

Agenda item:	8
Report title:	Development of GMC Services
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Action:	To consider

Executive summary

In May 2015, following discussion at Council at its meeting on 24 February 2015, we appointed KPMG to carry out a feasibility study on the services we could offer in the UK or internationally on a cost-recovery or for-profit basis to help raise standards of medical practice and generate additional revenue to support our work in the UK. The study assesses the opportunities for us to develop an income stream based on our core responsibilities and considers the changes necessary to our operating model to support GMC services following interviews with staff across the GMC and 17 external subject matter experts. It suggests focusing our efforts, in the first instance, on the identification of pilots, working with partners and enacting key operational changes. This paper provides a summary of the study and asks Council to agree our proposed way forward.

Recommendations

Council is asked to:

- a** Agree to establish GMC services and commit resources via the 2016 business planning process to enable:
 - i** The appointment of an Assistant Director who will be tasked with: establishing the operational aspects of GMC services including a governance framework and trading parameters setting out our principles for commercial engagement with other organisations; identifying two pilot projects (one UK and one overseas) and a partner to support the overseas pilot.
 - ii** The implementation of baseline 'quick win' activities to help establish early credibility for GMC services.

Issue

- 1** In previous discussions, Council has recognised that the GMC's reputation inside and outside the UK as a leading healthcare regulator, the globalisation of medical education and practice, an emerging momentum across Government to exporting 'UK Healthcare', and a need to consider alternative/additional sources of revenue have generated interest in whether we could begin to offer services on a cost recovery or for-profit basis.
- 2** The primary reason for any consideration of GMC services is to support our overriding duties and obligations as laid out in the Medical Act 1983 (as amended). Legal and commercial/financial advice confirmed that there is no bar to us recovering costs or making a profit via a trading subsidiary (funded and resourced by the GMC), provided the services we charge for are 'incidental or conducive' to our statutory functions, and any profits are reinvested into our objectives under the Medical Act.
- 3** Other reasons which support GMC services include one or more of the following:
 - a** Recovering costs for work we are already doing in support of others is good business practice and would ensure we make best use of registrants' fees.
 - b** On the assumption that offering additional services would not impact on the quality or efficiency of our core functions in the UK, seeking profits which we could reinvest into the GMC's core work would:
 - i** Further contribute to our commitment to offering registrants value for money and our aspiration to reduce reliance on doctors' Annual Retention Fee (ARF) by providing strategic flexibility and a sustainable source of alternate income.
 - ii** Help preserve the range of essential services we provide and which we may otherwise be forced to stop providing or charge for.
 - c** Enhance the GMC's reputation as a leading regulator domestically and globally.
 - d** Actively contribute to the work of 'UK Healthcare plc' by offering services internationally is in the wider public interest and provides a positive story for us.
 - e** Greater international engagement with medical regulation overseas will enable us to apply any learnings to our own regulatory model.
 - f** Opportunities for staff development.
 - g** Establishing the structure and machinery to enhance delivery of the range of services we provide would bring broader capability enhancements across the GMC (e.g. activity costing) and reduce fixed costs in other areas of our work by encouraging culture and mind-set change.

Feasibility study

- 4 KMPG's feasibility study's illustrative forecast for GMC services suggests a revenue opportunity of approximately £3.9 million within five years with a £0.6 million net contribution which can be reinvested into retaining and growing GMC activities.
- 5 It recommends three sets of mutually supportive implementation activities to enable us to kick-start GMC services in a credible way both internally and externally while actively managing commercial risks and challenges. They are set out below.

Operating model

- 6 The study's recommendation is for the operating model to be initially structured to run as a trading arm of the GMC, reporting to the Chief Operating Officer. In the first instance we propose for this separate business unit to be led by an Assistant Director* heading a small team of GMC secondees. The unit will focus on:
 - a Establishing specific criteria for an effective governance model to help us manage any risks arising from the operation of GMC services.
 - b The identification of two initial pilot projects (one UK and one overseas) drawn from the three service areas set out below.
 - c A search for partner(s) to support the overseas pilot to mitigate some of the market entry and delivery risks, reduce some of the costs to the GMC and support improved margins.

Propositions: Three sustainable service areas

- 7 To balance the extension of UK activity on an income basis with the pursuit of riskier overseas activities in which we are not yet actively involved, we propose to pursue the three specific service lines which appear to represent the greatest near and medium term opportunities for the GMC. They are:
 - a Advising overseas governments and regulators on the development of their regulatory systems.
 - b Accreditation and Kitemarking of non-UK primary medical qualification awarding overseas medical schools.
 - c The development of a distinct learning and development business.

* The study refers to the appointment of a GMC Services Acting Director. We will in fact be appointing an Assistant Director into the role during this initial phase, subject to Council's agreement of these proposals.

Baseline quick wins

- 8** The service lines above will be underpinned by the delivery of quick wins which we are committed to take forward as part of the non-ARF income stream of the wider GMC change agenda (e.g. estate hire; review of our application fees). These will provide a launch vehicle for GMC services and help establish the required capabilities.

Next steps

- 9** If this approach is approved by Council, we would identify and propose the resources necessary to set up GMC services as part of our business planning for 2016 and intend to report back to Council with an update on progress within six months.
- 10** There is considerable interest in the UK and overseas in GMC services. We would seek to harness this interest through engaging both within the UK and overseas as we move to develop GMC services.