About this Report

Finally, we ‘theme’ each Annual Report so that it captures in some way the current mood of Higher Education, and the annual work of BUFDG. This year’s theme addresses the broader ‘value’ of HE, mirroring the conference theme of value ‘Beyond Money’. In the Summer BUFDG produced six short videos that explored the value that universities create for society, and we’ve used some of the ideas in these videos as background for the report. You can read more about our work on communicating value on page 13.

We hope that this report gives you an insight into how BUFDG thinks and works, as well as the more ‘traditional’ annual report of what it has achieved over the last year, and its financial situation and projections. This will hopefully show that the organisation delivers value in the short-term, as well as being a sustainable and worthwhile long-term investment by members.

Readers can find the original IIRC framework and other resources, and more about the work of the International Integrated Reporting Council (IIRC), at www.integratedreporting.org

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The objectives can be found in the 2018-22 Strategic Plan, in the 'About' section of the BUFDG website (www.bufdg.ac.uk/about)

About PHES

PHES is a shared service that provides the legal framework for different HE sector organisations to be run effectively and share staff and operational resources. There are currently four sector organisations under the PHES 'umbrella': BUFDG, AUDE, HESPA, and UHR. Each has complete autonomy to run its finances within the financial sustainability rules set out in the PHES agreement. Each organisation has its own structure and terms of reference and is run by its own executive.

There are many benefits to HE membership organisations being members of PHES, which in turn benefit their member institutions.

- The existing shared legal framework and terms of reference ensure each member association does not have to go through the expensive process of establishing their own separate, legal entity.
- The shared accounting and governance services are a considerable efficiency saving over each organisation contracting separately with, or employing an accounting function;
- The shared staff resources offer considerable economies to all organisations and to their university members, particularly in collecting subscription fees, as the subscriptions of all four organisations are collected on the same invoice
- The database and Content Management System form the 'engine' that runs behind all four organisational websites. This provides significant savings as each organisation does not have to establish and pay for its own website development, and improvements to one can be shared across all four. Each organisation can also help the others in keeping the institutional and individual data up to date.

Perhaps the biggest benefit is that, as members of PHES, the staff of each organisation share the same small building and, in some cases, the same room. As there are many similarities between membership organisations, the proximity of staff allows each of the organisations to learn and benefit from all the others. There are joint PHES team meetings three times a year to facilitate this.

BUFDG is an association run under the umbrella organisation Professional HE Services Ltd (PHES), of which it is the founding member. PHES is a not-for-profit company limited by guarantee and is owned entirely by its member HE institutions.

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Chair’s Foreword
Sarah Randall-Paley
Director of Finance, Lancaster University

2018 was another exceptional year for media interest in Higher Education, as well as turmoil in the wider political world, dominated by the preparations for Brexit. In the meantime, the wheels of the student recruitment cycle turned again, with institutional winners and losers in an increasingly competitive marketplace. As ever, those students arriving to prepare for their futures depend on the quality of their experience at university to enhance their lives and their prospects, with a choice that will stay on their CV for life. Its enduring currency is as precious as ever.

As finance professionals and senior managers, we know that our institutions are multi-faceted, and our business cycle can be long. To varying degrees, we balance priorities that go far beyond delivery to current students. For example: how to widen participation more effectively, how to attract the best staff from around the globe; how to deliver the highest research quality when full economic cost recovery is increasingly challenging; how to ensure our infrastructure and facilities remain relevant and attractive; how to maximise our potential as civic leaders and local economic drivers. The list goes on. All this whilst maintaining long-term financial sustainability at the forefront of our thinking and planning.

At the time of writing, there are major issues at play for the sector: the recent ONS report on the impact of TPS and other rising pensions and funding; and the impact of the Joint Expert Panel on student loans in the public sector. We must continue to cope with the uncertainty caused by no national assembly, continued student number caps and reducing real-terms funding.

So, two days at conference is valuable time to think clearly and challenge ourselves. Our theme this year is Value in Universities – Beyond Money. There could be nothing more appropriate considering what we do.

This is my first conference as Chair and I am privileged to hold this role. A key priority is to ensure that we are maximising the power and resources of all sector bodies to influence and inform sensible debate by working together as effectively as possible. We will work increasingly closely with colleagues at UUK, and other sector professional bodies to achieve this. We will also continue to advocate for Integrated Reporting and the need to provide cost-effective training and development for our finance and procurement colleagues.

I would like to thank Karel and the team at BUFDG Executive Director, BUFDG

Woo hoo :) I was struggling for budget for staff development and this e-learning will really help.
We’ve hosted 6 Annual Conferences, attended by 708 delegates.

This follows on from last year’s reorganisation that created a clearer separation between BUFDG and the PHES support roles.

In addition, PHES recruited Ruth Turner as a membership officer, which means we now have a full complement of two membership officers to support all four SIOs.

This year Caroline Jones replaced Mike Edwards to support the activity of the Payroll and Expenses groups and to develop their activities.

Dominic Fryer (formerly Operations Director) is now the Managing Director of PHES, and Karel has accordingly stepped down from her PHES Director role to focus solely on BUFDG. This ensures independence of the PHES board as it now contains no PHES staff member that is employed by an SIO.

PHES staff that work, in some capacity, for BUFDG

Delivering value through PHES

This year we set ourselves the challenge of working more closely with the other organisations under the PHES umbrella. We continue to make good progress in this area, including:

• Working closely with other PHES organisations on a number of public/external-facing issues, including pensions sustainability, building ratings revaluations, energy efficiency, and senior staff pay;
• We’ve jointly interviewed and appointed shared staff so that each organisation can benefit from the greater continuity and expertise in a larger workforce, despite being small organisations individually;
• We’ve jointly planned website and database developments that satisfy the needs of each organisation, and shared ideas on how to get the most from our technology;
• We’ve worked across the SIOs to promote joint events, or events that would be of interest to more than one organisation, including in financial literacy, HE data, data accuracy, VAT and property, managing international employment, and senior professional development;
• We have incorporated a number of PHES-wide staff initiatives to supplement the PHES team meetings, including a system for centrally sharing news of projects and workloads, and staff personality profiling, that aims to improve communication and productivity within the broader PHES team.
We’ve also worked together this year on improving the quality of member data on the database, and on database processes. This has helped us communicate more effectively and efficiently with members and be GDPR compliant. We will increase cooperation in this area over the coming year and have several website developments in the pipeline that will help.

After Universities Human Resources (UHR) joined PHES last year, we have had no new SIO additions, although Dominic continues to answer enquiries.
I t has been another interesting and busy year for the Learning and Development Group. We started last year with a new L&D Group Chair (myself) and Deputy Chair (Andy Stephens, Finance Director at Loughborough University). We both feel passionately about the role learning should play within a finance team and are excited to see what we can achieve with our colleagues in the L&D group. We would like to thank Liz Furey and Paul Norris for their previous work as Chair and Deputy Chair and their continued support of the work we do.

We had a number of highlights last year including the first Credit Management Conference and a report was issued at the end of the year (including benchmarking information on university tax resources). The survey highlighted that the three biggest concerns for universities were: International/overseas issues; Making Tax Digital (MTD); and IR35/employment status.

As it was three years since the last BUFDG tax conference and a report was issued at the end of 2015, we had a number of highlights last year including the first Credit Management Conference and a report was issued at the end of the year (including benchmarking information on university tax resources). The survey highlighted that the three biggest concerns for universities were: International/overseas issues; Making Tax Digital (MTD); and IR35/employment status.

More detailed information on the conference sessions can be found throughout this report.

Simon Newitt
Chair of the Learning and Development Group.
Finance Director at Northumbria University.

I thought the conference this year was excellent. I could only stay for one day but thoroughly enjoyed and valued the sessions and networking. A very well done to the whole team.
The big news in Financial Reporting for 2018 was publication of the new SORP. The Financial Reporting Council (FRC) published its amendments to FRS102 in December 2017 following the triennial review process. These were only minor incremental updates and intended to clarify rather than change the accounting treatment. Larger changes, such as the new IFRS on leases and tackling the disjoint between government and non-government capital grants, will be included within SORP2022.

The effective date for SORP2019 is accounting periods beginning on or after 1 January 2019, so unless an institution decides to adopt early, the new SORP will be reflected in their financial statements for the year ending 31 July 2020.

BUFDG appointed EY as the development partner to work with FRC to develop both SORP2019 and SORP2022. FRC agreed the formation of a working group to support SORP development and to follow a ‘consequential amendment’ approach to SORP2019, eliminating the need for formal consultation.

SORP2019 was approved at various committees of FRC with final approval at the FRC’s Codes and SORP2019 was approved at various committees of FRC with final approval at the FRC’s Codes and Standards Committee on 20 June 2018. SORP2019 accounting for further and higher education was published by UUK in October 2018.

The group is now working with EY to update the current guidance and model financial statements for SORP2019, and these should be finalised by the time this document goes to print. Eight SORP Workshops have been planned to disseminate this information in March 2019.

The group of enthusiastic colleagues is supported by representatives of the audit firms, whose attendance is rotated. We are always looking for keen volunteers and hope we can introduce new ways of harnessing this enthusiasm without adding to the burden of colleagues’ days jobs. Financial reporting is never dull, no matter what others might say!

Robert Fraser
Chair of the Financial Reporting Group, University of Glasgow

We’ve run 40 training events, for 792 delegates

We’ve listed 796 job vacancies for our member HEIs, viewed 16 times each on average

Financial Reporting Group

PROCUREMENT

The Responsible Procurement Group continued with gusto for another successful year. Recognising the increased awareness around sustainable and ethical procurement practices as well as noting the negative publicity generated where these issues are ignored by large firms. The group is keen, engaged and is using its enormous purchasing power for good, pushing for change socially, environmentally and economically.

Another success is the introduction of the Procurement Value Survey which replaced the Efficiency Measurement Model. The Office for Students have said that they do not wish to see formal reports of procurement related efficiencies this year, however the information gathered is incredibly useful for internal value for money reporting and collectively for benchmarking purposes. BUFDG colleagues and a wide range of external stakeholders.

The group’s varied challenges come from an array of sources. As in many roles, procurement teams face financial constraints, legislative changes and staffing issues. Having a central place to share concerns or seek solutions to problems is an efficient use of time and money and enables us all to capitalise on the incredible amount of expertise we have available to us in the sector.

During 2018, HEPA ran its third biennial conference, this time in Loughborough. Bringing together around 120 Heads of Procurement to focus on strategic issues, hear from exceptional speakers and have the opportunity for effective networking was a valuable experience and one which we know was received very well by our membership. We will continue to run our conference, alternating with the consortium COUP. Our next event will be in September 2020.

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Counter-Fraud

Universities continue to face the risk of both internal and external fraud. The Counter-Fraud Working Group seeks to bring together those responsible for, interested in, or with experience of counter fraud, and develop knowledge, resources and expertise to support the HE sector in preventing fraud, as well as reducing risk in areas such as financial sanctions and money laundering.

The group last met in December 2018 where they heard from the leader of the NHS, counter fraud authority, just prior to their important work being explored in a TV documentary. Higher education shares many similarities with the NHS; both have a huge range of stakeholders, both manage on limited decreasing budgets and both operate a huge range of stakeholders, both manage on limited decreasing budgets.

The group welcomes new members, which currently includes risk managers, compliance and governance representatives, procurement managers and finance directors. The broad experience of the group means there is no shortage of interesting and important conversations as well as excellent learning opportunities.

Sarah Randall-Paley
Director of Finance, Lancaster University and Chair, Counter-Fraud Working Group

Payroll and Expenses

72 university delegates attended 13 regional PEG meetings across six regions last year. BUFDG also waved goodbye to our interim (and first ever) Employment Tax Specialist, Mike Edwards, and welcomed our new (and permanent) Employment Tax Specialist, Caroline Jones.

Mike’s work during the first half of 2018 (as well as the second half of 2017) showed the need for the post. He arranged various workshops for members, including five regional KPMG ‘Going Global’ workshops on international mobility, as well as arranging and hosting the PEG meetings, producing the first iteration of the HE Common Rules document on employment status, and undertaking a ‘How was it for you?’ #335 survey.

Termination payments flowchart was also procured for members during 2018, and Caroline has been busy during her first few months working with UCEA, UHR and the Low Pay Commission on universities’ National Minimum Wage issues, following up on the original HE Common Rules document, and hosting seven PEG meetings in November. She is also forging stronger links with UCEA and UHR, including organising a joint international mobility event, to the benefit of all payroll departments, whether they sit within Finance or HR, as well as exploring links with other external organisations.

Caroline Jones
Employment Taxes Specialist

Multi-Year Projects

On top of the activities of the working groups, BUFDG undertakes many single- and multi-year projects to further the interests of its members – and often for the benefit of the wider sector. Here are updates on two long-term projects:

Integrated Reporting: BUFDG undertook a project in 2014 to review seven HEIs’ annual reports and accounts against the IIRC reporting framework. We built on this in 2017, with more in-depth assessments of the Integrated Reports of four HEIs (Newcastle, Edinburgh, Bangor and Winchester) in conjunction with the IIRC. We then published a report and guidance to help HEIs apply IR principles to their 2016/17 annual reports.

Last year HEFCE also showed its support for the initiative, and provided funding for the Leadership Foundation (LFHE) to undertake a project to engage and educate university leaders and their teams in Integrated Thinking and Reporting. BUFDG was pleased to support LFHE on the project, and we look forward to seeing it develop further throughout 2019.

Our work on Integrated Reporting took on a broader focus this year. We helped our members showcase the value of Higher Education by producing six short videos, that each looked at a different aspect of value. They asked questions such as “What are universities?”, “What challenges do they face?”, and “Why do universities invest?”

Excerpt of the script from video 1: “What are Universities?”

“Universities are fascinating and diverse organisations. They teach students of all ages, in almost every subject you can think of. They teach on green campuses, in bustling cities, and at a distance, to learners in their own homes.

But teaching students is just one of the things that universities do. They expand human knowledge by undertaking research in a mind-boggling range of areas. They are at the forefront of countless discoveries. They are key parts of their local communities, and regional hubs of economic activity. They are major employers, magnets for national and international collaboration, and an important pillar of civil society.”

Despite this, universities often struggle to communicating their value. The rise in tuition fees five years ago put more pressure on universities to show the value that they deliver for students. As the political debate around fees continues, it risks detracting from the discussion of the wider contribution that universities make to society.

Universities are looking to address this and are working hard to find ways to get these important messages across. They can’t assume that, amidst a busy news cycle, the public and governments will automatically hear about all the good things that they do. Universities must work together, and work harder, to communicate the invaluable ways they contribute to society.

We are pleased to support Universities UK’s campaign MadeatUni, that tells specific stories to raise public awareness of the brilliant work that universities do. We’ve continued this advocacy by coordinating a showcasing visit of universities by staff from the Department for Education (DfE), so that the department can gain a better understanding of what happens in universities, the impact they can have, the challenges they face.

On e-learning, we launched the new system at the beginning of the year, and members have been making use of the 12 free modules. E-learning plays a much larger role in our new organisational strategy, and so we have a three-year plan for continuing to improve the e-learning offering. This year will see another 10-12 modules added to the system every year for the next three years, with a schedule for updates and further development.

While we will continue to develop our face-to-face course provision, the increase in e-learning will enable more members to make use of BUFDG expertise (including institutional staff beyond the traditional finance team), at a lower cost, and with a lower environmental impact!
Our Environmental Impact

Two years ago, as part of the introduction of Integrated Reporting, we began to explicitly consider BUFDG’s ‘environmental capital’, and how its work impacts the environment. BUFDG is a small organisation that does not own its own buildings and, as a supplier of services rather than goods, has a relatively small environmental impact. However, over the last two years we have begun to understand more about how the organisation can reduce its environmental impact, and better encourage environmental awareness across its membership.

We are now committed to one team meeting a year where the environmental and ethical impact of the organisation is discussed and ideas are generated. Over the last year we have:

- Committed to more online learning where appropriate, to minimise unnecessary travel, including the development of BUFDG’s e-learning modules
- Minimised the production of merchandise and unnecessary exhibition marketing, and the use of alternative ‘non-waste’ marketing. This has seen us switch to recyclable PET lanyards for the Annual Conference, a pen for the delegate packs made of recyclable materials, and notebooks made from vegetable fibres.
- The team forewent present-giving at Christmas, and instead donated the equivalent money to two charities. The gifts were both matched through TheBigGive.org.uk, doubling their impact.

At the beginning of the year we added a question to the booking form of each BUFDG event, asking delegates to tell us how they intend to travel to the event; either by plane, train, car, cycle, or walking (at least 5 minutes). The intention was to gather data to give us a picture of how convenient it is for our delegates to use public transport to travel to the various venues we use. The picture emerging from the first year of data has been enlightening and will cause us to reconsider at least some of the venues we regularly use where car use by delegates is particularly high – especially compared to some events where car use is almost zero.

The next challenge will be to use the question for event bookings across PHES. This will give us more data and a much clearer picture of what venues we need, there is scope for strategic investment in such work. At a time when institutions’ costs are under pressure, projects such as the SORP development and collective procurement of legal, accounting and actuarial advice deliver value for money for the sector and for individual organisations.

The year ended 31st July 2018 was our first with PHES as a fully taxable and VATable company. The transition from the cost-sharing group was smooth and unproblematic. It shows a surplus of £31,366 against the budgeted £13,093. This is due to slightly higher income and lower spend on the website (thanks to sharing costs with other SIOs) and lower spend on marketing and communication, and staff training and development. We are mindful that the staff development budget should be used to better effect to develop and retain the talent we have in the team.

We envisage further demand from the sector to fund consultancy and studies that would have previously been funded by a funding council special grant, or which institutions might fund individually. BUFDG’s capacity to meet this demand is limited, but with careful planning and early identification of need, there is scope for strategic investment in such work. The main source of BUFDG income will be subscriptions which the BUFDG Executive Committee and the Learning and Development Group have discussed and proposed to the membership. The proposed model will give institutions a choice to renew with the e-learning subscription (BUFDG+) or to deduct the e-learning subscription (and therefore the income), and costs of producing e-learning. Good e-learning is not cheap to produce, but it can deliver great value training and development to members. Unit costs are low, environmental impact is low and the number of colleagues that can be reached is high. BUFDG will continue to invest in some free modules, available to all members, but to fund development of more advanced and technical topics, a supplementary subscription is advocated.

The support from HEPA has been very useful. The documents and resources are also extremely valuable. Emma goes above and beyond.
**BUFDG Accounts**

<table>
<thead>
<tr>
<th>Income</th>
<th>Year to 31 July 2018</th>
<th>Year to 31 July 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUFDG membership subscriptions</td>
<td>422,017</td>
<td>412,982</td>
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<tr>
<td>BUFDG conferences and L &amp; D Events</td>
<td>666,943</td>
<td>297,172</td>
</tr>
<tr>
<td>Grants – SORP2019</td>
<td>42,785</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,132,645</strong></td>
<td><strong>710,154</strong></td>
</tr>
</tbody>
</table>

| Expenditure | | |
| BUFDG salaries | 470,011 | 404,225 |
| Staff T&D | 1,819 | 4,482 |
| Travel and subsistence | 31,867 | 31,205 |
| Website | 6,233 | 7,178 |
| Conferences and L & D Events | 435,443 | 273,507 |
| General office costs | 5,760 | 8,275 |
| Marketing and Communications | 2,430 | 9,616 |
| Overheads | 32,049 | 41,914 |
| Room hire for working groups | 22,359 | 32,119 |
| Subscriptions to other organisations | 8,726 | 5,604 |
| Special projects | 64,755 | 108,214 |
| **Total** | **1,081,452** | **926,398** |

**Note**

- Conferences from 17/18 onwards are now run through PHES managed by Assured Events rather than the host institution as previously. Instead of a donation from the conference both income and expenditure are shown.
- Employment costs – those shown by SORP are shown largely due to the new shared membership officers resource, the in-house financial response previously charged within both overheads and special projects and all L&D employment costs now being shown in this line.
- L&D – costs appear to have reduced significantly but up to 16/17 staff costs for L&D were offset against this budget head rather than employment costs as they are now (see note 2).

**Risk**

- **BUFDG maintains a risk register, which is reviewed and refreshed regularly. Through this process, we assess the probability and severity of a range of Governance, Strategic, Operational, Professional, Physical, Reputational, Legal, and Financial risks, and how the organisation might respond to mitigate these.**

- **In previous reports we have discussed three major risks in more detail – the risk of direct competition for subscriptions from membership organisations elsewhere in the sector; the risk that expected competition between universities will undermine the collegiality that makes BUFDG work as we currently, and the risk that the loss of key staff could undermine the effectiveness with which it supports its members.**

- **The first risk remains but we believe it is mitigated by an organisational focus, confirmed in the new strategy, on where BUFDG can add unique value, and as such the risk can be downgraded.**

- **The second risk remains, but it is now perceived to be much less of a risk to BUFDG than the combined effect of external risk factors such as Brexit and policy uncertainty. The concern is that these could have such a financial impact on our member institutions that they feel under pressure to discontinue their subscription. Our membership staff up to speed and ensure that more staff within the organisation can cover the various membership processes.**

- **The third risk remains, but we have taken additional steps to mitigate it this year. Much of the work of the Head of Membership and the Membership Officers has been documented in a membership handbook, which will make it easier and quicker to bring new membership staff up to speed and ensure that more staff within the organisation can cover the various membership processes.**

- **With Karel now no longer a director of PHES, there is less of a PHES-wide impact should she leave, although BUFDG remains reliant on her expertise, networks, and member knowledge. We will continue to discuss how the we can mitigate this risk, which is a challenge with such a small staff team, as well as step-up efforts to share knowledge and expertise internally.**

- **As a final aside, a risk that popped up at the beginning of last year was that of conforming to the EU’s General Data Protection Regulations – the infamous GDPR. We were pleased that BUFDG took this seriously, and not just to ensure compliance. It became apparent that it was an opportunity to review and regularly question how and why we store members data, how we manipulate and use that data, and how and when we use it to communicate to members. Particularly thanks to the PHES-wide work by the Managing Director (then Operations Director) Dominic, PHES data is now more complete, more secure, and used more effectively than in the past. All PHES staff have undertaken and passed the mandatory PHES GDPR e-learning, and this is refreshed annually.**
Looking back to last year’s report, BUFDG has made satisfying progress in most of the areas identified for development. The strategic review was undertaken and confirmed that BUFDG was on the right track, and that any progress would be evolutionary, rather than revolutionary.

We have automated a number of internal processes, especially those relating to membership services, with more planned for the next year. Similarly, our use of data to shape services has increased this year, and we expect to use at least limited data analysis to inform many of the services we provide in the next 12-18 months.

As mentioned above, we now have a three-year plan for developing our e-learning, and incremental website developments continue. The future for e-learning provision is particularly exciting, and we look forward to sharing these developments with members in the summer.

Collaboration with other PHES organisations continues to develop, although at an uneven pace given issues currently of interest to each of them. We’ve had success at co-hosting events, and the shared website infrastructure is a triumph that works so well it often goes unnoticed. We have also made good progress this year in converging on membership processes, and the membership team has been more efficient and effective as a result.

There is still a sense that more could be done to share, and collaborate on, our various projects that may affect the members of multiple SIOs. We hope that continued staff proximity will help but have no concrete strategy for improving this in the coming 12 months.

This year has been a milestone of sorts, in that it is the first that we have been able to say that we offer at least a baseline level of support for all of the BUFDG ‘interest areas’. Support for Tax, Procurement, Financial Reporting, and Counter-Fraud has been long-established, while close-cooperation with partners such as UUK and UCEA has helped us ensure that members receive appropriate support on Pensions issues. The creation two years ago of a Payroll taxes specialist role has filled in the Payroll and Expenses gap. While we don’t have a dedicated specialist for Management Accounting or Treasury, we’ve been gradually developing services over the last two years and are pleased to offer both a dedicated Management Accounting conference and Treasury conference to members in 2019. This is in addition to our ongoing support for the sector’s TRAC development group and associated conference.

Finally, we don’t claim any special foresight for our correct prediction in last year’s report that 2018/19 would be a challenging year for the HE sector. It is apparent that, with Brexit still undecided (at the time of writing), the Augar Review still to be published, rising staff costs for all providers, and no end in sight to the government’s negative stance on immigration, the challenges remain. The trendy corporate term for these might be ‘headwinds’, but it is clear we are talking climate, rather than weather. BUFDG will continue to be flexible and responsive to the needs of members throughout 2019, both those we can predict, and the ones that emerge throughout the year.

The Year Ahead

Thank you for your welcome. I had a good look around the website last week. There is some really good information on there and the discussion boards are very good.