### Purpose of paper
To present the 2016 Annual Report and Accounts Council for approval

### Action
For decision

### Corporate Strategy 2016-19
To be transparent about our performance so that the public, patients, professionals and our partners can have confidence in our approach

### Business Plan 2017
Priority one: Continue to build a cost effective and efficient organisation

### Decision Trail
The Audit and Risk Committee on 7th June 2017 agreed that, subject to its approval of the amendments to the Annual Report text and an assessment of any material subsequent events up to the date of signing of the Annual Report, the Committee would recommend the annual report and accounts for the year ending 31st December 2016 to the Council for approval on 22nd June 2017.

### Next steps
The Annual Report and Accounts 2016 will be laid before UK and Scottish Parliaments on the 10th July 2017.

### Recommendations
The Council is asked:
- a) To approve the Annual Report and Accounts 2016; and
- b) To authorise the signing of the Annual Report and Accounts 2016 and letters of representation by the Chief Executive and Registrar & Accounting Officer and the Chair of the Council

### Authorship of paper and further information
Ian Brack, Chief Executive and Registrar, and Accounting Officer
Gurvinder Soomal, Executive Director, Registration and Corporate Resources
Matthew Hill, Executive Director, Strategy

### Appendices
Appendix 2. External auditors’ audit findings report and proposed letter of representation
| Appendix 3. National Audit Office audit completion report and proposed letter of representation |
1. Executive Summary

1.1. The General Dental Council Annual Report and Accounts and letters of representation for the year to 31 December 2016 require approval by the Council prior to being signed by the Chief Executive and Registrar, who is also the GDC Accounting Officer, and the Chair of the Council. The Annual Report and Accounts, the audit findings reports and the proposed letters of representation are attached as appendices to this paper and have been reviewed by the Audit and Risk Committee (ARC). A designed version of the Annual Report and Accounts will be prepared following signing of the Annual Report and Accounts and representation letters.

1.2. Once the documents have been signed by the Chief Executive and Registrar and the Chair of the Council, both the external auditors and the Comptroller and Auditor General of the National Audit Office will be able to sign the audit certificates.

1.3. The Annual Report and Accounts have been submitted to the ARC for review. The ARC agreed that, subject to clarifications and changes being made and an assessment of any material subsequent events up to the date of signing of the Annual Report being cleared with the external auditors and the NAO, the Annual Report and Accounts should be presented to the Council for approval.

1.4. The Executive are not aware of strategic risks that would impact on the conclusion that the GDC remains a going concern for the next 12 months. There are no other material issues detailed in this paper that warrant being highlighted in this executive summary.

1.5. The Annual Report and Accounts 2016 will be laid before the Scottish and UK Parliaments on 10th July 2017.

2. Introduction and background

2.1. The Dentists Act 1984 (as amended) states that the General Dental Council has to produce a report and accounts for each financial year. The Annual Report and Accounts have to be laid in the House of Commons and in the Scottish Parliament, with copies provided to each of the other two assemblies.

2.2. The GDC is required to complete its Annual Report and Accounts in accordance with International Financial Reporting Standards [IFRS], as adopted by the European Union, and as supplemented by directions from the Privy Council, take into consideration the accounting principles and disclosures of the Government Financial Reporting Manual (FReM). The Privy Council has appointed the Chief Executive and Registrar as Accounting Officer, with responsibility for the execution of the Council’s obligations under section 2C of the Dentists Act 1984. The Privy Council has also confirmed that the Accounting Officer is only asked to “take into consideration” the principles set out in Chapter 3 of Managing Public Money and wider guidance in this area.

2.3. The GDC also takes into account when preparing the Annual Report and Accounts the requirements of ‘Corporate governance in central government departments: Code of good practice 2011’ and any relevant pronouncements directed at Public Limited Companies regarding Remuneration and Governance reporting.

2.4. In line with all reports and accounts laid before Parliament, the GDC is required to obtain a certificate from the Comptroller and Auditor General (C&AG) who relies on the National Audit Office (NAO) to provide him with assurance. The C&AG will not sign this until after the Annual Report and Accounts have been approved by both the Council and our external auditors.

2.5. The GDC is a statutory corporation which is not a Limited Company, neither is it a government department or a Non Departmental Public Body (NDPB).

3.1. To support the Councils’ review of the financial sections of the Annual Report and Accounts, the Executive’s review covering 2016 and key financial information included in the draft 2016 Annual Report and Accounts, is as follows:

<table>
<thead>
<tr>
<th>Key information</th>
<th>Review completed</th>
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<tbody>
<tr>
<td>1. Income £46.4m (2015 £45.9m), an increase of £0.5m</td>
<td>The increase was largely due to an additional 463 Dentists renewing their registration in 2016, compared with 2015</td>
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<td>2. Expenditure - regulatory activities £35.9 (2015 £36.1m) a decrease of £0.2m</td>
<td>Increased expenditure in FtP and Registration, offset by reductions in other functions</td>
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<td>3. Expenditure - support activities £9.3m (2015 £10.5m) a decrease of £1.2m</td>
<td>The decrease is primarily due to a £1.4m decrease in Finance, HR and CEO costs, largely due to one off costs in 2015 relating to the completion of the organisational change programme and professional fees relating to the claim from HMRC for reimbursement of prior year tax and National Insurance Contributions.</td>
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<tr>
<td>4. Going concern review</td>
<td>The GDCs cash flow is very cyclical, with most income being received in December each year relating to the dentist ARF (£35m) for the following year and the DCP ARF in July each year (£7.5m). Monthly expenditure is steady, in the region of £3.8m per month. Current forecasts indicate that at the lowest point during the next 12 months - November 2017 - cash and realisable investments will be in the range of £5.0m to £10.0m, being some 1.3 to 2.6 months of operating spend. If the dentist ARF remains at £890 for 2018, cash resources will increase by around £35.0m in December 2017. So it is reasonable to assume that the GDC will have sufficient cash resources for the next 12 months of operations and can therefore be considered to be a going concern for the foreseeable future. The Executive are not aware of strategic risks that would impact on the view that the GDC remains a going concern for the next 12 months.</td>
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<td>5. IFRS v FReM – approach taken where guidance varies between accounting conventions</td>
<td>Under IFRS [IAS16], property, plant and equipment are required to be stated at cost, net of depreciation. The FReM recommends that IAS16 be adapted to measure these assets at current value in existing use. The GDC has consistently applied IAS16 and proposes to continue to do so. Putting the difference in context, relates primarily to the presentation of the leasehold improvements to 37 Wimpole St, where the cost is £12.8m and the estimated value in existing use, calculated by CBRE in November 2015 [following completion of the redevelopment work] was £13.5m. Depreciation would be on a similar basis under both bases: over the remainder of the lease, 20 years or 10 years or, if shorter, over their estimated useful lives.</td>
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6. Review of internal control issues

Mazars have indicated that, based on the audit work undertaken in 2016, the GDC’s strategic governance and risk arrangements were generally adequate and effective to manage its achievement of its objectives. However, at a local level improvements were required regarding the operational management of risks. See the Governance statement.

7. If there are any issues of materiality to the financial statements

In 2012, having concluded negotiations with HMRC regarding the taxation status of our committee members, panellists and inspectors, a claim for reimbursement of prior year NIC payments and payment via the PAYE Settlement Agreement was made.

The 2015 income and expenditure account included a credit relating to a net refund in the sum of £1.1m expected. £0.6m has been received from HMRC during 2016 relating to the NIC element of the claim, but £0.7m in relation to the PSA element has been approved by HMRC but is still outstanding.

8. Presentation of cost efficiency savings in the Financial Review

The Financial Review includes information on efficiency savings achieved:

a) New savings initiatives in 2016, plus on-going savings from initiatives started in previous 4 years - £4.1m
b) Cumulative savings over 5 years to December 2016 - £12.9m
c) Potential savings for 2017, plus on-going savings from initiatives started in previous 4 years - £3.6m

9. If there are any other issues in the ARA which would be of interest to external bodies

The 2015 Financial review included a reference to the GDC reserves policy. This reference has been updated to be in-line with the revised policy approved by Council in December 2016.

The Pension fund note to the accounts [note 19 in 2015], referenced a technical IAS 19 surplus of £5.9m at 31 December 2015. At 31 December 2016, this has reversed to a technical deficit of £0.6m – a technical loss of £6.5m (2016 gain of £3.6m). This does not relate to the triennial valuation of the defined benefit section of the pension scheme that was carried out as at 1 April 2015, indicating an actuarial funding level surplus of £1.5m and which recommended that the employer contribution levels to the defined benefit section of the scheme be set at 18% with effect from 1 April 2016 until the next triennial valuation.

4.2 To ensure that the Council is fully appraised of any financial performance issues, the Council will have the opportunity at the meeting to hear from the following, the:

- Chair of the Audit and Risk Committee - to feedback to the Council the results of reviews undertaken by the Committee;
Chief Executive and Registrar and Accounting Officer - to respond to enquiries concerning points of detail in the Annual Report for 2016;

Executive Director, Registrations and Corporate Resources and the Head of Finance and Procurement - to respond to enquiries concerning points of detail in the Accounts for 2016, and;

Auditors - to be available for questions on the financial audit work and to comment on the Audit Findings Report.

5. **Recommendations**

5.1. The Council is asked to:

a) Approve the Annual Report and Accounts for 2016

b) Authorise the signing of the Annual Report and Accounts 2016 and the letters of representation by the Chief Executive and Registrar and Accounting Officer and the Chair of the Council.

6. **Internal consultation**

6.1. The 2016 Annual Report & Accounts process has been managed as a project, coordinated by Corporate Projects. The project team have reviewed the content of this paper detailing the key assumptions and current material financial issues relating to the 2016 Annual Report and Accounts.

7. **Risks and considerations**

7.1. The risks and considerations relating to this decision are assessed as follows:

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<tr>
<th><strong>Communications</strong></th>
<th>The Annual Report and Accounts will be available online. It will be produced in a simply designed PDF that can be printed by interested parties. A hard copy version will be laid in the UK and Scottish Parliaments as required. The online version will be completed subsequent to approval by the Council, the signing of the required audit reports and the laying of the Annual Report and Accounts in the UK and Scottish Parliaments on 10 July 2017.</th>
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<td><strong>Equality and Diversity</strong></td>
<td>The Report includes a section on equality and diversity, in accordance with statutory requirement.</td>
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<td><strong>Legal</strong></td>
<td>The Annual Report and Accounts is a statutory report and is compliant with legal requirements, including the Dentists Act 1984.</td>
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<td><strong>Policy</strong></td>
<td>The sections on the FTP statistical report and on progress against the business plan, report on the GDC’s statutory duty of public protection.</td>
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<td><strong>Resources</strong></td>
<td>The proposals are within the GDC’s 2017 budget</td>
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<td><strong>National</strong></td>
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The Annual Report and Accounts must be formally laid in each of the UK parliaments. Arrangements are underway to do so.

8. Appendices

Appendix 2. External auditors’ audit findings report and proposed letter of representation
Appendix 3. National Audit Office audit completion report and proposed letter of representation