

Estates Strategy programme: Council update

Purpose of paper	This paper provides an update to the Estates strategy programme financial business case presented to Council in January 2019 along with a programme progress overview.
Action	For noting.
Corporate Strategy 2016-19	Performance Objective 2 – To improve our management of resources so that we become a more efficient regulator.
Business Plan 2018	Estates Strategy.
Decision Trail	<p>A paper was submitted to the Council on 25 July 2019 for noting and provided a progress update for the GDC Estates strategy programme covering both Strands 1 and 2 along with the latest quarterly organisation chart.</p> <p>A paper was submitted to the Council on 3 October 2019 for noting and provided a progress update for the GDC Estates strategy programme covering both Strands 1 and 2.</p> <p>A paper was submitted to the Senior Leadership Team (SLT) on 5 November and the Finance and Performance Committee (FPC) on 20 November for noting and provided an update to the Estates strategy programme financial business case along with a programme progress overview.</p>
Next stage	This paper is for noting.
Recommendations	The Council is asked to note the contents of this paper.
Authorship of paper and further information	<p>Gurvinder Soomal – Executive Director, Registration and Corporate Resources</p> <p>GSoomal@gdc-uk.org</p> <p>020 7167 6333</p>
Appendices	Appendix 1: Estates strategy programme – organisation chart – December 2019

1. Executive Summary

- 1.1. This paper is for noting and provides an update to the Estates strategy programme financial business case presented to Council in January 2019 along with a programme progress overview.
- 1.2. As at 5 November 2019, the total estimated Estates programme net savings are over £50m (including VAT) over the 15-year period of the Estates strategy, an increase in estimated savings

of c.£1.5m vs January 2019. Major savings forecast from Strand 2 include: parallel running; termination costs; salary savings, decommissioning of our hearings venue and; recruitment agency spend.

Strand 1

- 1.3. Birmingham office – the final 12 months defects review was signed off on 7 November 2019.
- 1.4. The closure report for Strand 1 is currently being drafted including review of benefits realisation.

Strand 2

- 1.5. Wimpole Street refit –
 - the nine weeks refit started on 30 September as planned and is on target to complete on 29 November, with weekly on-site progress meetings held with the contractor.
 - Value for money – this is a key area of focus for the refit via: re-use of surplus furniture from a fellow regulator to furnish all five hearing suites; re-use of furniture, fixtures and fittings; re-use and relocation of surplus furniture and IT equipment from the refit to support the fit-out of 32 extra desks in our Birmingham office expansion space.
 - As the refit impacts on part of the area refurbished in 2014-15 an asset impairment exercise was conducted with less than 0.5% of the original work being disposed of.
- 1.6. Birmingham building update - the fit-out of the expansion area in the Birmingham office to provide an additional 32 desks was fitted out w/c 4 November as planned.
- 1.7. People Services - as at the end of October the majority of staff from Strand 2 have left the GDC, with the final c.16 staff due to leave between November 2019 and January 2020.
- 1.8. Latest quarterly organisation chart has been provided (Appendix 1) showing the current location of departments and status of their transition to Birmingham, where applicable, as at 31/12/2019.
- 1.9. Recruitment – to date we have filled 85% of posts for Strand 2, including staff relocating.

2. Financial update on Estates Strategy costs and savings in the financial business case

- 2.1. The financial update on the Estates Strategy costs and savings in the financial business case was presented to SLT on 5 November and FPC on 20 November.
- 2.2. As at 5 November 2019, the total estimated Estates programme net savings are over £50m (including VAT) over 15 years, an estimated increase in savings of c.£1.5m vs the figures presented to FPC/Council in January 2019.
- 2.3. The table below provides a summary of the major variations (in descending order) between the latest figures in November 2019 and those submitted to FPC/Council in January 2019.

Major variations between figures submitted in January 2019 and as at 5 November 2019

Description	Variance: cost/ (saving)	Fixed/ Assumed	Reason(s)
Strand 2 parallel running	(saving)	Assumed	Fewer affected posts. Birmingham staff recruited below market rate and early leavers in London.
Strand 2 termination costs	(saving)	Assumed	Fewer affected posts than forecast and average cost per employee lower.
Regional salary/ pension savings for Strand 2	(saving)	Assumed	Mainly due to 2 further posts relocating to Birmingham as agreed by EMT i.e. from 101 to 103 posts.

Decommissioning of hearings venue	(saving)	Fixed	No dilapidations; deposit returned in full.
Refit of Wimpole Street	(saving)	Fixed	Although the overall cost increased (as approved by Council), a high proportion has been capitalised over the 37-year term of the Wimpole Street lease i.e. outside of the 15-year Estates strategy period.
Strand 2 recruitment agencies	(saving)	Assumed	Effective use of other attraction channels has minimised the requirement for recruitment agencies.
Strand 1 parallel running	(saving)	Assumed	Birmingham staff recruited below market rate and early leavers in London.
Strand 2 relocation expenses	(saving)	Assumed	Fewer staff relocating - average cost per person is lower than provided for.
Laptops/workstations (Birmingham Strand 2)	(saving)	Assumed	Saving on IT kit-out for Colmore Square expansion area.
People Services staff assigned to the Estates programme	(saving)	Fixed	Two of the People Services staff have left before the end of their contract and will not need to be replaced.
Service Charge, Birmingham	cost	Assumed	Initial invoice received suggests an upward revision of future payments is required.

Financial risk and contingency

- 2.4. The assumptions noted in the table above illustrate there is residual financial risk attached to many of the costs and savings reported in the financial business case. For this reason, the programme contingency sum remains to mitigate the financial impact of unforeseen costs. A separate provision exists within the Wimpole Street refit costs, to offset contract variations.

3. Estates strategy programme progress overview – Strand 1

- 3.1. New building in Birmingham – the final 12 months defects review was held with the appointed contractor and signed off on 7 November 2019.
- 3.2. Strand 1 project closure report – this is currently being drafted for Strand 1 and will include the review of the lessons learned, financial assumptions and the benefits realised to date.

4. Estates strategy programme progress overview – Strand 2

Wimpole Street refit update

- 4.1. The nine weeks refit contract started on 30 September as planned and is on target to complete on 29 November, with weekly on-site progress meetings held with the contractor.
- 4.2. We are currently on target for completing the full refit works, including IT fit-out, by the end of December 2019 with the new hearings service to be operational in Wimpole Street as from the start of 2020. This aligns with the closure of the GDC's current external hearings venue at the end of December 2019 enabling the realisation of the planned savings.
- 4.3. Along with bringing the GDC's hearing service 'in-house' we will also be incorporating some of the key learnings from our new Birmingham office with the inclusion of informal and multi-purpose collaborative work spaces as well as video conferencing.
- 4.4. Value for money – a key area of focus for the refit is, wherever possible, to identify and capitalise on sustainability opportunities and operational efficiencies, examples of this are:

- Re-use of surplus furniture from a fellow regulator to furnish all five hearing suites and associated rooms, provided free of charge apart from costs for storage and delivery.
- Re-use of the doors and glazed partition screens within Wimpole Street.
- Re-use of the Wimpole Street staff room furniture and meeting room furniture.
- Re-use of IT equipment and TV screens including the IT fit-out of the new boardroom.
- Capitalising on the opportunity to re-use and relocate surplus furniture and IT equipment from the Wimpole Street refit to support the fit-out of 32 extra desks in our Birmingham office expansion space.

4.5. As the refit impacts on part of the area refurbished in 2014-15 an asset impairment exercise was conducted with less than 0.5% of the original work being disposed of. This is substantially less than the 2-2.5% materiality threshold for considering an impairment requiring us to charge back an element of the original cost. Therefore, no adjustment has been made.

Birmingham building update

4.6. The fit-out of the expansion area in the Birmingham office to provide an additional 32 desks was fitted out as planned during w/c 4 November using surplus furniture and equipment from the Wimpole Street refit.

People update

4.7. As at the end of October the majority of staff from Strand 2 have left the GDC, with the final c.16 staff due to leave between November 2019 and January 2020. All leavers have been given access to the GDC outplacement service with more than 70 staff accessing the complete delivery of outplacement services.

4.8. Recruitment – we have successfully filled 85% of Birmingham posts for Strand 2, including those who will be relocating, using the ‘tried and tested’ assessment centre model from Strand 1 and with minimal need for use of recruitment agencies. The focus is now on the recruitment of the outstanding posts along with those that have proved to be harder to recruit.

4.9. The latest quarterly organisation chart has been provided (refer to Appendix 1) showing the current location of departments and status of their transition to Birmingham, where applicable, as at 31/12/2019.

4.10. A communications timeline and dedicated intranet page for the Wimpole Street refit has been developed to keep all staff updated and engaged on a regular weekly basis of the key activities for during and post the refit and how they can get involved.

Operational Readiness update

4.11. Business continuity - with the ongoing support of staff, all team moves have been completed on time within very tight timelines and with minimal disruption to the business.

Assurance update

4.12. As part of the internal audit into the financial management controls operating within projects and programmes at GDC an internal audit was undertaken in November 2019 of the financial controls of the Estates strategy programme.

4.13. A deep dive was undertaken in November 2019 of the financial management controls for the Estates programme to provide assurance to the Audit and Risk Committee (ARC).

5. Recommendations

5.1. The Council is asked to note the contents of this paper.

6. Internal consultation

6.1. This paper has not been formally consulted on internally however the updates have been derived from internal consultation with the Estates strategy programme team and key stakeholders.

7. Appendices

7.1. Appendix 1: Estates strategy programme – organisation chart – As of 31 December 2019.

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