

Agenda item:	M7
Report title:	Trustees' Annual Report and accounts 2016 and the 2017 Impact Report
Report by:	Melanie Venables , Head of Corporate Business Planning, melanie.venables@gmc-uk.org , 0207 189 5363 Steve Downs , Assistant Director of Finance and Procurement steve.downs@gmc-uk.org , 0161 923 6257 Andrea Bardelli Danieli , Head of Marketing Communications, andrea.bardelli.danieli@gmc-uk.org , 0161 240 8318
Considered by:	Performance and Resources Board/Audit and Risk Committee
Action:	To consider

Executive summary

We are required to produce an Annual Report and accounts each year. The accounts for the year ending 31 December 2016 must be prepared in accordance with the [Charities Statement of Recommended Practice \(FRS 102\) \(SORP\)](#). In conjunction with the Annual Report we will also publish a separate Impact Report. The first drafts of these have been reviewed by the Performance and Resources Board at their meeting on 19 April 2017 and Audit and Risk Committee at their meeting on 11 May 2017.

The Annual Report and accounts, and the letter of representation must be signed and dated by one of more trustees authorised to do so. This paper presents the Annual Report and accounts and the Impact Report for approval.

Recommendations

Council is asked to:

- a** Approve the Trustees' Annual Report and Accounts for 2016 at [Annex A](#).
- b** Approve the Letter of Representation at [Annex B](#).
- c** Authorise the Chair of Council to sign the Annual Report and Accounts for 2016, and the Letter of Representation, on its behalf.
- d** Approve the 2017 Impact Report at [Annex C](#).

The 2016 Annual Report and 2017 Impact Report

Background

- 1 Last year, for the first time, we published a separate Impact Report* to complement the 2015 Trustees' Annual Report†. The aim of the Impact Report was to provide qualitative insights on how we are making a difference to patients and our other key stakeholders beyond what is required by the Annual Report.
- 2 This year we will again publish an Annual Report and Impact Report. The two reports are complementary, and are both public documents, aimed at retrospectively summarising our activity with a focus on how we have brought benefit to our stakeholders. Both cover the work of the Medical Practitioners Tribunal Service (MPTS) as well as the GMC. However, the MPTS will be publishing a separate Annual Report for the first time this year.
- 3 Following feedback from the Audit and Risk Committee we have aimed to reflect learning throughout the narrative in both reports. A summary of what we are aiming to achieve through each report is set out below.

2016 Annual Report

- 4 We are required as a charity and by the Medical Act to publish a Trustees' Annual Report, which meets the requirements of the [Charities Statement of Recommended Practice \(FRS 102\) \(SORP\)](#). The Annual Report needs to clearly set out how we have used our resources effectively and in the public interest. It will be submitted to the Privy Council, Charity Commission and Office of the Scottish Charities Regulator (OSCR), in fulfilment of our statutory obligations.
- 5 Following feedback from Council on the 2015 Annual Report, we have reduced the length of the Annual Report, focusing primarily on priority activities, and making a clear link between our purpose, objectives and performance.
- 6 In accordance with good governance principles and with the recommendations contained in the *Financial Reporting Council's Guidance on Audit Committees*, the report includes a section describing the actions taken by the Audit and Risk Committee to discharge its responsibilities.
- 7 Draft versions of the Annual Report and accounts 2016 were considered by the Performance and Resources Board at its meeting on 19 April 2017 and by the Audit and Risk Committee on 11 May 2017. The report has been updated based on the

* http://www.gmc-uk.org/publications/corporate_publications.asp#ImpactReport

† http://www.gmc-uk.org/publications/corporate_publications.asp#Annualreport

feedback we received which includes a revised statement referencing public benefit requirements. The final draft designed version is at [Annex A](#).

2017 Impact Report

- 8** We are not statutorily required to publish an Impact Report. However, we think it is an effective way to publish qualitative insights on how we are making a longer term difference to patients and our other stakeholders, above and beyond what we are required to do by the SORP.
- 9** We think that a separate report on impact will be an effective communications tool. We expect the report to be of interest in particular to government, the media, our external partners (such as Royal Colleges or patient groups), and a number of internal audiences in the GMC – but we drafted it also keeping doctors, patients and the general public in mind. We intend to use the report to help tell our stakeholders our 'story' in an engaging, illustrative way, using real-life examples of how we are making a difference.
- 10** This year's Impact Report builds on last year's, showcasing selected outcomes and impacts, rather than describing activities. Based on feedback, we have adopted a more narrative-based approach, centred around case studies. We intend to develop our approach to impact reporting further in the next few years. While regulatory impact is notoriously hard to measure, we are consistently building evaluation into our work programmes and expect this investment to result not only in increasingly effective impact analysis, but also in more effective and engaging impact reporting.
- 11** To achieve the objectives described we have based the report on the following themes:
 - a** Protecting the safety of patients and supporting doctors.
 - b** Helping doctors maintain and improve standards.
 - c** Assuring the quality of education and training.
 - d** Learning from our environment.
- 12** We will also be producing a digital version of the Impact Report. Creating an interactive digital version will provide for a better and more engaging experience for our audiences, and enable both us and users to share elements of the report on social media and in other ways, increasing the reach of the report's key messages.
- 13** We have taken account of the feedback given at the Audit and Risk Committee meeting on 11 May 2017, including restructuring the report to bring examples of positive impact on patients earlier into the narrative. The final draft designed version of the report can be found at [Annex C](#).

Draft 2016 Accounts

- 14** The accounts for the year ended 31 December 2016 have been prepared in accordance with the Charities Statement of Recommended Practice (FRS 102).
- 15** In 2016, we generated a total income of £107.0 million, and our operational expenditure was £100.7 million. Our income in 2016 increased by £7.7 million compared with 2015, largely due to an increase in the annual retention fee, coupled with growth in the number of registered doctors. We also introduced some changes to our fee structure in 2016, by increasing PLAB fees and introducing transaction charges for doctors paying fees by instalments and by credit card.
- 16** Our expenditure in 2016 reduced by £0.5 million compared with 2015; while we had budgeted for a higher level of expenditure, we were able to contain costs through proactive management.
- 17** In addition to our normal operational activities we undertook a major Change Programme in 2016 to reduce our costs and increase our income over the medium term. We spent £5.7 million in 2016, on making structural and other changes to implement the change programme, and plan to spend £2.7 million in 2017 to complete the Change Programme. We generated savings of £1.8 million in 2016 and forecast savings of £4.6 million in 2017. We forecast that the Change Programme will generate a net saving of £14.0 million over a five year period.
- 18** We also achieved £1.9 million of cashable efficiency gains on our operational activities in 2016, against a target of £0.5 million. These were generated by making changes in our fitness to practice and adjudication functions, deferring recruitment across the organisation and reviewing external support contracts.
- 19** Based on our analysis of cash flows and the risks facing the organisation, our policy is to maintain free reserves in the range of £25 million – £45 million.
- 20** Our free reserves at the end of 2015 stood at £34.1 million. As our income in 2016 exceeded expenditure, our free reserves on 31 December 2016 increased to £37.3 million. Total reserves at the end of the year were £65.5 million, made up of free reserves, plus £14.7 million of reserves represented by fixed assets, and a pension reserve of £13.5 million.
- 21** There are no known material uncertainties related to events or conditions that cast significant doubt on our financial stability over the medium term.

Letter of Representation

- 22** The external auditor, Crowe Clark Whitehill, requires us to provide a Letter of Representation covering the Trustees' responsibilities in producing the financial statements. The letter is at [Annex B](#).

Approval and publication

- 23** Subject to Council's approval, the Trustees' Annual Report and Accounts 2016 will be printed and presented for signing by the Chair of Council and Crowe Clark Whitehill. The Impact Report will also be printed for submission to the Privy Council. Both reports will be translated into Welsh.

- 24** Final versions of both reports will be submitted to the Privy Council to be laid before the Houses of Parliament (as required by Section 52A of the Medical Act 1983), the Charity Commission, and the Office of the Scottish Charity Regulator (OSCR). The reports will then be published on our website early August 2017. This is also when the digital version of the Impact Report will be published.

- 25** As part of our submission to the Charity Commission and OSCR we will use the content to draft and submit the required Annual Returns and Summary Information Returns, which summarise our activities and accounts.