
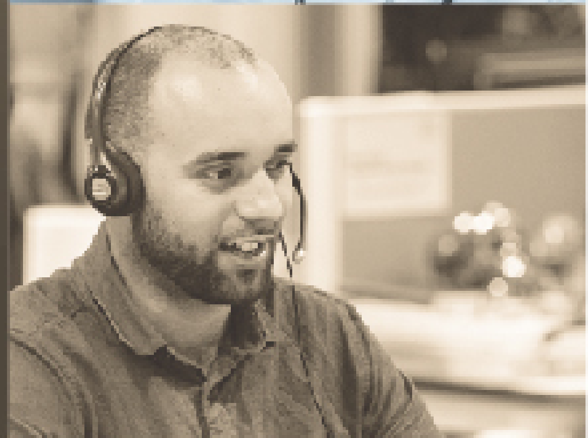


Annual report 2020

2020 Financial review

General Medical Council

2020 financial review

The accounts for the year ended 31 December 2020 have been prepared in accordance with the *Charities Statement of Recommended Practice (FRS 102)*.

Our total income and expenditure in 2020

The coronavirus (COVID-19) pandemic had a significant impact on our activities throughout 2020, but we continued to deliver many of our core services to support doctors and patients.

In 2020, we generated unrestricted income of £108.3 million, which was £1.7 million lower than 2019. This was due to the impact of the spread of coronavirus, which resulted in the temporary closure of our Clinical Assessment Centre, and subsequent reopening with reduced capacity to allow social distancing measures to be put in place. This reduced our income from PLAB test fees, with a subsequent impact on income from new registrations.

In addition, the Department of Health and Social Care (DHSC) provided £1.6 million of funding in 2020 to start implementation work to bring physician associates and anaesthesia associates under regulation with the General Medical Council. The DHSC funding is restricted in nature, and so is shown separately in the accounts. The funding was fully spent in 2020.

We also generated £2.5 million of gains on our investments in 2020. This was lower than 2019, in part due to the impact of the pandemic on financial markets and in part because of particularly strong investment performance in 2019.

Our total operational expenditure in 2020 was £109.6 million, which was a reduction of £4.8 million compared with 2019. Despite the impact of the pandemic, our contact centre remained open throughout 2020 and we continued processing applications for registration and running online courses for doctors new to UK practice. We also made changes to our regulatory activities so doctors could spend more time on clinical care, such as deferring revalidation dates and postponing our national training survey. However, tribunals were temporarily postponed, and then restarted with reduced capacity due to social distancing, which reduced our costs in 2020. PLAB running costs were also lower, and there were reductions in office costs, travel, and events.

Our 2020 accounts also include a provision of £3.7 million to meet potential costs arising from legal claims.

We set an efficiency target to generate savings of £2.0 million (2% of directorate budgets), which we felt was a realistic target that wouldn't impact on quality standards. Our ability to generate savings was constrained as we concentrated our efforts on handling the impact of the pandemic, but we still managed to deliver cost savings of £1.5 million by rationalising our accommodation requirements and deferring recruitment to vacant posts.

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Reserves policy and going concern

Our level of reserves and our reserves policy are reviewed annually, and any financial implications are addressed as part of the budget-setting process.

Our total reserves are made up of free reserves, reserves backed by fixed assets, and pension reserves.

We hold free reserves:

- to provide working capital to undertake our normal day-to-day business
- to provide funds to deal with any risks that materialise
- to provide funds to respond to new initiatives, opportunities and challenges that present themselves
- to cover the time period before any changes to fee levels take full effect.

A significant proportion of our total reserves is represented by fixed assets, which cannot easily be converted into cash at short notice without adversely affecting our ability to fulfil our charitable aims and statutory obligations. The value of fixed assets is therefore disregarded for reserves policy purposes.

The value of pension reserves is also disregarded for reserves policy purposes. The defined benefit scheme was closed to future accruals in 2018, and any deficit or surplus in the scheme can be managed over the medium term, so has no immediate impact on free reserves in the short term.

There is no standard formula that can be used to calculate the ideal level of free reserves. We follow the Charity Commission's guidance and set a target range based on our cash flow requirements and an assessment of the risks facing the organisation. We aim to hold free reserves at a level that is not excessive, but does not put our solvency at risk.

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 to £45 million. However, we recognise that the level of reserves will inevitably fluctuate year on year, reflecting variations in actual levels of income and expenditure compared with the budget. Our policy is to maintain actual free reserves in line with the target level over the medium term. If our actual reserves vary significantly from the target range set out in the reserves policy, we take action to address the variation as part of the annual budget-setting process to bring actual reserves back into line within a reasonable period.

Our total reserves at the end of 2020 were £64.6 million, made up of free reserves of £42.7 million, plus £17.9 million of reserves represented by fixed assets, and a pension reserve of £4.0 million.

The spread of the coronavirus (COVID-19) had a significant impact on our activities throughout 2020, and in overall terms our net costs were lower than planned. While the pandemic continues to constrain our activities in the early part of 2021, we are planning for our expenditure to be higher than our income in 2021 as we put in place recovery plans to return our operational activities to full capacity. We estimate that our free reserves will reduce to around £41.4 million at the end of 2021, which is consistent with our reserves policy. We will be reviewing our reserves policy later in 2021, prior to setting the 2022 budget.

The majority of our income comes from registration fees paid by doctors. All doctors must be registered with us to practise medicine in the UK, and so our income is relatively certain. Despite the impact of the pandemic, trustees remain of the view that the GMC is a going concern for the foreseeable future, and therefore have prepared the financial statements on a going concern basis.

There are no material uncertainties related to events or conditions that cast significant doubt on our financial stability for the foreseeable future.

Investment policy

Council is responsible for determining and reviewing the overall investment policy, objectives, risk appetite and target returns. Council has delegated to the Investment Sub-Committee responsibility for implementing the investment policy, appointing and managing fund managers, monitoring performance and reporting to Council.

Our investment policy separates our funds into four categories:

- those which are required as working capital for the normal day-to-day operation of the business
- those which we may invest under management
- those which we may invest in a trading subsidiary
- any residual cash balance.

We hold a minimum of £15 million as working capital for normal cash flow purposes. This is held in instant access bank accounts and provides sufficient flexibility to avoid temporary borrowing and/or the need to liquidate investments to deal with short-term variations in operational income and expenditure.

We originally invested £50 million under management in June 2019. Our target rate of return on funds invested under management is inflation (CPI) plus 2% over a rolling five-year period. This reflects our cautious approach to risk. We seek to provide protection against inflation; to generate a modest level of return; and to diversify our funds to reduce the risk of capital and/or revenue loss.

We have adopted a comprehensive ethical approach to investments. We believe that investing in certain companies or sectors would conflict with our charitable aims, or may create reputational damage. We do not wish directly to profit from, or provide capital to, activities that are materially inconsistent with our charitable aims and so we specifically exclude investment in companies that derive more than 10% of their revenue from: tobacco, alcohol, gambling, pornography, high-interest rate lending, cluster munitions and landmines, and the extraction of thermal coal or oil sands. We do not invest in companies that are under investigation for, or have been found guilty of, tax evasion or money laundering in the past three years.

We may invest in companies whose activities are consistent with, or supportive of, our charitable aims. We expect companies in which we invest to demonstrate responsible employment and corporate governance practices, to be conscientious with regard to environmental and social issues, and to deal fairly with people and the communities in which they operate. We may also use our position as an investor to actively engage with and influence the corporate behaviour of those companies we invest in.

We invest only through fund managers who demonstrate the strongest environmental, social and governance (ESG) credentials. When appointing fund managers, we take into consideration how they incorporate an assessment of a company's performance on ESG issues in their stock selection.

Our funds under management were valued at £57 million at the end of 2020, compared with £54.8 million at the start of the year. We generated a return of 4.55% in 2020 compared with a target of 2.65%.

We invested £0.6 million as share capital in GMC Services International Limited, a trading subsidiary of the GMC, at the end of 2016. Our investment at the end of 2020 was valued at £0.2 million.

Any residual cash not held as working capital or invested is held in medium-term deposits and/or interest-bearing accounts. We generated interest of £0.2 million on our cash balances, equivalent to an average annual rate of return of 0.47%. Cash held as working capital, and any residual cash, is shown on our balance sheet within current assets.

GMC Services International Limited

The trading subsidiary was incorporated as a private company limited by shares on 16 December 2016. It is a wholly owned subsidiary of the GMC and provides services on a commercial basis, including consultancy, training and accreditation. One of its main objectives is to introduce new revenue streams and so reduce the GMC's reliance on core financial resources. It will do this by gifting its profits back to the GMC for the purpose of delivering the GMC's charitable aims.

The GMC invested £0.6 million as share capital in GMCSI. In its early years of operation GMCSI generated net losses, but has been able to generate modest profits in the past two years. In 2020, GMCSI generated a net profit of £13,614 and ended the year with net assets of £237,854 and so no profits have been gift-aided back to the GMC. GMCSI is projected to generate further profits over the medium term.

The accounts presented here are consolidated group accounts to include our trading subsidiary GMCSI. The statement of financial affairs shows the consolidated position for the GMC and GMCSI combined. The balance sheet shows separate columns for the group position (GMC and GMCSI combined) and the parent charity position (GMC). Separate company accounts have been prepared for GMCSI.

Trustees' responsibilities for the financial statements

The trustees are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards). The law applicable to charities in England, Scotland and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the incoming resources and application of resources of the group for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the *Charities SORP*
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose, with reasonable accuracy at any time, the financial position of the charity and enable them to ensure that the financial statements comply with the *Charities Act 2011*, the *Charity (Accounts and Reports) Regulations 2008*, the *Charities and Trustee Investment (Scotland) Act 2005*, the *Charities Accounts (Scotland) Regulations 2006* (as amended), the Privy Council Directions issued under the *Medical Act 1983* and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Related party transactions

We require that all trustees and senior managers disclose details of any organisations in which they (and their close family members and business partners) hold a position of authority or other material interest and whose business could bring them into financial contact with the GMC. Details of any actual transactions between the GMC and related parties in the year must also be disclosed. We also publish a register of interests on our website.

In 2020, all disclosures were made and there were no issues of concern.