

Agenda item:	7
Report title:	Business Plan and Budget 2016
Report by:	Dan Donaghy , Assistant Director – Office of the Chair and Chief Executive, ddonaghy@gmc-uk.org , 020 7189 5266 Steve Downs , Assistant Director - Finance and Procurement SDowns@gmc-uk.org , 0161 923 6257
Considered by:	Council/Performance and Resources Board
Action:	To consider

Executive summary

An outline 2016 business plan and budget was considered by Council on 11 November 2015. The final plan details major planned projects for 2016 and a number of significant business as usual activities, along with an outline of the budget impact. The 2016 budget includes the financial impact of the Change Programme and an Annual Retention Fee increase of £5 in 2016 in line with inflation forecasts.

Further work is being carried out to assess the detailed implications of the Change Programme on individual directorate budgets and any budget reallocations, within the overall budget approved by Council, will be reported in the New Year.

Recommendations

Council is asked to:

- a** Approve the priorities identified for the 2016 work programme.
- b** Approve the budget implications of the work programme.
- c** Agree to delegate authority to the Chair of Council to make the revised GMC Registration Fees Regulations, as necessary, effective from 1 April 2016.

2016 Business Planning process

- 1 Our Corporate Strategy 2014-17 sets the context for our planning process. The Strategy defines the strategic aims and priorities we will deliver over a four-year period. The Business Plan defines our annual priorities.
- 2 An outline for the 2016 Business Plan and Budget was considered by Council at its closed session on 11 November 2015.

The strategic frame for business planning

- 3 We will continue to seek to deliver activities to realise the priorities set out in our Corporate Strategy:
 - a Make the best use of intelligence about doctors and the healthcare environment to ensure good standards and identify risks to patients.
 - b Help raise standards in medical education and practice.
 - c Improve the level of engagement and efficiency in the handling of complaints and concerns about patient safety.
 - d Work more closely with doctors, medical students and patients on the frontline of care.
 - e Work better together to improve our overall effectiveness, our responsiveness and the delivery of our regulator functions.
- 4 We have also used the priorities identified by Council to frame the 2016 Business Plan:

Council Priorities	
1	Develop the Register and deliver Data Strategy Phase 2
2	Revalidation review
3a	Speeding up fitness to practise procedures
3b	Supporting doctors, patients and relatives involved in fitness to practise investigations
4	Taking forward legislative reform/the legislative programme arising from the Law Commissions' report
5	Communications strategy and engagement
6	Fairness and proportionality
7	Respond to the Shape of Training review
8	UK Medical Licensing Assessment
9	Implementation of the Change Programme
10	Understanding the context in which doctors practise

2016 Projects

6 There are 102 projects planned for 2016. The major projects are:

Directorate	Projects
Education and Standards	UK Medical Licensing Assessment
	Implementation of Confidentiality
	Standards for Curricula and Assessment
Fitness to Practise	Preliminary Enquiries project – clinical concerns
	Section 60 implementation
	Vulnerable Doctors and Whistleblowing work streams
Medical Practitioners Tribunal Service	Legally Qualified Chairs
	Case Management
	Reviews on paper
Office of the Chair and Chief Executive	GMC Services
	Change Programme
	360 feedback IS system for Council Member Appraisals
Registration and Revalidation	Revalidation review Implement the Professional and Linguistics Assessment Board (PLAB) review recommendations
Resources and Quality Assurance	Staff training (in response to Horsfall Review and Hooper Report, including emotional resilience and whistleblowing training)
	Pay and benefits
	Website platform upgrade
Strategy and Communication	Data Strategy
	Digital Media Strategy
	Customer service Strategy
	Engagement Strategy
	Development of an Intelligence Model

2016 Business As Usual (BAU) Activity

7 A significant number of BAU activities have been identified for 2016. Some of the major areas include:

- Continue our work on Differential Attainment.
- Legislative programme arising from the Law Commission report/further legislative reform.

- Continued engagement to influence and mitigate the risks associated with European and UK legislation on the free movement of doctors
- Implementation and development of Education and Training Standards.
- Recruitment of the Chair of the Medical Practitioners Tribunal Service (MPTS) and new Council members.
- Implementation of continuous improvement recommendations for the Rule 12 process.
- Implementation of the Revalidation assessment and initial thinking on the review of Revalidation.
- Implementing and running as business as usual the changes arising from the Recognition of Professional Qualifications (RPQ) directive.
- Developing the Register.
- Enhancing relationship management (including Memorandums of Understanding and partnerships).
- Delivering and embedding the Customer Strategy.
- Implementation of the People Strategy.

2016 Growth Bids

- 8** There are a total of 13 Project Growth bids, which include Data Strategy (£140,000) and Section 60 Hearing Changes (£34,000)
- 9** There are a total of 29 BAU growth bids, which include Case Examiners to aid provisional enquiries (£353,000), Visits and Monitoring (£146,000) to meet increased demand for enhanced monitoring of education environments and recruitment of the Chair of the Medical Practitioners Tribunal Service (£40,000).

Change Programme – understanding the impact

- 10** The Change Programme is a separate item on this agenda (item 6). The budget set out here incorporates the financial impact of the Change Programme in 2016. Some costs will be charged direct to the revenue account, and some costs will be capitalised and depreciated in line with normal accounting conventions.

- 11** Further work is being carried out to assess the detailed impact of the change programme on individual directorate budgets, so some reallocation of budgets within the overall budget approved by Council may be necessary. We will report any budget movements to Council in the New Year.
- 12** In line with normal accounting conventions we will create a provision in the 2015 accounts for some of the Change Programme costs that will be incurred in 2016. We will calculate the value of the provision, which is likely to be around £1.8 million, at the end of the year so that it is as accurate as possible. This will reduce the level of reserves at the end of 2015, and we will then charge actual costs against that provision during 2016, so the overall cost of the Change Programme remains unchanged.

2016 Budget

Income, expenditure and capital summary, including estimated change impacts

	2015 Budget	2015 Forecast	2016 Budget	Net change from 2015 Forecast		Net change from 2015 Budget	
	£000	£000	£000	£000	%	£000	%
Revenue							
Income	99,640	98,980	106,145	7,165	7.2%	6,505	6.5%
Expenditure							
BAU	104,627	101,708	105,693	-3,985	-3.9%	-1,066	-1.0%
Change Programme	0	0	3,652	-3,652		-3,652	
	104,627	101,708	109,345	-7,637	-7.5%	-4,718	-4.5%
Surplus/(Deficit)	-4,987	-2,728	-3,200				
Capital							
BAU	7,735	6,919	6,000	919	13.3%	1,735	22.4%
Change Programme	0	0	2,210	-2,210		-2,210	
	7,735	6,919	8,210	-1,291	-18.7%	-475	-6.1%

Context for the 2016 Budget

- 13** Our financial health is, to a large extent, measured by our reserves. We hold reserves for the following reasons:
- a** Risks – to provide funds to deal with any risks that materialise, resulting in an unexpected increase in expenditure and/or a reduction in income.
 - b** Financial flexibility – to provide funds to respond to new initiatives, opportunities and challenges that may present themselves during the year.
 - c** Timing – to manage the time lag before any decisions to change fee levels take full effect.

- 14** Our aim is to maintain free reserves in line with the target range of £25 million to £45 million over the medium term. We forecast that our free reserves will be around £32.7 million at the end of 2015 (net of the provision for Change Programme costs).

2016 Income and Expenditure

- 15** We adopt a building block approach to budget-setting. The 2015 forecast outturn is used as the starting point for the 2016 budget, to reflect existing expenditure levels, and adjusted for the full year effect of 2015 business plan decisions, and known and unavoidable cost pressures in 2016. Bids for additional resources are scrutinised by the Performance and Resources Board, the Chief Operating Officer and Directors, before being incorporated in the draft budget which is then approved by the Chief Executive. Given the significant implications of the Change Programme, we have not applied the 3% efficiency reduction to directorate budgets as in previous years. We will, however continue to track efficiencies generated through a risk and opportunity schedule and our normal continuous improvement processes while using the Efficiency Sub-Group meetings to monitor progress.
- 16** The 2016 budget, excluding the impact of the Change Programme is £105.7 million (at [Annex A](#)). This represents an increase of £4 million compared to the 2015 forecast, and the main reasons for the increase are explained in the Annex. We estimate that the Change Programme will increase our 2016 revenue expenditure by £3.6 million, bringing the total revenue budget to £109.3 million.
- 17** The income budget for 2016 is £106.1 million (see [Annex A](#)). This reflects the fee changes approved by Council at its meeting on 30 September 2015. We have also included: an increase of £5 in the full registration fee and annual retention fee with a licence to practise, from £420 to £425; and an increase of £2 in the annual retention fee without a licence to practise, from £150 to £152. This represents an increase of 1.3% which is in line with inflation forecasts for 2016.
- 18** Responsibility for making fees regulations rests with Council. Fee changes come into effect on 1 April each year, to allow sufficient time for changes to be made to our billing and collection systems. Council is asked to delegate authority to the Chair of Council to make the revised GMC Registration Fees Regulations based on its decisions.
- 19** An ARF discount of 50% is available for doctors whose income is below a certain level. The threshold for eligibility for the income discount is currently £32,000, and we propose to retain this in 2016.
- 20** Our forecast of free reserves at the end of 2016, reflecting the impact of the 2016 budget and the Change Programme, is £29.3 million.

- 21** In September, Council approved the allocation of our in-year cash balances as: £20 million to working capital; £10 million to investment; and the balance to medium term deposits. The Change Programme requires one-off cash expenditure of around £7 million in 2016 over and above our normal operating expenditure. We propose to draw this from working capital during the year, and replenishing working capital by reducing the amount held in medium term deposits by the same amount as they reach maturity. Overall in 2016 we expect our cash balances, excluding working capital and investments, to range between a maximum of £55 million and a minimum of £25 million.

2016 Capital programme

- 22** Each year we incur a mix of revenue expenditure on day to day operational business, and capital expenditure on major IT and facilities projects/assets that will generate benefits over a number of years. The standard accounting treatment is to spread capital costs over the useful life 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.
- 23** A capital programme of £8.2 million in 2016 is at [Annex A](#): comprising a core programme of £6 million and £2.2 million relating to the implementation of the Change Programme. A full business case will be prepared for all major capital projects before any costs are incurred.

M7 - Annex A

2016 Budget – detailed financials

General
Medical
Council

Working with doctors Working for patients

2016 Revenue and Expenditure

2016 Business Plan and Budget									
	Budget	Forecast	Pre Change	Change	Total	Movement Budget 2015		Movement Budget 2015	
	2015	2015	Budget	Programme	Budget	vs Budget 2016		vs Budget 2016	
	£000	£000	2016	2016	2016	£000	%	£000	%
			£000	£000	£000				
Annual Retention Fee	89,400	89,363	94,787	0	94,787	5,387	6.0%	5,424	6.1%
Registration Income	4,264	3,569	3,817	0	3,817	(447)	(10%)	248	6.9%
PLAB Income	1,262	1,510	1,795	0	1,795	533	42.2%	285	18.9%
Certification Income	3,114	3,565	3,327	0	3,327	213	6.8%	(238)	(7%)
Investment Income	1,400	535	1,048	0	1,048	(352)	(25%)	513	95.9%
Other Income	200	438	1,371	0	1,371	1,171	585.5%	933	213.0%
Total Income	99,640	98,980	106,145	0	106,145	6,505	6.5%	7,165	7.2%
Direct Staffing Costs	55,054	52,961	56,036	1,828	57,864	2,810	5.1%	4,903	9.3%
Indirect Staffing Costs	3,466	3,352	3,585	1,286	4,871	1,405	40.5%	1,519	45.3%
Office Costs	6,630	5,896	6,042	200	6,242	(388)	(6%)	346	5.9%
Accommodation Costs	6,870	6,639	6,847	70	6,917	47	0.7%	278	4.2%
Legal Costs	5,776	5,391	5,141	0	5,141	(635)	(11%)	(250)	(5%)
Professional Fees	2,841	2,520	1,509	150	1,659	(1,182)	(42%)	(861)	(34%)
Council & Members Costs	405	416	503	0	503	98	24.2%	87	20.9%
Panel & Assessment Costs	17,283	16,267	16,296	0	16,296	(987)	(6%)	29	0.2%
Bank Charges	228	229	235	0	235	7	3.1%	6	2.6%
Depreciation	6,820	6,728	7,457	118	7,575	755	11.1%	847	12.6%
Consultancy	1,000	865	700	0	700	(300)	(30%)	(165)	(19%)
UKMLA	0	0	500	0	500	500		500	
GMC Services	0	0	320	0	320	320		320	
New Initiatives Fund	250	219	250	0	250	0		31	14.2%
PSA Levy	600	333	736	0	736	136		403	
Efficiency savings	(2,596)	(108)	(464)	0	(464)	2,132		(356)	
Total Expenditure	104,627	101,708	105,693	3,652	109,345	4,718	4.5%	7,637	7.5%
Surplus/Deficit	(4,987)	(2,728)	452	(3,652)	(3,200)				

2016 Capital programme

Business Plan and Budget 2016 - Capital Programme									
		Capital Expenditure		Depreciation charges					
		£	£	2016	2017	2018	2019	2020	2021
<i>IS Projects</i>									
	Business Projects	583,200		48,600	194,400	194,400	145,800		
	Infrastructure Projects	1,395,728		116,311	465,243	465,243	348,932		
	Enterprise Systems	2,886,354		240,530	962,118	962,118	721,589		
	New Digital Platform	310,000		25,833	103,333	103,333	77,500		
	Oracle System Management Software	190,000		15,833	63,333	63,333	47,500		
	Sub-total		5,365,282						
<i>Facilities Projects</i>			634,718	31,736	126,944	126,944	126,944	126,944	95,208
<i>Change Programme</i>									
	Accommodation Costs	1,971,000		98,550	394,200	394,200	394,200	394,200	295,650
	IS Costs	239,000		19,917	79,667	79,667	59,750		
	Sub-total		2,210,000						
Total new projects in 2016		8,210,000		597,309	2,389,238	2,389,238	1,922,214	521,144	390,858
Depreciation charges for existing capital projects				6,977,864					
Total depreciation				7,575,173					

2016 budget waterfall diagram

