
4b

To consider

2010 Budget and Business Plan

Issue

1. The 2010 Business Plan, Budget and fee levels.

Recommendations

2.
 - a. To endorse the 2010 Business Plan (paragraphs 13-17 and Annex A).
 - b. To endorse the Resources Committee's decision to approve the 2010 budget based on revenue expenditure budget of £85.3 million matched by income of £85.3 million (paragraphs 18-53 and Annex B).
 - c. To endorse the Resources Committee's decision to approve the 2010 capital programme of £4.0 million (paragraphs 54-57 and Annex C).
 - d. To make the revised General Medical Council Registration Fees Regulations, to reflect new fee levels from 1 April 2010 of: £145 for provisional registration; £420 for full registration; and £420 annual retention fee for registration with a licence to practise (paragraph 61 and Annex E).
 - e. To approve an increase in the threshold for eligibility for the lower income discount, to £22,190, effective from 1 April 2010 (paragraph 62).
 - f. To endorse the Resources Committee's decision to approve a 2010 revenue expenditure budget of £6.1 million for PMETB activities, to be fully funded by certification fee income, DH gap funding and operational efficiency savings (paragraphs 63-66).

Further information

3. If you require further information about this paper, please contact us by email: gmc@gmc-uk.org or tel. 0161 923 6602

Background

4. The 2010 Business Plan has been developed in conjunction with the 2010 Budget. Directors have ensured that the key activities in the Business Plan have been costed and included in the 2010 Budget.

Review of 2009 forecast outturn

5. The approved 2009 Budget was based on expenditure of £83.3 million, offset by income of £83.3 million.

6. Financial performance has been monitored on a monthly basis throughout the year, and regularly reported to Resources Committee and Council. The latest forecast for 2009 is at Annex B and shows that, overall, there is likely to be a surplus of around £7.1 million prior to any year-end adjustments that may be necessary for exceptional items. The main reasons for the surplus are:

a. Income is likely to exceed budget by around £3.7 million. This includes £4 million of income that was not included in the original budget, from doctors who were previously age exempt. In addition, the actual numbers of doctors joining and leaving the register each year will inevitably differ from our budget assumptions, and we expect this to generate net additional income of £0.3 million in 2009. PLAB income is likely to be around £0.5 million above budget, due to the volume of tests being higher than expected. However, income from treasury management will be around £1.1 million below budget, due to the fall in interest rates since the 2009 budget was set.

b. Direct staffing costs are likely to be £0.4 million below budget reflecting vacancies during the year. Indirect staffing costs will be around £0.5 million below budget as a result of reductions in travel costs, lower staff relocation costs than expected, and savings in training costs.

c. Office costs are likely to be around £0.3 million below budget, reflecting lower costs than expected on printing and advertising, photocopying, IT support contracts and the hire of external venues.

d. Accommodation costs are forecast to be £0.1 million over budget as a result of a backdated electricity meter charge at St James's Buildings.

e. Legal costs are expected to be around £0.6 million under budget, mainly as a result of lower levels of CHRE costs and opponent's costs relating to appeals. Legal expenses relating to general legal advice are also expected to be below budget.

f. Professional fees are expected to be £0.7 million under budget. The number of projects requiring consultancy advice was lower than expected, and fewer projects than expected were commissioned by the Research and Development Board. However, consultancy advice on revalidation work and fees for pension fund investment advice were higher than expected.

g. Council and members costs are expected to be around £0.2 million below budget reflecting a lower number of ad hoc meetings and working groups than budgeted, and Council members not requiring IT training to the level anticipated.

h. Panel and assessment costs are likely to be below budget by £0.3 million. Costs in Fitness to Practise are higher than originally budgeted, reflecting the increase in hearing room capacity authorised by the Committee during the year. However, panel and assessment costs in other directorates, principally relating to medical visits, PLAB examiners fees and expenses and training costs, are lower than expected.

i. Bank charges are £50K below budget, following a renegotiation of transaction charges.

j. Depreciation charges are £0.5 million below budget, as a result of capital projects being completed later in the year than expected.

7. Taking these factors into account, together with any year-end adjustments for exceptional items, we expect GMC reserves to be around £19 million by the end of 2009. This is consistent with our policy of maintaining reserves within the range £15 million to £20 million.

Corporate Strategy 2010- 2013

8. The Corporate Strategy running from January 2010 to December 2013 sets out our high level strategic aims. The Business Plan has been framed by the development of the Corporate Strategy and sets out our programme of work towards these aims in 2010.

9. Members have agreed that the Corporate Strategy over the next four years should comprise four developmental themes through which the GMC can demonstrate the link between medical regulation and the quality agenda. These are:

a. *Protecting the public.* Providing assurance to the public by giving people more confidence that doctors are fit to practise, providing them with greater access to information about their doctor's practise, and an understanding of the role of the regulator.

b. *Helping doctors.* Providing doctors with first class guidance at all stages of their medical careers, thereby enhancing their professionalism for the benefit of patients.

c. *Working with partners.* Working in partnership with key interest groups across the UK, Europe, and internationally, particularly the NHS and other healthcare providers, to develop appropriate, more effective relationships that will enhance patient safety.

d. *Delivering value for money.* Using our resources more efficiently and effectively and ensuring the organisation is well governed, with a clear purpose and evidence-based policies that demonstrate 'better regulation' principles.

10. The strategic framework has been populated with eight strategic aims that underpin and give effect to the four strategic themes. These are:

a. To continue to register only those doctors that are properly qualified and fit to practise and to increase the utility of the medical register.

b. To give all our key interest groups confidence that doctors are fit to practise.

c. To provide an integrated approach to the regulation of medical education and training through all stages of a doctor's career.

d. To provide doctors with relevant up-to-date guidance on professional standards and ethics.

e. To develop more effective relationships with delivery partners in order to achieve an integrated approach to medical regulation in the UK.

f. To help shape the local, UK, European and international regulatory environment through effective engagement with decision-makers, other regulators and key interest groups.

g. To continue to use our resources efficiently and effectively.

h. To deliver evidence-based policies that demonstrate 'better regulation' principles, and promote and support equality and diversity.

Context for the 2010 Budget

11. On 24 September 2009, the Resources Committee agreed a range of planning assumptions and constraints for the 2010 expenditure budget:

a. That unrestricted reserves be maintained within the range of £15 million to £20 million.

b. That the 2010 budget must support the Council's strategic objectives, both operational and developmental.

c. 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.

d. That provision be made in the 2010 budget for nine months of PMETB's operating costs less the savings identified to date.

e. That a balanced budget be developed for 2010.

12. These assumptions and constraints were endorsed at the Council seminar on 22 October 2009.

Discussion

Draft Business Plan 2010

13. Each annual business plan will be organised around the strategic aims in the Corporate Strategy. This will ensure that there continues to be a clear link between the high-level outcomes we are seeking to achieve through the Corporate Strategy. It will also support us to more clearly demonstrate measures of our shorter-term achievements with their impact on our longer-term outcomes.

14. The 2010 Business Plan, at Annex A, outlines the key activities and work programmes we will deliver in 2010 that will give effect to year one of the Corporate Strategy. We are in the process of finalising our internally-focussed operational plans for each of our directorates that sit beneath the Business Plan. These plans set out a further level of granularity, and provide more detail on the activities and timescales for the work programmes we are committed to delivering in 2010. We will share these plans with members early in 2010 and discuss the appropriate plans at each of the Reference Groups meetings.

15. Council has identified the need to move beyond measures of operational outputs, to focus on the outcomes and impact of our work as they relate to our statutory purpose - to protect, promote and maintain the health and safety of the public by ensuring proper standards in the practice of medicine. The 2010 Business Plan therefore includes outcomes for monitoring and evaluating progress. We will report on various measures we are using to monitor progress against these outcomes on a quarterly basis to Council.

16. We will continue to monitor and report on progress in achieving our objectives at each Council meeting through the review of Business Plan objectives in the Chief Executive's report. By using complementary methods of assessing progress against the Business Plan we can have confidence that we are achieving the higher-level, cross-functional outcomes outlined in the corporate strategy.

17. The costs outlined in the budget are fully reflective of the activities described in the eight strategic aims.

Recommendation: To endorse the 2010 Business Plan.

Revenue Budget 2010

18. The revenue budget for 2010 is based on expenditure and income of £85.3 million. This represents an increase of £2.0 million (2%) over the 2009 budget, or £5.4 million (7%) over the 2009 forecast outturn. Details of the changes are at Annex B.

19. For 2010 our approach has been to seek to constrain the costs of our operational activities in order to release resources to support policy development and the delivery of the Council's Corporate Strategy. In particular, we have applied downward pressure on budget submissions as follows:

Fitness to Practise

20. Fitness to Practise costs will increase by £2.2 million (5%) in 2010, compared to the 2009 forecast. Caseload has increased significantly and it is inevitable that costs will also increase if we are to maintain current performance standards, despite the range of efficiency measures that we have put in place.

21. On 24 September 2009 the Committee considered the resources required to deal with increasing caseloads in Fitness to Practise. The original 2009 Budget allowed for 11 hearing rooms in the first half of the year, increasing to 13 hearing rooms in the second half of 2009. This provided the capacity to deal with an ongoing referral rate of 24 cases per month. In April 2009, the referral rate had increased to around 31 cases per month and the Committee agreed to increase the total number of hearing rooms to 16 in the final quarter of 2009, at an additional cost of £978K. The drivers for the increased referral rate appear to be a rise in the number of more serious (stream 1) cases brought to our attention by 'persons acting in a public capacity', mainly NHS bodies. We currently assess an average of 130 cases per month as stream 1, compared to 109 cases per month in 2008.

22. We expect the current referral rate of 30+ per month to continue throughout 2010, which will require us to maintain hearing room capacity at 16. The 2010 budget includes an additional £2.8 million to run four additional adjudication hearing rooms. We estimate that the costs of running hearing rooms would have been at least £2 million higher than this without the effect of efficiency initiatives introduced over the past few years, including changes to the numbers of panellists sitting on hearings, and the extension of the trigger point for transcription write-outs.

23. Staffing costs in 2010 will increase by £1.2 million compared to the 2009 forecast. More than half of this increase relates to additional staffing needed in Adjudication to handle the move to running 16 concurrent hearings. The second significant driver for the increase in staffing costs is the appointment of additional lawyers for our In-House Legal Team. Almost all of the additional staff are now in place and the team is now geared up to handle around 90% of fitness to practise cases in-house in 2010 compared to 50% of cases handled in-house in 2007.

24. This transfer of work to the IHLT drives a £2.4 million reduction in legal costs in 2010 compared to the 2009 forecast, which will be achieved by allocating more work to the in-house legal team rather than to external legal providers.

Depreciation

25. Depreciation costs will increase by £1.6 million compared to the 2009 forecast, reflecting the final stage of our successful programme of capital investment to provide comprehensive, robust IT systems and accommodate our staff in modern, fit for purpose, flexible office space.

Strategy & Planning

26. The Strategy & Planning costs in 2010 have been reduced compared to the 2009 budget, reflecting the significant underspending forecast in 2009. We have reviewed individual team budgets (planning, research, equality and diversity, governance, OCCE and European and international development) and are confident that reductions can be made without impacting on service delivery.

27. The Strategy & Planning Unit plays a key role in developing the Council's strategic aims. We have provided additional funding in 2010 to support the development of our equality and diversity strategy, the governance review, and additional travel costs, external venue hire and Council and member costs.

28. Following the change of internal audit provider, costs in 2010 will increase reflecting the full year cost in 2010 compared to six months cost in 2009.

Education & Revalidation

29. Education and Revalidation costs in 2010 will increase by £0.4 million compared to the 2009 forecast, as we work toward the introduction of revalidation. Staffing costs are forecast to be below budget in 2009, reflecting a number of vacancies during the year. These posts will be filled in 2010, and we will also recruit three additional staff to increase our capacity to develop revalidation. As a result, direct staffing costs in 2010 will increase by £0.3 million compared to the 2009 forecast, but we anticipate spending less on consultancy advice.

30. The 2010 budget for panel and assessment costs has increased in line with our planned activity levels on quality assurance visits.

Communications

31. Communications costs in 2010 will increase by £0.3 million compared to the 2009 forecast. This will support the delivery of the Council's strategic aims through increased engagement with our key interests.

32. In 2010 we will support a significant increase in engagement activities including consultations on revalidation, standards and developing the medical register, as well as a higher level of more general engagement with doctors and medical students. This is reflected in increased numbers of events, external venue hire, marketing and publicity, postage and distribution costs.

33. We are facing increased distribution costs for GMC today and other publications mainly due to increased postal charges. We have already made savings in our design costs and will seek further savings in the procurement of printing and distribution services.

34. We also plan to develop further our web based services building on the success of GMP in Action and the new website.

Accommodation

35. Accommodation costs in 2010 will increase by £0.3 million compared to the 2009 forecast. This reflects the costs of running dual accommodation in Manchester for the first quarter of 2010, as an interim arrangement whilst we transfer staff from St James's Buildings to Hardman Street. For the remainder of the year we will incur additional costs running two sites in Manchester prior to the transfer of the adjudication function to OHPA. This is a direct result of the diseconomies of scale which arise from the creation of OHPA.

36. Costs will also increase in 2010 as a result of the rent review of the London office.

Registration

37. Registration costs in 2010 will increase by £0.2 million compared to the 2009 forecast.

38. The bulk of the Registration budget (80%) relates to the operational teams, processing 21,000 applications for registration, responding to 81,000 written communications, answering 225,000 telephone calls and managing 10,000 visitors to the London and Manchester offices. The costs of the operational teams will increase by £0.1 million in 2010, driven by an increase in activities associated with licensing applications and applications for registration.

39. The remainder of the Registration budget relates to policy development and projects. Costs will increase by £0.1 million in 2010 to cover work on developing the Register, data collection for the Scope of Practice pilot, telemedicine, and introducing the Annual Return.

Resources

40. Resources costs in 2010 will be unchanged from the 2009 forecast.

41. Direct staffing costs will increase to reflect IT staff whose costs were capitalised in 2009 but will be charged direct to revenue in 2010. This is offset by reductions in indirect staffing costs due to reductions in travel costs and savings on training costs.

Clinical Assessment Centre

42. The Clinical Assessment Centre budget is in line with the 2009 forecast. We have been able to contain costs following the relocation from London to Manchester.

Economy, efficiency and effectiveness

43. In arriving at the revenue expenditure budget of £85.3 million, each budget head has been scrutinised and significant reductions have been made by stripping out discretionary expenditure and identifying opportunities for business efficiencies and improved effectiveness.

44. Our approach to date has been to pursue a wide range of measures across all our activities, designed to improve our overall economy, efficiency and effectiveness. We estimate the benefit to the organisation of these initiatives to be in the range of £30 million to £40 million between 2003 and 2009, as set out in Annex D.

45. At the meeting on 24 September 2009, the Resources Committee recognised that a balance has to be struck between driving improvement, maintaining day to day operational performance, and policy development. With this in mind, 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 the 2009 outturn. Moving forward, we will undertake further work during 2010 to identify opportunities for annualised savings in the range 3% to 5% from 2011 onwards. We believe that this is achievable without compromising the delivery of our operational targets and strategic aims.

Income

46. We need to generate income of £85.3 million to achieve a balanced budget in 2010.

47. In 2009 the ending of the age exemption generated additional income of around £4 million. However, the introduction of licensing introduces a greater degree of volatility to our income projections. We know that 13,500 doctors have opted for registration without a licence, with 211,500 doctors currently holding registration with a licence. However, we cannot predict what changes may occur in 2010 and beyond. There seems little likelihood that, in future, significant numbers of doctors without a licence will move to registration with a licence; it is more likely that some licensed doctors will relinquish their licence particularly as the implications of revalidation become clearer. It may therefore be prudent to factor this into the 2010 budget. Based on the assumption that around 200,000 doctors will hold registration with a licence in 2010, the ARF would need to increase from £410 to £420 (2.4%).

48. An alternative option would be to maintain the ARF at £410, and work on the assumption that the numbers of doctors holding registration with a licence will remain constant throughout 2010. However, there are clearly risks associated with this approach.

49. In making a decision about the ARF, it is important to take a medium term view because of the accounting treatment of deferred income. All doctors pay an annual retention fee on the anniversary of their registration date, which is different for each doctor. The Charity Commission's Statement of Recommended Practice for financial reporting requires income to be accounted for in the period to which it relates. This means, for example, that 5/12 of the fee payable by a doctor with a renewal date of 1 August 2010 will be accounted for in 2010 and 7/12 in 2011. The effect of this deferral of income is that any increase in the ARF will not yield the full year's increase in income until the second year of operation.

50. Put another way, to achieve a recovery from an unanticipated reduction in income requires either a disproportionate increase in the ARF or the acceptance that the recovery will take more than a year.

51. The impact on our total income of different ARF levels, changes in the numbers of doctors holding registration with a licence, and deferred income treatment are:

	Total income £m	
	2010	2011
ARF @ £410		
200,000 with licence / 25,000 without licence	84.6	84.6
210,000 with licence / 15,000 without licence	87.1	87.1
ARF @ £420		
200,000 with licence / 25,000 without licence	85.3	86.5
210,000 with licence / 15,000 without licence	87.8	89.1

52. This shows that it would be possible to maintain the ARF at £410 in 2010, provided that significant numbers of doctors do not relinquish their licence to practise during the year. Income will not increase in 2011 because the impact of deferred income would already be taken into account in 2009 and 2010.

53. Increasing the ARF to £420 provides a margin of safety to absorb any loss of income should doctors choose to relinquish their licence to practise. It would also generate additional income in 2011, which would potentially fund additional expenditure of £1 million to £3 million in 2011 without the need to for a further increase in the ARF. Consequently raising the ARF to £420 would appear to be the prudent option.

Recommendation: To endorse the Resources Committee's decision to approve the 2010 budget based on revenue expenditure of £85.3 million, matched by income of £85.3 million.

Capital Programme 2010

54. Each year the GMC incurs a mix of revenue expenditure on day to day operational business, and capital expenditure on major projects and assets that will generate benefits over a number of years. The standard accounting treatment is to spread capital costs over the lifetime of the asset, rather than accounting for the whole cost in the year of acquisition. This is achieved through an annual depreciation charge to the revenue account.

55. Annex C sets out details of the new capital projects that are planned for 2010. The total cost of these projects is £4.0 million, which will be depreciated over the next three to five years. The GMC's accounting policy is to spread the cost of IT projects over three years, and all other projects over five years.

56. The total amount of depreciation that will be charged against the 2010 revenue budget is £7.2 million which comprises £6.6 million relating to existing capital projects and £0.6 million relating to new projects in 2010. These costs have been incorporated in the total revenue budget of £85.3 million.

57. A full business case will be prepared for each capital project, and approved by Directors before any costs are incurred.

Recommendation: To endorse the Resources Committee's decision to approve the 2010 capital programme of £4.0 million.

Reserves

58. The Resources Committee has previously determined that unrestricted reserves should be maintained within the range £15 million to £20 million, based on the risks faced by the organisation.

59. We will face a number of uncertainties, specifically: the impact of the licence to practise on future income levels; the proposed merger with PMETB; the transfer of adjudication to OHPA; and the likely deficit on the pension fund. Given those uncertainties, it would be prudent to maintain reserves towards the higher end of the policy range.

60. We expect reserves to be around £19 million at the end of 2009, and the balanced budget proposed for 2010 will maintain this healthy financial position.

Other issues

61. For consistency, any increase in the ARF for registration with a licence should be mirrored by an equivalent increase in the initial registration fee and the fee for provisional registration. The fee for registration without a licence should also be reviewed on an annual basis, but given that the current fee was introduced on 16 November 2009, it is proposed to freeze this fee at its current level for a further year. Amended GMC Registration Fees Regulations are at Annex E.

	Current fee £	New fee from 1 April 2010 £
Provisional Registration	140	145
Initial Registration Fee	410	420
ARF: registration with a licence	410	420
ARF: registration without a licence	145	145

Recommendation: To make the revised General Medical Council Registration Fees Regulations, to reflect new fee levels from 1 April 2010 of: £145 for provisional registration; £420 for full registration; and £420 annual retention fee for registration with a licence to practise.

62. The Lower Income Discount was introduced in 2005, providing a 50% reduction in the ARF for those with total annual income less than the starting salary for a doctor in Foundation Year 1. The current threshold of £21,862 was set in April 2009, and is reviewed annually to maintain parity with the starting salary for a doctor in Foundation Year 1.

Recommendation: To approve an increase in the threshold for eligibility for the lower income discount, to £22,190, effective from 1 April 2010.

Integration of PMETB activities

63. On 24 September 2009, the Resources Committee agreed that provision be made in the 2010 budget for nine months of PMETB's operating costs less the savings identified to date.

64. Based on the 2009/10 PMETB budget, we expect additional operational costs of around £6.1 million to fall on the GMC over the period 1 April 2010 to 31 December 2010. This cost will be met from fee income for CCTs and CEGPR/CESRs, and gap funding from DH. On 8 July 2009, Council agreed interim arrangements to continue with the existing PMETB fees structure pending a full review of the overall fees framework. On 23 October 2009, DH confirmed their approval of the full business case to fund the merger of PMETB with the GMC. This included gap funding of £0.68 million per annum for three years.

65. We will identify efficiency savings, in line with the full business case, to ensure that PMETB activities are cost neutral in 2010 and so have no impact on the level of ARF.

66. Over the coming months, we will work with PMETB colleagues to disaggregate the total expenditure budget for 2010 and reallocate it to the relevant GMC budget heads, to ensure that financial responsibilities and management responsibilities are correctly aligned. A full report will be presented to the Resources Committee and Council in the new year showing the realignment of budgets.

Recommendation: To endorse the Resources Committee's decision to approve a 2010 revenue expenditure budget of £6.1 million for PMETB activities, to be fully funded by certification fee income, DH gap funding and operational efficiency savings.

Resource implications

67. These are fully set out in the report.

Equality

68. The fees framework is based on the general principle that all doctors should contribute equally to the costs of regulation, irrespective of the extent of their medical practice or the income they derive from it. On 18 September 2008, Council considered how best to develop the fees framework to reflect the introduction of licensing. Council determined that fees should reasonably relate to the respective costs of regulating the two groups - doctors who have registration with a licence and doctors who have registration without a licence.

69. There are two exceptions to the general principle of equal contribution: provisional registration and the lower income discount. The fee for provisional registration reflects the fact that practice is constrained to participation in Foundation Year 1, not the costs of regulating provisionally registered doctors. The lower income discount reflects the income of the registrant, not the cost of regulating those eligible for it. As the GMC is funded solely by its registrants, any discount or concession offered to one group of registrants must be offset by additional revenue from the remainder.

70. Any increase in the fees charged within the existing framework preserves the equity of the current arrangements and does not adversely affect any one group.