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## 7c

*To consider*

### **Trustees' Annual Report and Accounts for the Year Ended 31 December 2009**

#### **Issue**

1. The Trustees' Annual Report and Accounts for the year ended 31 December 2009.

#### **Recommendations**

2.
  - a. To approve the Trustees' Annual Report and Accounts for 2009; and to approve the Letter of Representation (paragraphs 7-21 and Annexes A and B).
  - b. To authorise the Chair of Council and the Chair of the Resources Committee to sign the Annual Report and Accounts for 2009; and to authorise the Chair of the Resources Committee to sign the Letter of Representation (paragraph 22).

#### **Further information**

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

## **Background**

4. The GMC is required to produce an Annual Report and Accounts that comply with the Statement of Recommended Practice (SORP) approved by the Charity Commission in 2005.
5. The Annual Report and Accounts must be submitted to the Charity Commission and the Office of the Scottish Charity Regulator within 10 months of the year end.
6. In addition, the external auditors require us to provide a Letter of Representation covering the trustees' responsibilities in producing the financial statements.

## **Discussion**

7. The draft Annual Report and Accounts for 2009, in the required format, is at Annex A. The draft Letter of Representation is at Annex B. Both documents were considered by the Resources Committee on 20 April 2010 and by the Audit and Risk Committee on 6 May 2010. The changes requested by those committees have been made.
8. The first part of Annex A is the Annual Report. It begins with an overview that highlights some of the overarching themes that informed and shaped our work in 2009: patient safety; the setting and upholding of appropriate professional standards; bringing together all stages of medical education and training; co-ordinating the necessary arrangements for delivering revalidation, which the successful introduction of the licence to practise was the first practical step; as well as ensuring the fitness for purpose of the medical register and the fitness to practise of those on it.
9. The report then sets out in more detail delivery against the objectives in our 2009 Business Plan, highlighting achievements and developments under 10 key aims. Those aims and objectives are aligned with the Chief Executive's review of the year which was presented to Council on 16 February 2010, although supplemented with greater detail and additional analysis.
10. The Annual Report will be subjected to final proof-reading and formatting before being finalised for publication.
11. The second part of Annex A is the annual accounts, which show a surplus of £8.6 million on our charitable activities.
12. Operational expenditure in 2009 was below budget by £2.7 million.

13. Fitness to practise represents a significant proportion of our total expenditure, and there has been a sustained increase in the volume of cases entering both the investigation and adjudication stages of our process, as well as an increase in the length of hearings. To offset the additional pressure that this places on our resources, we expanded our in-house legal team to create more capacity, as part of a strategy to cut costs by reducing reliance on external lawyers. As a result, our fitness to practise costs were £1 million lower than budgeted in 2009.

14. Our actual expenditure on professional advice was £1.2 million less than budgeted, as the number of projects requiring specialist external advice was lower than we originally expected.

15. Staffing costs were below budget by £0.5 million as a result of vacancies and staff being recruited to posts later in the year.

16. Our total income in 2009 was £5.9 million higher than budgeted. This was largely due to £3.5 million of income from those doctors who were previously exempt from paying the annual retention fee. Income was also £1.5 million higher than anticipated as the volume and timing of doctors joining and leaving the register during the year differed from our original budget assumptions.

17. Despite the closure of the Clinical Assessment Centre towards the end of the year, prior to its relocation from London to Manchester, more doctors than expected undertook PLAB tests during the year. As a result PLAB income was £0.5 million higher than anticipated, offset by an increase in the variable costs of running tests.

18. During 2009 pension scheme assets increased in value from £53.9 million to £67.5 million, while liabilities increased from £49.6 million to £73.2 million. The scheme is therefore in deficit by £5.7 million at the end of 2009, compared to a surplus of £4.3 million at the end of 2008.

19. Our general reserves as at 31 December 2009 were £15.0 million, comprising £20.7 million of unrestricted reserves offset by the deficit of £5.7 million on the pension fund as valued in accordance with FRS17.

20. The level of unrestricted reserves is marginally higher than the target range of £15 million to £20 million set by the Resources Committee, and we will monitor this throughout 2010 to ensure that actual reserves are in line with the target over the three year period covered by the Council's Corporate Strategy 2010-2013.

21. The external auditors, haysmacintyre, require us to provide a Letter of Representation prior to the Annual Report and Accounts being published. This letter covers the trustees' responsibilities for preparing the financial statements, confirms that all material activities and transactions undertaken by the charity have been fully disclosed in the accounting records and financial statements, and confirms that all relevant laws and regulations have been complied with.

**Recommendation:** To approve the Trustees' Annual Report and Accounts for 2009, and to approve the Letter of Representation.

22. The Annual Report and Accounts, and the Letter of Representation, must be signed and dated by one or more trustees authorised to do so.

**Recommendation:** To authorise the Chair of Council and the Chair of the Resources Committee to sign the Annual Report and Accounts for 2009; and to authorise the Chair of the Resources Committee to sign the Letter of Representation

### **Resource implications**

23. None.

### **Equality**

24. No implications arising from this paper.