

To consider

Trustees' Annual Report and Accounts for the Year Ended 31 December 2012

Issue

1. To consider the Annual Report and Accounts for 2012.

Recommendations

2. Council is asked to:
 - a. Approve the Trustees' Annual Report and Accounts for 2012, and the Letter of Representation.
 - b. Authorise the Chair of Council to sign the Annual Report and Accounts for 2012, and the Letter of Representation.

Issue

3. The GMC is required to produce an Annual Report and Accounts that complies with the Statement of Recommended Practice (SORP) approved by the Charity Commission in 2005.
4. The Annual Report and Accounts must be submitted to the Charity Commission and the Office of the Scottish Charity Regulator within ten months of the year end.
5. The draft report was considered by the Performance and Resources Board on 25 April 2013, and by the Audit and Risk Committee on 30 April 2013. The report at Annex A reflects the changes requested by the Committee.
6. The external auditor, Crowe Clark Whitehill, requires us to provide a Letter of Representation, at Annex B, covering the trustees' responsibilities in producing the financial statements. Through discussions with the external auditor, the Assistant Director for Finance and Procurement, and the Director of Resources and Quality Assurance, the Audit and Risk Committee satisfied itself that the accounts were properly prepared and were in accordance with applicable law, regulations and accounting standards. The Committee considered the Audit Findings Report from Crowe Clark Whitehill which confirmed that the external auditor was satisfied in respect of audit and accounting matters, and that no significant weaknesses in financial systems and controls were identified.
7. The Annual Report and Accounts, and the Letter of Representation, must be signed and dated by one or more trustees authorised to do so.

2012 Annual Report

8. The report begins by highlighting the most significant activities undertaken and the outcomes achieved in 2012. The report then sets out in more detail what we have delivered against the objectives in our 2012 Business Plan, highlighting performance, achievements and developments under each of our strategic aims.
9. The report also sets out:
 - a. A review of our financial performance, including our reserves policy and investment policy.
 - b. Our approach to risk management.
 - c. Structure, governance and management arrangements.
 - d. A summary of our priorities for 2013.
 - e. The 2012 accounts, principal accounting policies and notes to the accounts.

10. At its meeting on 30 April 2013, the Audit and Risk Committee asked that a number of changes be made. These are now incorporated in the attached draft:

- a. Strengthened the description of our public benefit in line with guidance from the Charity Commission.
- b. Added further detail on initiatives we delivered to improve patient safety.
- c. Focussed the introduction on 2012 activity only.
- d. Included the volume of subject access and freedom of information requests received, including our performance against service targets.
- e. Included reference to the private medical benefit we offer all staff.
- f. Added further detail on research we undertook.
- g. Strengthened the description of why we moved to a smaller Council.
- h. Clarified what our external relationships work includes.

11. The Annual Report and Accounts will be subjected to final proof-reading and formatting, and a glossary added, before being finalised for publication.

Draft 2012 Accounts

12. We continued our programme to drive performance improvements across the organisation, and generated new efficiency gains of £4.4 million in 2012. In addition, we generated ongoing efficiency gains of £9.1 million from major projects started in previous years which deliver gains over a number of years. We therefore achieved total annualised efficiency gains of £13.5 million in 2012. Around £11.4 million of this figure relates to cashable savings, which helped us to freeze the 2013/14 annual retention fee at the current level, and reduce registration fees for new doctors joining the register.

13. In 2012, we generated total income of £97.9 million, and our operational expenditure was £88.4 million. Further details are set out in paragraphs 88-105 of Annex A.

14. Based on our analysis of cash flows and the risks facing the organisation, our policy is to maintain free reserves within the range of £25 million – £45 million. However, we recognise that level of reserves will inevitably fluctuate year on year, reflecting variations in actual levels of income and expenditure compared with budget. Our policy is to maintain actual free reserves in line with the target level over the medium term.

15. The GMC's free reserves as at 31 December 2012 were £45.5 million, which is marginally above the target range.

16. On 5 December 2012, we took the decision to freeze the 2013/14 annual retention fee at the current level, and to reduce registration fees for new doctors joining the register. We also recognised that a proportion of doctors facing revalidation, for example those not in clinical practice, may choose to relinquish their licence to practise or seek voluntary erasure from the register. We therefore expect reserves to move back in line with the target range over the medium term.

Supporting information

How this issue relates to the *Corporate Strategy and Business Plan*

17. The Annual Report and Accounts summarises our performance, achievements and developments under each of our strategic aims.

18. Specifically, the publication of the Annual Report and Accounts demonstrates our commitment to strategic aim 7: to continue to use our resources efficiently and effectively.

Other relevant background information

19. Following Council's approval of the Annual Report and Accounts, we will submit them to the Privy Council, the Charity Commission, and the Office of the Scottish Charity Regulator. They will also be published on our website.

20. The Annual Returns and Summary Information Returns will be submitted to the Charity Commission and the Office of the Scottish Charity Regulator.

If you have any questions about this paper please contact: Luke Bruce, Assistant Director – Strategy and Communication, 020 7189 5482, lbruce@gmc-uk.org; or Steve Downs, Assistant Director – Finance and Procurement, 0161 923 6257, sdowns@gmc-uk.org