The duties of the Committee are to:
 - a. Ensure that the Council is adequately resourced to achieve its aims.
 - b. Secure effective control of expenditure by scrutinising and authorising annual budgets.
 - c. Determine our reserves policy.
 - d. Determine the financial regulations which set standards for, and provide guidance on, the administration of our financial affairs.
 - e. Make recommendations on fees for entry to, retention on and restoration to the Medical register; and to determine other fees and charges as delegated by Council.
 - f. Consider the audited accounts and report on them to Council.
 - g. Oversee our banking and investment arrangements and keep investment policy under review.
 - h. Determine policy on the remuneration, benefits and terms of service of GMC staff, other than in relation to the Chief Executive, deputy Chief Executive and Directors.
 - i. Determine the expenses policy for Council members, GMC staff, GMC Associates and others appointed to assist with specific functions.
 - j. Determine the contractual arrangements for and the fees payable to GMC Associates.
 - k. Formulate an accommodation strategy and oversee the management of GMC premises.
 - l. Exercise any of the rights, powers, duties and discretion of the GMC under any staff pension scheme.
 - m. Approve and oversee the implementation of Human Resources, Information Systems and property strategies.

6. In 2009 – 2010, the principal matters the Committee addressed were:
- a. Trustees' Annual Report and Accounts to Year Ending 31 December 2008 and 2009.
 - b. Business Plan and Budget 2010.
 - c. PMET Budget 2010.
 - d. Future Fees Framework.
 - e. Resources required to deal with caseloads in Fitness To Practise.
 - f. Information Systems Governance.
 - g. Pay Strategy.
 - h. GMC Pension Scheme.
 - i. Staff, Associate and Member expenses.
 - j. Manchester office relocation to 3 Hardman Street.
 - k. Relocation of the Clinical Assessment Centre.
 - l. Transition of the Adjudication Function from the GMC to OHPA.
 - m. Cost saving activities.

Discussion

Trustees' Annual Report and Accounts to Years Ending 31 December 2008 and 2009

7. During the period covered by this paper the Committee approved the Trustees Annual Report and Accounts for both 2008 and 2009.
8. The 2008 Report and Accounts were considered on 21 April 2009. The Committee noted that income totalled £71.2 million and expenditure totalled £75.1 million. This showed an actual deficit of £3.7 million against a planned deficit of £5.6 million on our charitable activities.
9. The Committee noted that the general reserves were £17.6 million and the unrestricted reserves were £13.0 million, a figure which is within the range set by the Resources Committee. The Committee noted that cash and short term deposits totalled £50 million as at 31 December 2008.
10. The Committee endorsed the draft text for the Trustees' Annual Report and Accounts for 2008, the draft accounts for 2008 and the draft Letter of Representation.

11. The Committee noted the draft Management Letter from haysmacintyre, which would be reviewed by the Audit and Risk Committee. The Committee noted that the Management Letter did not raise any concerns.

12. On 20 April 2010, the Committee considered the draft Trustees' Annual Report and Accounts for the year ended 31 December 2009. The Committee noted that income was £89.2 million, expenditure was £80.6 million and that unrestricted reserves had increased to £20.7 million.

13. The Reserves Policy is reviewed on an annual basis and in 2009 the target reserve levels were changed from £10 - £15 million to £15 - £20 million. Given the difficult political and economic climate predicted in 2011/2012, the Committee noted that it may need to consider further increasing the level of reserves.

14. The Committee approved the draft accounts for 2009 and draft Letter of Representation. They noted the draft Management Letter from haysmacintyre, which would be considered by the Audit and Risk Committee on 6 May 2010. The Committee noted that the Management Letter did not raise any concerns. The Committee endorsed the draft text for the Trustees' Annual Report and Accounts for 2009, subject to several minor amendments.

Business Plan and Budget 2010

15. The Committee agreed that we should continue our programme of ongoing improvements in economy, efficiency and effectiveness in 2010, aiming to achieve improvements of 3% compared to 2009. The Committee agreed to develop a balanced budget for 2010.

16. If required to alter our unrestricted reserve levels, we may implement a short term strategy of running a surplus or a deficit budget.

17. The Committee considered a paper on the Business Plan and Budget 2010 at its meeting on 26 November 2009 and noted that the GMC's expenditure was aligned with its strategic aims and that the Business Plan had been framed by the development of the Corporate Strategy.

18. The Committee considered the draft budget for 2010 and noted the approach taken to constrain operational activities. The Committee approved the 2010 revenue expenditure budget of £85.3 million.

19. The Committee also discussed the options for maintaining the Annual Retention Fee (ARF) at £410 or increasing it to £420. The Committee agreed that increasing the ARF to £420, effective from 1 April 2010, would provide a margin of safety to absorb any loss of income arising from doctors choosing to relinquish their licences to practise.

20. The Committee approved the 2010 income budget of £85.3 million based on an ARF of £420.

21. The Committee also approved the 2010 capital programme of £4 million.

22. The Committee agreed to recommend to Council fee levels, effective from 1 April 2010, of: £420 for full registration; £145 for provisional registration; and £145 for registration without a licence.

23. The Committee agreed to recommend to Council that the threshold for eligibility for the lower income discount be increased to £22,190, effective from 1 April 2010.

24. The Committee also approved a 2010 revenue expenditure budget of £6.1 million for PMETB activities. This was based on nine months of PMETB's 2009 operating budget, less £0.5 million of savings expected to arise as a direct and immediate result of the merger, as set out in the Full Business Case approved by the Departments of Health.

PMET Budget 2010

25. The Committee considered the 2010 budget for PMET activities following the merger of PMETB with the GMC.

26. The Committee noted that, following analysis of the draft budget of £6.1 million, savings of £1.2 million could be achieved by stripping out discretionary expenditure and removing those costs incurred by PMETB in 2009 that we do not expect to incur in 2010. These savings are in addition to the £0.5 million of efficiency savings identified in the Full Business Case. The Committee approved a 2010 revenue expenditure budget of £4.9 million, funded by fee income of £4.2 million and DH gap funding of £0.7 million.

27. The Committee agreed to hold £0.5 million as a central contingency funded from reserves, to be allocated to directorates as necessary, subject to Resources Committee approval. The Committee noted that any additional costs to support either the work of the three Boards or the Education stakeholder conference would need to be allocated from within the contingency fund.

28. The Committee noted that the budget does not include any efficiency savings relating to staff numbers and reflects the transfer of the full complement of PMETB staff.

29. The Committee noted that, consistent with the funding agreement with the Department of Health (England), the GMC has been reimbursed for the merger costs incurred and accrued to 31 March 2010.

30. Our understanding to date has been that the GMC would need formally to approve the PMETB Annual Report and Accounts and the Letter of Representation. The arrangements for doing this were considered by the Audit and Risk Committee on 25 February 2010 and Council on 31 March 2010.

31. Recent discussions between the Department of Health and the National Audit Office have indicated that the Annual Report and Accounts and the Letter of Representation should be signed by an Accounting Officer. As the GMC is outside the Accounting Officer framework, DH has advised us that the most appropriate course of action is for both documents to be signed by a DH Accounting Officer.

Future Fees Framework

32. The Committee noted that the assimilation of PMETB into the GMC would lead to changes in working practices and economies of scale and that further work was needed to identify the future costs of what are now PMETB's operations.

33. The Committee reaffirmed the validity of the principle that the GMC recovers the cost of regulation from those whom it regulates. The Committee noted the inherent differences between the current GMC fee framework, where all contribute equally to the cost of regulation, and the PMETB model, where costs are recouped through fees charged for the award of certificates.

34. The Committee concluded that in the short term it would be prudent to leave the current PMETB fee structure unchanged while a new fees framework is developed. The Committee agreed to fix the 2010-2011 fees for CCT, CESR and CEGPR at the existing 2009-2010 levels, reflecting the economies of scale anticipated as a result of merger.

35. The Committee discussed the following options for a future fees framework:

- a. Maintain the current framework.
- b. A fees framework based on the Annual Retention Fee.
- c. A risk based framework.
- d. An income based system.
- e. A registration status based system.

36. The Committee noted the difficulties with each proposed system: options (a) and (b) were perceived as being not entirely equitable; options (c) and (d) would be highly complex to administer and would result in an increase in income volatility leading to the need to hold increased reserves; option (e) was perceived to be a logical extension of the current framework but would require change to legislation.

37. The Committee determined that the risk based and the income based systems should not be taken any further forward. The Committee agreed that the remaining options had merit and should be explored further. The Committee noted that, based on preliminary discussions, the registration status system appeared to be the preferred option as it was simpler, more transparent and more equitable than the other options.

38. The Committee agreed that the implementation of a new fees framework should not take place before 2011. The Committee noted that the implementation date would be dependent upon the possible need for changes to primary legislation. The Committee endorsed the development of an engagement plan and consultation document to work with key interest groups on the future fees framework.

39. At its latest meeting on 20 April 2010, the Committee noted that, given the uncertainties surrounding the establishment of OHPA, possible changes in the regulatory structure for postgraduate medical education and training arising from the Patel Review and the introduction of revalidation, it would be sensible to defer changes to the fees framework until a greater degree of stability had been achieved.

40. The Committee endorsed the view that in the interim the fees charged for certification should continue to be frozen and if possible reduced.

Resources required to deal with caseloads in Fitness to Practise

41. At its meeting on 11 March 2009 the Committee noted that there has been an increase in the numbers of 'stream 1' cases at the investigation stage and a corresponding increase in cases referred for a hearing before a fitness to practise panel.

42. The Committee considered the budget assumptions at the investigation and adjudication stages. The Committee noted that an increase in costs of approximately £3 million per annum would arise if the significant increase in the rate of referral, which occurred during the second half of 2008, were to continue during 2009. The Committee acknowledged that such an increase would also impact on the service targets.

43. At its next meeting, the Committee noted that the increased hearing capacity would meet the higher number of referrals, which over the six months to April 2009 averaged 31 per month. The Committee discussed the costs associated with the proposed increase in the hearing capacity and agreed that, in view of the importance of the timely hearing of the fitness to practise cases, which is one of the fundamental functions of the GMC as the regulator, the costs ought to be met.

44. The Committee agreed that hearing capacity be increased, on a temporary and reversible basis, in the final quarter of 2009, to allow for the running of 16 concurrent hearing rooms (11 in Manchester and 5 in London) at a cost of around £978K. The Committee noted that the Fitness to Practise Reference Group will keep the issue under review.

45. On 20 April 2010 the Committee noted that there were 189 'stream 1' referrals in March 2010, which represented a significant increase. Although not all of the cases will convert to hearings, each case will require thorough investigation.

46. The Committee agreed up to an additional £1.5 million expenditure within the Adjudication budget during 2010 to enable higher hearing room utilisation rates during the second half of 2010 and additional hearing capacity in November and December 2010.

47. The Committee noted that the approval of the increase in funding will lead to an increase in the use of panellists and it may therefore become necessary to increase the pool of panellists. PMETB Partners may be invited to become panellists, subject to proper training and assessment.

48. The Committee noted that a radical review of the fitness to practise procedures is required, and noted the formation of an 'expert group' to examine the underlying cause of the increase in the average hearing length, which would report to the Fitness to Practise Reference Group.

Information Systems Governance

49. The Committee noted the background to the current Information Systems strategy and the major developments since the implementation of the strategy in December 2004.

50. The Committee noted that the current IS strategy would be completed by the end of 2009 with the implementation of SAP Phase 3 and discussed the IS strategy that needs to be in place from 2010 onwards.

51. The Committee endorsed the development of a new IS strategy during the first half of 2010.

52. The Committee noted that existing business commitments that require significant IS support in 2010 and 2011 and the key requirements. The Committee endorsed the key requirements of the proposed IS work programme for 2010.

53. The Committee agreed to create a Steering Group to help define the IS strategy and guide the related work programme. Committee members were invited to show their interest in joining the group, and the ISSG was formed. Its members are Professor Rajan Madhok (Chair), Dr Sam Everington and Dr Hamish Wilson. The ISSG's first meeting was held on 16 February 2010, the minutes of which were considered by the Resources Committee on 20 April 2010.

Pay Strategy

54. The Committee agreed that the current pay structure should be reviewed in response both to the need to constrain costs and the need to respond to feedback from the staff survey on pay and progression.

55. The Committee noted that the GMC's current pay system links the annual pay award to the average earnings index. Consequently, the pay bands stay in line with the wider economy.

56. In considering the 2010 Pay Award, the Committee agreed to retain the existing entry points of each section of the pay bands for 2010-11.

57. The Committee noted that the GMC's annual pay award was based on the previous November Average Earnings Index. The Committee was advised that the November 2009 figure was 1.6%. The Committee agreed the annual pay award in line with the Average Earnings Index for November 2009, with additional progression of up to 2% for staff in the entry zone.

58. The Committee agreed to the application of the 2010 pay award to PMETB staff who accept GMC contracts from 1 April 2010.

59. The Committee agreed additional progression of up to 0.5% and a fixed bonus of £1,000 for staff in the entry and performance zones who exceed expectations, with staff in the advanced zone who exceed expectations receiving a fixed bonus of £1,500 with no additional progression.

60. The Committee agreed to introduce an annual leave entitlement of up to 30 days based on service, to bring GMC employees' entitlement in line with that of transferred PMETB staff.

GMC Pension Scheme

61. At its latest meeting on 20 April 2010 the Committee received an update on the 2009 pension scheme valuation. The Committee noted the initial actuarial assumptions used by Trustees, received the preliminary results of the valuation, and agreed that the Director of Registration and Resources should research possible changes to pension arrangements which the Committee may wish to consider in response to the final valuation.

Staff, Associate and Member expenses

62. The Committee agreed that the GMC's travel management arrangements should be reviewed in 2011, following the completion of the PMETB merger and the transition of the Adjudication function to OHPA, both of which would impact on our travel volumes.

63. The Committee considered changes to the existing policy on first class travel for staff and accepted the principle that first class travel could only be justified on business needs grounds.

64. The Committee agreed that management should explore ways of sharing the travel and hotel booking arrangements with other regulators in order to save on costs.

65. The Committee agreed to reduce the policy limit for overnight bed and breakfast accommodation in Manchester to £100.

66. The Committee agreed that management should undertake a further analysis of operational issues associated with allocating panellists to hearing centres closer to their home address, to save on travel costs.

67. The Committee agreed that the Expenses Policy should be amended to reflect that international air travel should be booked at economy class unless prior agreement is obtained.

Manchester office relocation to 3 Hardman Street

68. The initial long list of properties was selected by consultants Jones Lang LaSalle based on criteria specified by the GMC and ratified by the Resources Committee. The long list was reduced to a shortlist following evaluation against the criteria below. The selection process was agreed by the Resources Committee.

69. The final shortlist was evaluated against the following criteria from the developers' responses to a request for proposals issued to those shortlisted:

- a. Location.
- b. Building form and technical specification.
- c. Accessibility.
- d. Ease of space planning and efficiency.
- e. Best finishes and fit out.
- f. Financial proposal.

70. Of the selection criteria, location, building form, accessibility, ease of space planning and best fit out and finishes were evaluated by HKR architects, M&E consultants Troup Bywaters, and Jones Lang LaSalle. The technical, mechanical and electrical services were evaluated by Troup Bywaters and HKR, and the financial proposals by Jones Lang LaSalle.

71. The results of this evaluation process scored 3 Hardman Street highest in all but one category (location). The recommendation to select 3 Hardman Street was made to and agreed by the Resources Committee at its meeting on 11 March 2009.

Relocation of the Clinical Assessment Centre

72. The Committee discussed the reasons for relocating the CAC and the proposed three options: relocate the CAC to Manchester; relocate the CAC to alternative premises in London; and the closure of the CAC.

73. The Committee considered the detailed costs associated with each option. The Committee agreed to endorse, in principle, the relocation of the CAC to Manchester, subject to satisfactory completion of both the consultation process and lease negotiations. The Committee also agreed that the implications for staff should be taken into account and, where possible, any adverse impact resulting from the proposed changes should be minimised.

74. The Committee agreed that we should explore opportunities to develop mutually beneficial relationships with academic institutions in the North West to further exploit the CAC. The Committee noted the plan to communicate further with external groups who take a particular interest in the services provided by the CAC.

75. The Committee noted that around 10,000 square feet of additional space would be required in Manchester to accommodate the CAC, and that this requirement had been incorporated into lease negotiations on the new Manchester premises at 3 Hardman Street.

76. The Committee received a letter from Professor Kenneth Cochran, Chair of the Professional and Linguistic Assessments Board, setting out the arguments against the proposed move. The Committee noted that management had consulted with the staff that run the CAC and engaged with groups that represent international medical graduates. The Committee discussed the consultation feedback and, on balance, agreed that none of the issues raised would prevent a successful relocation of the CAC to Manchester.

77. The Committee endorsed the relocation of the CAC to Manchester, following the satisfactory completion of both the consultation process and lease negotiations.

Transfer of the adjudication function from the GMC to OHPA

78. At its meeting on 26 November 2009 the Committee considered a report on the arrangements that had been implemented in order to manage an effective transition to OHPA.

79. The Committee noted the progress made by the internal project team set up to achieve a smooth separation of the adjudication function and the objectives identified.

80. The Committee discussed the six live risks that had been identified in the risk log. The Committee also considered the progress of the OHPA Transition Project, progress on governance arrangements and current high-level issues and risks.

81. The Committee noted that management had held preliminary discussions with the OHPA team regarding the development of a Memorandum of Understanding in which the main issues, including funding for the establishment of OHPA, will be agreed.

82. The Committee noted that the mechanisms by which OHPA recovers its costs from regulators using its services had yet to be developed.

83. The Committee also noted that a full Communications Strategy had been drawn up for the GMC. The Strategy focused on communicating with staff, Associates and with key stakeholders to keep them informed of progress. The Committee also noted that the Chair of OHPA and members of the OHPA Board would be invited to meet staff in the Adjudication Section.

84. The Committee noted the formation of the OHPA Joint Co-ordination Group, which will consider oversight matters of interest to the Resources Committee. Three members of the JCG are also Resources Committee members: Dr Joan Martin, Dr Hamish Wilson and Mr Robin MacLeod.

Cost saving activities

85. In the financial year 2009 we declared a savings total of £1,083,599. The main cost saving activities which contributed to this total were:

- a. Smarter procurement of rail tickets – staff were encouraged to purchase ‘fixed’ advance tickets for at least one leg of their journey. This resulted in savings of £316K.
- b. £180K was saved through the improved utilisation and availability of hearing rooms by delivering extra facilities ahead of plan.
- c. We conducted rent negotiations at the St James’s Buildings in Manchester and subsequently achieved savings of approximately £108K.

Recommendation: To note the work of the Resources Committee since March 2009.

Resource implications

86. None arise from this paper.

Equality

87. There are no equality issues arising directly from this paper.