

Summarised questions and answers from the AGM 2019

During 2018 and 2019 the Company has undergone significant change as it transitions into an LMC owned and led organisation; this transition saw the membership restricted to nominees of LMCs and efforts continue to be made to identify the needs of LMCs, all of which is summarised in the Chair's address to the meeting.

Part A: Questions related to the Annual Report and Financial Statements

Why was the amount received from the BMA in 2018 only £300,000 compared to £1,393,000 in 2017?

Negotiations with the BMA were concluded in early 2018 to resolve the position with regard to, for example, the £1,393,000 to which the Company was entitled for various accounting periods ended 31 December 2017; also, the BMA agreed to pay a contribution to the GPDF of £300,000 for the six months ended 30 June 2018. Subsequently, we paid the BMA £680,000 relating to the half-year to 31 December 2018, in accordance with the Deed of Grant for the 2018-2019 Session.

Expenditure for some items is lower than last year – for example, the cost of conferences is 50% less than last year and honoraria is also less. Is this because of the agreement with the BMA?

Following agreement in early 2018 the GPDF ceased to pay honoraria to members of GPC and its national committees who attended conferences, but following agreement reached in 2019, the BMA paid an additional 1 day of honoraria to each of the Chair, Deputy Chair, members of Agenda Committees and Policy Leads of the UK, English, Welsh and Scottish LMC Conferences, to recognise the additional work contributed by these individuals in the quarter leading up to those Conferences. In accordance with the 2019 agreement, the BMA provided administrative and organisational support for LMC conferences and was solely responsible for the costs of members of GPC; whilst the BMA provided the venue for the conference of LMC Secretaries free of charge catering costs were met by the GPDF. The GPDF does not pay honoraria to those attending conferences.

2017 was a busy year, not least because it saw the launch of the new Scottish contract, which necessitated a special conference. Another contributory factor was that the Annual UK Conference of LMCs was shortened to 1 and a half days.

As far as honoraria are concerned, the Deed of Grant to the BMA was to ensure that existing members of GPCs and the executive teams would not be disadvantaged. Taken together, the aggregate value of the Grant and honoraria in 2018 is comparable to the 2017 value for honoraria.

Research, Communications and Restructuring are big items what makes up these figures?

Restructuring costs, principally legal costs, included amending the Articles in February 2018 to enable nominees of LMCs to be the members of the Company, which required a Special Resolution. Also, most of the expenditure related to the negotiations with the BMA which were hampered by personnel changes amongst their senior team. Part of the cost related to employment issues regarding the 10 members of the GPC Executive and the application of TUPE. Also, during the year we incurred legal fees to recover the £1.5 million outstanding for several years from the BMA, which is explained in Note 4 to the 2018 Financial Statements. Other costs included GDPR advice for LMCs, fixed rate loans and interest swaps as well as preparatory work to rewrite the Company's Articles in plain English

The cost of research and communications relates to several pieces of both quantitative and qualitative research undertaken with LMCs (notably on national representation and conferences) in order to help GPDF shape its future commitment to LMCs. It included three workshops in autumn 2018 in Glasgow, Leeds and Reading, as well as expenditure on defining the Company's purpose and strap line, work on the website and the Annual Report for 2017. Research helped us to tease out that the Number One priority is appropriate national representation, but some LMCs don't contribute yet continue to enjoy the benefits of being a member of the

Club, which is not sustainable in the longer term. The investment in research is crucial to delivering what LMCs want, namely excellent national representation, conferences and, in future, support to LMCs, all designed to ensure that LMCs want to contribute to the greater good of general practice.

Does the spend on communications deliver value-for-money?

In the past, there was real criticism of what the GPDF was doing and to understand that criticism we needed to communicate in different ways. We did so by gathering data at workshops and through focussed research, then reflecting this knowledge back to LMCs and through our website. Our aim is to deliver better value and constructive criticism from LMCs will play a part in enabling us to do that.

We recognise that communication is a two-way street and in the case of PCNs, for example, the GPDF stepped up when the BMA and NHSE ought to have addressed many of the practical issues associated with the new contract. Working with our lawyers, the GPDF issued information promptly and at no cost to LMCs, somewhat contrary to the position adopted by BMA Law. Any LMC or groups of LMCs like Londonwide LMCs that had themselves invested in responding to the new challenges are encouraged in future to share their information and experience with the GPDF.

Why are amounts paid to individual members of Executive Teams no longer disclosed?

It is simply because the GPDF no longer employs and pays the members of Executive Teams so that we now only disclose amounts paid to Directors; the amount paid to employees is shown in aggregate as required by the Companies Act 2006.

The average number of employees is shown as 14. How is that figure arrived at?

The period of service during 2018 for each Director and employee was calculated then aggregated as follows: 8 Directors served for 12 months each, 2 for six months each, 2 for three months each, in aggregate 9.5 months; a similar calculation was done for the GPDF's employees during that year and the total rounded to 14.

The Balance Sheet and Notes to Financial Statements describe levies due from LMCs as Debtors, why?

The accounting policies adopted by the GPDF are summarised on page 17 of the Annual Report, and the policy for levy contributions (1.3) says that "*Voluntary levy contributions, net of provisions, are taken to income in the year to which they relate.*" Consequently, at 31 December 2018, amounts yet to be remitted by LMCs are shown as debtors (net of a provision for amounts unlikely to be collected); most of these amounts were collected in 2019. However, because the amounts to be collected from LMCs are voluntary, in future the description will change to better reflect what they really are, namely ***amounts receivable*** from LMCs.

Shortly, and in order to improve transparency, details will be posted on the Company's website showing total amounts unremitted by those LMCs that have yet to enter into an agreement with the GPDF to remit funds for 2018 and prior years.

How liquid are the GPDF's investments and how well have they performed?

Sarasin LLP manages the GPDF's investment portfolio on a discretionary management basis and they ensure that the Company has ready access to liquid funds should that be required.

As to performance, global markets fell in Q4 2018 with most of the decline occurring in December 2018. That year saw the end of QE and a tightening of monetary policy which together posed a big test for financial assets. However, the GPDF's portfolio's return was significantly better than global equity returns, offset by the performance of Government bonds and property. Markets are influenced by global factors, as well as Brexit, and 2019 is likely to be impacted by the US/China spat and central bankers continue to transition from quantitative easing to quantitative tightening.

Audit fees look high in relation to turnover; how do you manage the procurement of services?

In common with most organisations, the Company periodically market tests the cost of all services purchased and invites competitive tenders from several suppliers. However, relating audit fees to turnover is not a sophisticated measure and not necessarily comparable particularly considering the challenges faced by the Company in recent years including the change in membership and negotiations with the BMA, both of which are referred to in the Annual Report and Financial Statements.

Part B: Questions related to the Chair's Address to the meeting

What is the strategy to manage the GPDF's investment portfolio, because you appear to have lost money in 2018? What level of investment are you comfortable with and what crisis triggers that?

As explained earlier, Sarasin LLP manages the GPDF's investment portfolio on a discretionary management basis, and the values reported in the balance sheets at 31 December 2017 and 2018 are shown at fair value as required by the Companies Act 2006. Changes in fair value from year to year are reported in the Income Statement and the negative adjustment in 2018 reflected the downturn in global equity markets in late 2018. No cash loss was crystallised as the securities had not been sold; on the other hand, as shown in the Income Statement, securities sold during 2018 realised a gain just short of £100,000.

Several factors influence the level of investments that the Board deems prudent, including the possible demand on resources for action in response to contract implementation and, necessarily, the requirement to demonstrate that the Company continues to be a going concern, which would include adjusting for liabilities such as the future cost of entering into a Deed of Grant with the BMA for several years. Nevertheless, the Directors are committed to supporting LMCs, hence their decision to rebate initially approximately £1M before the end of 2019.

What budgeting process does the GPDF have?

Towards the end of each financial year, the Board considers its objectives and plans for the coming year and then the likely variations for the subsequent twelve months beyond that. Income and expenditure items are quantified and translated into a budget and cashflow projections. From an audit perspective the Company is asked to present projections for a period at least twelve months beyond the date on which the auditor signs his opinion. The budget and cashflow projections are approved by the Directors ahead of announcing the per capita levy rate to LMCs.

When the per capita levy rate is announced in future, the Company intends to provide a commentary to highlight key elements of the budget on which it is based; however, the form and content of that has yet to be determined.

Why doesn't the GPDF simply reduce the per capita levy so that LMCs have more immediate access to funds?

As explained earlier, before the end of 2019, the Company will rebate approximately £1M to LMCs in order to reduce the 2019 per capita value to 4p per registered patient, nevertheless recognising that once reduced it is more difficult to increase the rate back to its previous level. Looking to the future the GPDF is concerned to ensure that funds entrusted to it are spent well and deliver value-for-money on national representation and conferences. Looked at differently, the GPDF is focused on improving efficiency not simply cost cutting; this could mean that LMCs may in future be asked to meet different forms and values of expenditure in order to achieve that objective.

What support is available to LMCs for legal action?

The information to help an LMC enquire about support for a legal matter is set out on our website together with the Company's policy on what the requirements are. The GPDF will support cases that provide benefit to a group

of doctors or practices and that can be seen to have an application wider than that of an individual or practice. LMCs are encouraged to contact the GPDF at the earliest opportunity and if viable the GPDF will provide the necessary support.

Which of the BMA, GPC or the GPDF is best to approach in the first instance when seeking legal support?

The Company has not yet published a list of FAQs but if such a list would be beneficial then the GPDF will certainly respond to LMC suggestions which may help to clarify this often very tricky question.

Several questions were raised which, in his response, the Chair suggested should be raised at the September workshops; these included, for example

- the duration of the various national Conferences; and,
- whether the Company's updated Articles of Association will extend membership of the GPDF not just to individual LMCs but also to any larger grouping of which they form part, for example, a federation or consortium?

End of questions