

Annual Report and Accounts 2018

Purpose of paper	To present the 2018 Annual Report and Accounts to the Council for approval.
Action	For approval
Corporate Strategy	To be transparent about our performance so that the public, patients, professionals and our partners can have confidence in our approach.
Decision Trail	<p>1 May 2019 – draft ARA circulated informally to Council. Generated a number of comments in relation to balance. Executive addressed the comments by moving some detail of the FTP statistical report to the end of the report and by extending the Chair’s and CEO’s forewords to provide greater coverage of the GDC’s activities</p> <p>16 April 2019 – subject to a small number of minor points, ARC approved a near-final version of the ARA for informal circulation to Council pending formal approval at its meeting on 30 May</p> <p>4 April 2019 – SLT considered the draft ARA and approved their submission to ARC</p> <p>21 February 2019 – ARC approved an outline of the ARA and a range of underpinning assumptions</p>
Next steps	The ARA will be submitted to the Privy Council to be laid before UK and Scottish Parliaments on 24 June 2019 (STC), after which they will be published.
Recommendations	<p>The Council is asked:</p> <ul style="list-style-type: none"> • To approve the Annual Report and Accounts; • To authorise the signing of the Annual Report and Accounts and letters of representation by the Chief Executive and Registrar & Accounting Officer and the Chair of the Council • To proceed to publish the ARA to be laid in Parliament

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<p>Appendices</p>	<p><i>Please note: the appendices listed are not provided with the public paper because</i></p> <ul style="list-style-type: none"> <i>a. the Annual Reports and Accounts are subject to embargo until laid;</i> <i>b. are confidential.</i> <p>Appendix 1: 2018 Annual Report and Accounts (for approval)</p> <p>Appendix 2: External auditors' audit findings report and proposed letter of representation (for approval)</p> <p>Appendix 3: National Audit Office audit completion report and proposed letter of representation (for approval)</p> <p>Appendix 4: Head of Internal Audit Annual Opinion (for information)</p>

1. Executive Summary

- 1.1. The General Dental Council Annual Report and Accounts and letters of representation for the year to 31 December 2018 are required to be approved by the Council prior to being signed by the Chief Executive (who is also the GDC Accounting Officer) and the Chair of the Council.
- 1.2. 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 ARC on 16 April 2019.
- 1.3. A formatted version of the Annual Report and Accounts will be prepared following signing of the Annual Report and Accounts and representation letters.
- 1.4. When 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.
- 1.5. The Annual Report and Accounts have been submitted to the ARC for its review, who 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.
- 1.6. 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.

1.7. The Annual Report and Accounts 2018 will be laid before the Scottish and UK Parliaments on Monday 24 June 2019 (stc).

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 (FRM). The Privy Council has appointed the Chief Executive 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 MPM guidance.
- 2.3. We also take 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. Key considerations for the Financial Report

- 3.1. To support the Council’s review of the financial sections of the Annual Report and Accounts, the Executive’s review covering 2018 and key financial information included in the 2018 Annual Report and Accounts, is as follows:

Key information	Review completed
1. Income £47.0m (2017 £46.3m), an increase of £0.8m	Higher income (£0.8m) from an additional 414 Dentists and 1,160 DCPs renewing their registration in 2018, compared with 2017 and income generated from our investments and sale of end of useful economic life assets.
2. Expenditure - 40.0m (2017 £39.0m) an increase of £1.0m	The significant (defined as variances over £0.5m) changes to our expenditure during 2018 were: <ul style="list-style-type: none"> ○ A £0.8m increase in policy and stakeholder management costs, reflecting our increased focus on Shifting the Balance and the restructuring of policy resources within the Strategy Directorate. ○ £2.3m incurred for strand one of our Estates Strategy. This programme of work will transfer some functions to

Key information	Review completed
	<p>our new Birmingham office and is projected to deliver net savings of circa £50m over 15 years.</p> <ul style="list-style-type: none"> ○ this was offset by a £3.0m reduction in total Fitness to Practise and Hearings costs.
3. Going concern review	<p>The cash balance of the GDC reduced to £42.3m (2017: £47.7m) at the close of the year. The balances are cyclical and peak in December/January and in July/August when dentists and DCPs pay their respective annual retention fees. GDC expenditure is evenly spread throughout the financial year.</p> <p>Monthly expenditure is steady, in the region of £3.5m per month.</p> <p>Current forecasts show that at our lowest cash position, November 2019, cash and realisable investments will be in the range of £15.0m to £20.0m, being some 4.3 to 5.7 months of operating spend.</p> <p>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.</p>
4. IFRS v FReM – approach taken where guidance varies between accounting conventions	<p>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.</p> <p>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.</p> <p>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.</p>
5. Review of internal control issues	<p>Mazars have indicated that based on internal audits completed that internal controls are ‘generally adequate’. See the Governance statement.</p>
6. If there are any issues of materiality to the financial statements	<p>The previously reported risk to income, being the credit for ‘adjustment to tax and social security costs’ has been resolved. HMRC settled the final value due to the GDC in January 2019.</p>
7. Presentation of cost efficiency savings in the Financial Review	<p>The Financial Review includes information on efficiency savings achieved:</p> <ol style="list-style-type: none"> 1.1. Actual savings from new initiatives in 2018, plus actual savings in 2018 from initiatives started in previous 4 years - £6.7m 1.2. Cumulative savings over 5 years to December 2017 - £12.5m

Key information	Review completed
	1.3. Potential savings in 2019 from initiatives started in previous 4 years - £6.5m
8. If there are any other issues in the ARA which would be of interest to external bodies	The 2018 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 March 2019.

4. Other matters

- 4.1. Following consideration by ARC, the draft report was circulated to Council members informally. That circulation generated a number of comments related to overall balance. It was noted that one effect of reducing the Council's reliance on the ARA as a communications vehicle (including, for example, the development of *Moving Upstream* as an alternative), was that material relating to FTP had become unduly dominant.
- 4.2. In response to these concerns, the Executive expanded the Chair's and Chief Executive's forewords to include greater coverage of the GDC's activities and repositioned most of the material relating to FTP at the end of the document (the drafting of which, save for minor and necessary changes to effect the repositioning, remained unchanged).
- 4.3. In addition, the Executive has undertaken to support the Council in holding a workshop exploring how the GDC's publications fit together in telling its story over a given period.

5. Recommendations

- 5.1. The Council is asked to:
- 5.1.1. To approve the Annual Report and Accounts; and
 - 5.1.2. To authorise the signing of the Annual Report and Accounts and letters of representation by the Chief Executive and Registrar & Accounting Officer and the Chair of the Council
 - 5.1.3. To proceed to publish the ARA and arrange for them to be laid in Parliament

6. Risks and considerations

<p>Communications</p> <ul style="list-style-type: none"> • The Communications team within the Strategy directorate are responsible for handling the communications and narrative element of publishing the Annual Report and Accounts. There is a reputational risk around publishing the financial information, but the accounts will follow a robust process and the key financial controls will act as mitigations. • The Annual Report and Accounts will be published externally in June. This will be laid before parliament and uploaded to the external GDC website.
<p>Equality and Diversity</p> <ul style="list-style-type: none"> • A specific section on Equality and Diversity will be included in the Annual Report and Accounts. • The Communications team will explore the timetables for producing translated copy, synchronising as much as possible with primary, English language copy. <p>Identify minimum (legislative and/or policy) accessibility requirements.</p>
<p>Legal</p>

- Pursuant to section 2C of the Act, the GDC is required to prepare and publish a statement of accounts in a form determined by the Privy Council. The Privy Council has appointed the GDC's Chief Executive as Accounting Officer and in that capacity, he has responsibility to discharge the Council's obligations under section 2C. The Privy Council has confirmed that the statement of accounts should be prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and as supplemented by directions from the Privy Council. The Privy Council has also confirmed that we are only asked to "take into consideration" the principles set out in Chapter 3 of Managing Public Money. The GDC, in accordance with section 2C(2) and (3) has appointed haysmacintyre as auditors. The GDC discharges its obligations under section 2C by publishing annual accounts.
- We also take 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. Links and comments on these documents will be provided in the NAO audit planning report to the Committee.

Policy

- This proposal has no impact on GDC policy decision-making.

Resources

- There are no cost implications. All costs are covered by the budget.

Risks on registers

- Not linked to any risks on registers, but related to the Mazars Fact Finding and Lessons Learned – 2016 Annual Report and Accounts Review – Final Report.