

## Questions addressed at the GPDF's AGM on 11 September 2020

1. GPDF running costs including expenses, directors and staff costs, research and communications accounts for over £900k of The Fund's expenditure. This spending consumes a third of the income received from LMCs. For a fund whose purpose is to collect money in and pay it out to support GPs, these internal running costs seem proportionately very high. Will the Board comment on its running costs?

*Answer: The £900,000 referred to is the aggregate of three captions, Salaries of £427,000, Research & Communications of £361,000 and Fares & Subsistence of £121,000. The fraction of one third is derived from using the Voluntary Quota Contributions figure of £2,750,000. All of these figures appear in the Income and Expenditure Account for 2019.*

*We need to recognise that the Income figure of £2,750,000 is depressed by the rebate of almost £1,000,000 granted in December 2019, and write-offs and provisions for unremitted quotas. Once adjusted for these items the percentage referred to is significantly less than 33%.*

*So, what is delivered for the running costs? Looking back over 2019, I believe we accomplished a lot, much of which is described in the Annual Report, but let me highlight a few matters.*

*We started redrafting and updating the Company's Articles of Association, and began preparations to recruit two new Independent Directors; we issued Invitations to Tender to 3 firms of lawyers and 3 firms of auditors before a panel of Directors interviewed each firm; we organised a presentation and advice note on cyber security; we invested in developing a GPDF website, published 4 Newsletters starting in April 2019 up to and including January 2020 – and we continue to mail out Newsletters to several hundred people in LMCs as well as to nominees – and we have used the website to make announcements, to provide guidance to readers such as that on Witness Summons or Court Orders, published updated consolidated Regulations including Fees and Allowances, and several more pieces of information for the use of LMCs and practices, including 19 guidance notes in relation to PCNs.*

*None of this was done on a whim. LMCs asked us to engage with members, listen and be more accountable. We set out to reach that goal and - in summary, we held workshops in Glasgow, Manchester and London which translated into 21 workshop sessions and 3 presentation/Q&A sessions. On the website, you can find the workshop reports for 2018 and 2019. The latter, for example, addressed National Representation, non-payment of quotas, GPDF activity to support LMCs, value for money and many other matters – so I encourage you to access the report when you have time.*

*By the way, one of many suggestions was for the GPDF to commission "an LMC Officers' Handbook" and I can confirm that in 2020, amongst other things, we have, following an approach to GPDF, initiated a project working with a number of LMC colleagues, to develop an induction and training package for newly elected Chairs and LMC Officers and for newly appointed Senior Managers / Directors, in other words going some way beyond simply a Handbook.*

*I and several of my fellow Directors have been involved with individual LMCs offering support to their officers and arranging for lawyers to assist them.*

*So, all in all, and in my other role as Chair of the Board of YORLMC Ltd, I am conscious of the need for and demand the GPDF not to be profligate or waste money and I am firmly of the view that whilst the GPDF faces many challenges it does deliver value-for-money to members. Downward pressure on running costs forms an integral part of my ongoing strategy.*

2. How many staff does the fund employ?

*Answer: As disclosed in Note 2, There are three employees (one a director) and eight further directors, so a total of 11. (in 2018 - 14). Amounts paid to directors of the Company who served during the year are listed in note 12.*

*In response to a later question, the Chair reminded those present that the remuneration of the GPDF's employees was recommended by the then members of the Remuneration Committee and approved by the Board after taking into account the experience, knowledge and qualifications of the individual. He went on to confirm that the Remuneration Committee as re-constituted is entirely independent of the Board because none of the individuals involved is a Director of the GPDF or the nominee of a LMC.*

3. Expenditure on conferences and supporting LMCs would seem to be core business for the GPDF however expenditure on these items comes to just over £550k or 20% of voluntary levy contributions. This appears disproportionately low. Can the board outline plans to re-balance expenditure?

*Answer: Incurring expenditure on Conferences is indeed an integral part of National Representation and supporting not only LMCs but also the GP profession is a core element of our business.*

*That said, much depends upon the definition of support. For example, the figure highlighted is the aggregate of expenditure on conferences - £320,000, and LMC development support and PCNs - £234,00, making a total of £554,000. However, the GPDF did in fact commit much more than £550,000 – for example we rebated quotas of just short of £1,000,000 in December 2019 after reducing the per capita value by 10% compared to 2018.*

*Again, in 2020 we reduced the per capita value from 4 pence to 3pence, albeit temporarily to help LMCs with the disruption of COVID 19.*

*Although it does not sound much, that 1p reduction returned a further £650,000 to LMCs. Please do not forget that our support for LMCs and through them the profession also includes National Representation, as well as our support to the GPCs, which adds a further £1,400,000 to the total. Rather than £550,000, I believe the value of support provided to LMCs and the profession in 2019 amounted to not less than £2,950,000.*

*At a macro level, you will have seen that the Operating Deficit in 2018 was £74,000 which grew to £514,000 in 2019*

*Re-balancing expenditure is always a challenge because an integral element of that equation is clearly the sums collected in the form of quotas or levies*

*As collections reduced over the last few years, either because the Directors responded to the demands of LMCs or because of non-remittances, total expenditure did not; although how the expenditure is classified has changed.*

*It is now more accurately accounted for based on how it has been used rather than the underlying nature of the expenditure.*

*We shall continue to support LMCs in various ways and along the lines of what I described earlier including national representation, the grant to the BMA and Conferences. Let me repeat what I have already said, namely that in 2020 we reduced the per capita value from 4pence to 3pence, albeit temporarily, to help LMCs with the disruption of COVID 19. Please do not forget that the 1p reduction benefitted LMCs by £650,000.*

*During 2020 we have been engaged in a proposed project, working with a number of other LMC colleagues, to develop an induction and training package for newly elected Chairs and LMC Officers and for newly appointed Senior Managers or Directors.*

*I should add that because of COVID several expenditures have not been incurred but were postponed for several months, even up to a year. Most notable, of course, is the Annual Conference of LMCs due to be held in York at the beginning of May has been pushed back by 12 months which, together with the cost of travel & subsistence, indicates an under-spend of close on £300,000 during the first half of 2020. Offsetting this apparent saving, however, is a shortfall in investment income in the six months of some £60,000, again largely attributable to COVID.*

4. Why has the cost of legal services increased so significantly? Is this advice for the GPDF itself or LMCs?

*Answer: The cost comparison referred to is that shown in Note 4 of the Financial Statements.*

*Let me begin by reminding everyone that back in 2018, ownership of the GPDF passed from the voting members of GPC UK to nominees of LMCs. This resulted in the BMA taking back sole responsibility for funding the GPCs – UK, England, Scotland and Wales and, as part of the transition, the GPDF was required to move its back-office function away from the BMA's finance department. As you will appreciate this caused significant disruption to our systems and procedures.*

*So rather than attempting to compare two columns of figures, let me tell you how the 2019 legal costs of £210,000 were spent.*

*The largest item of £50,000 related to updating and amending the Articles of Association which were adopted in early 2020. As well as aligning them with the Companies Act 2006, they were rewritten in plain English to make them easier to read and understand. Not only that, they made explicit that on a winding-up any cash or assets distributed will be returned to members who will hold such funds in trust for their LMC, rather than the funds being given or transferred to some other body with objects similar to those of the GPDF. The amended Articles also increased the maximum number of independent Directors, but they ensure that Directors elected from amongst the members will always be in the majority.*

*We spent £40,000 on legal advice to safeguard the GPDF's Intellectual Property, trademarks and co-branding arrangements with the BMA. We spent a similar sum on advice regarding the law of defamation because of the distress caused at the Belfast Conference, and the Directors' concern that the Company could be drawn into that dispute. The nature of the issues which surfaced in Belfast led the BMA to commission Daphne Romney QC to report on the concerns that had emerged.*

*Looking at the analysis, we perhaps ought to have reclassified some £45,000 to the heading “support to LMCs” because it related to assisting two LMCs and clarifying the scope of Primary Medical services.*

*We also spent £35,000 on Employment advice, much of which related to the 10 former employees of the Company (the members of the various Executive teams) transferred to the BMA as well as drafting a comprehensive handbook for use by Directors and employees.*

5. At the 2018 AGM we heard that there were some costs associated with re-positioning financial arrangements with the BMA which were expected to be a one-off and complete yet there is still over £300k of cost for 2019 shown in the accounts. Can the board provide assurance that there will be no further cost next year?

*Answer: Let me begin by reminding everyone of what happened in 2019 regarding the negotiations with the BMA. Instead of finalising just one Deed of Grant we finalised two and started on a third. In January of 2019 we finalised the grant for 2018/2019, then in October we signed-off the grant for 2019/2020 and immediately started to try to reach agreement not only on a grant for 2020/2021 but for three years running through until 2022/2023.*

*As a result, things became understandably more complicated because of several matters that had been deferred simply to get us into a position to sign-off 2018/2019 and 2019/2020. They simply could not be left unresolved for a further three years.*

*From our discussions it became apparent that the BMA was and is keen to improve the efficiency of all three national committees and GPC UK. Consequently, we proposed a joint project with the BMA to deliver value for money. As part of our commitment we scoped out how the project might be approached but at that time the BMA was facing other challenges, not least addressing the recommendation of the Romney Report and the over-arching Governance Review of the BMA’s structure that had started. We reached early agreement that the BMA would also address recommendations in the Meldrum Report that remained to be implemented, but we felt that neither Romney nor Meldrum would yield any significant improvement in efficiencies although they would contribute to the general aspect of Representation.*

*Both parties had high hopes of reaching early agreement on the grant for periods beyond June 2020, but COVID, of course, has caused setbacks.*

*We shall need legal support with regards to finalising the Deed of Grant, but I remain hopeful that we can reach agreement before too long, put the matter behind us and increase further our support to LMCs.*

*In conclusion, please rest assured that the Board is very conscious of the costs of involving lawyers and other advisors and we shall do everything possible to limit this form of expenditure.*

6. What are the ethical considerations given to the investment portfolio? Is there support for alcohol, tobacco and the oil industry?

*Answer: The GPDF has always had an ethical policy relating to arms and tobacco. This is not always simple in a diversified global economy with the greater use of investment funds.*

*The current policy is shown on p24 of the Annual Report*

- *No direct investment is made in tobacco or arms companies*
- *Companies that derive less than 5% of their sales from tobacco or arms are however permitted.*
- *For indirect investments (Unit and Investment Trusts) the GPDF avoids investment in a fund in which a tobacco or arms company featured in the top ten of stocks held.*
- *Sarasin check regularly (i.e. every six months) that the funds held do comply.*

*As at the 31 August 2020 the portfolio held no direct investment in either tobacco or armament companies.*

*Sarasin has confirmed that with regard to other funds, the GPDF has no exposure to tobacco or armaments in the top 10 ten holdings of these funds.*

*Sarasin has provided links to their articles and updates on climate change and fossil fuels as follows*

<https://sarasinandpartners.com/think/bps-reduction-it-its-oil-and-gas-prices/>

<https://sarasin-partners.foleon.com/sarasin/house-report-q3-2020/covid-19-underlines-the-need-for-harmony/>

<https://sarasinandpartners.com/think/oil-gas-company-ambitions-emissions-webinar-hosted-by-carbon-tracker-initiative/>

7. How many sessions or hours per week are required of Directors and the Chair?

*Answer: The GPDF does not operate on a sessional or hourly basis as the nature of the business, and its low staffing numbers require considerable flexibility.*

*The chair is contracted to provide a notional average of three days per week, but with the expectation of devoting such time as may be reasonably required and necessary to fulfil the requirements of the role. No overtime or additional payments are made.*

*Directors are to provide a minimum of 9.5 days per year, including at least 4 board meetings of varying duration and up to 14 half days.*

8. The annual report contains lots of information on financial affairs, but little on how you've creatively used your wealth to support the profession. May we have your comments?

*Answer: The title of the Annual Report extends to the Financial Statements. The report and the Chair's address outlined activity throughout 2019 and the early part of 2020, particularly in respect of National Representation, the significant investment responding to the introduction of PCNs in England, updating the GPDF's Articles, as well as the reduction in the per capita rate in both 2019 and 2020, down to 3p per registered patient. On top of that, there was the rebate of £1M in 2019 all of which was designed to support LMCs and the profession. The response to an earlier question includes reference to some £45,000 spent supporting two LMCs and clarifying the scope of Primary Medical services.*

***Also, the plan is to introduce emphasis on future planning both corporate and for each Director with the clear intention of bearing down on cost, including holding the BMA to account for the grant paid to it by the GPDF.***

***But a word of caution; the GPDF does not see its role extending to direct or indirect investment in individual practices requiring financial and/or other support.***

9. I'm delighted you have reduced the levy and made a rebate, but at previous AGMs we've expressed a concern about you sitting on £13 or £15 million. You now appear to be sitting on nearly £18 million. We accept a reserve is needed, but please could you spend some of it to the benefit of a struggling profession?

***Answer: These figures must be considered in context, particularly the fact that since 2014 the GPDF has applied Financial Reporting Standard (FRS) 102. Investments are stated at fair value rather than at historical cost, which is why Members' Funds at December 2015 were reported as £12.5M; at December 2016 that became £14M then £16M at December 2017; £15.3M at December 2018 and £17.1M at the end of 2019.***

***FRS 102 requires that the non-cash change in fair value from one year to the next is reflected in the Income Statement. As stock markets fluctuate so too does the surplus or deficit for the reporting year. This resulted in unrealised losses of £1.1M being recognised in 2018, but as markets recovered in 2019, £2.3M of unrealised gains (2018 -V – 2019) were recorded. As previously highlighted, in 2020 stock markets remained volatile and in the first three months of the year the portfolio lost almost £3M of value before recovering to £16M in August. One must remember that Corporation Tax (calculated using the historical cost of the investments) is payable if the portfolio is sold. At December 2019, the provision for deferred taxation of £1M effectively reduced the portfolio carrying value from £17.6M to £16.6M.***

***Turning to the Financial Statements, they were prepared on the going concern basis which required the Directors to consider the ability of the company to continue in business, not simply its net asset position. Note 3 explains that if the GPDF reaches agreement on a 3-year deal with the BMA that will commit the Company to pay grants of up to £5M over that time.***

***Much will depend upon the resilience of the global stock markets in the coming months and years, but assuming no dramatic realignment caused by a No Deal Brexit, or the US Presidential election, or a prolonged economic downturn caused by COVID, net assets are unlikely to significantly exceed £16M or £15M net of taxation from which would be deducted the future commitment of £5M.***

***In December, the Board will consider its objectives, strategy, and operating plan for 2021 and beyond, and this will involve identifying risks to the financial stability of the Company. On the back of COVID it is possible that both personal and corporate taxation will rise which could easily impact the ability and willingness of GPs and LMCs to continue to fund the GPDF, one of the key determinants of the Company's continuing financial health.***

***Based on research conducted over the last two years there is no consensus on what projects LMCs would like the GPDF to support; that said some LMCs have made it clear that they do not wish to subsidise the day-to-day operating costs of others, which is why the GPDF has preferred to treat all LMCs equally (other than those that fail to remit their quota) by reducing the per capita rate or rebating the quota. However, the GPDF remains committed to investing for the common good, for example, the Project for the Induction & Ongoing Personal Development of LMC Officers & Staff, and all LMCs are encouraged to suggest projects which are scalable and of wide application.***

10. Of 3.6 million expenditure shown on the balance sheet, 1.9 million is spent on the aims and objectives of the GPDF, the remaining £1.7million is on admin, salaries, restructuring, legal, accounting, and consultancy fees. Is there any prospect of improving this ratio?

**Answer:** *Delivering value-for-money is very much at the forefront of GPDF planning. As explained earlier, in 2019 the cost of legal services was reviewed; the GPDF also changed auditor and the Directors continue to exert downward pressure on costs. Although still to be agreed, the aspiration is to achieve a 3-year arrangement with the BMA with a consequent reduction in associated legal fees. As far as legal fees are concerned, in the foreseeable future there will be no need to further revise the GPDF's Articles of Association. Over the coming months, the Remuneration Committee will make recommendations to the Board regarding levels of remuneration for the Directors and employees. As stated earlier, delivering value-for-money is very much at the forefront of GPDF planning and that will be on the Agenda at the Board's meeting in December 2020 when it plans for 2021.*

11. We don't begrudge the directors their fair remuneration, but is the huge expenditure on legal and consultancy fees justified?

**Answer:** *Answers to this question were provided earlier.*

12. Can we have some specific success stories of how the LMC development grant programme is working? [in 2018 the scheme agreed a year previously had not actually started. In 2019 the balance sheet mentions a sum of £234,086 spent on LMC development, support and PCNs, but I'm not sure if this is the development grant scheme money]

**Answer:** *It was with regret that after re-evaluation it was decided that the LMC development grant scheme in the form proposed by the Board in 2018 could not continue. Several LMCs put forward proposals but the review committee made up solely of LMC representatives concluded that the anonymised bids should not progress based on the submissions. Of the £234,000 reported in the Income Statement the substantial majority was spent on supporting PCNs.*

**Looking forward, the GPDF's Annual Report for 2020 will emphasise how LMCs were supported during the year.**

13. As you will remember, John relayed only the second of the above questions, but he omitted the reference to 13, 15, and 18 million, which means that less seasoned attendees will not have a measure of the size of the GPDF assets or of how much they have continued to accumulate in recent years.

**Answer:** *The answer to question 9 above provides more in response to this question, which the Chair then expanded in relation to the reference of £18M (that amount is the total shown for total assets less current liabilities and before the provision for deferred taxation attaching to a disposal of the portfolio). He repeated the result of research undertaken by the GPDF, namely that, on the part of LMCs, there is no consensus regarding how the GPDF can, in the immediate term, support the profession other than, for example, the £1M rebate passed in 2019 or the reduction in the per capita rate approved in 2020. He emphasised the need for caution in the use of funds particularly given the potential consequences of COVID.*

14. I'm grateful that the reorganisations of recent years have set the GPDF on a positive track, but I still find it rather hard to justify to my grassroots LMC members and their constituents what they are getting in the way of value from their voluntary levies when the cost of running it is nearly half the turnover and 10% of its very large reserve fund.

*Answer: Delivering value-for-money is not just about spending less but spending well and wisely; in other words, achieving the most advantageous combination of cost, quality and sustainability to meet requirements. Having surveyed LMCs over the last two years, it is evident that what is most valued is National Representation and the several LMC Conferences held each year. Members of individual LMCs may wish for funds to be spent on other things, but the Board seeks to act in the best interests of the majority as confirmed by the research undertaken.*

*The Directors take their responsibilities very seriously and they are confident that they act not only in accordance with the GPDF's Articles of Association but also those sections of the Companies Act 2006 which specify the general duties of directors including promoting the success of the company.*

*As far as individual LMCs are concerned the Chair is always happy to be contacted to answer questions. In addition, and as a follow on from the successful workshops, the Chair of the GPDF and his fellow Directors are planning to meet with LMCs, remotely for the time being, to engage in dialogue and to explain what the GPDF accomplishes on their behalf.*

*Several other questions were posed and Dr Moederle-Lumb responded as follows:*

- a. To clarify the Company's position regarding future rebates and the current per capita rate of 3p, he reiterated comments included in the Annual Report for 2019 and in his earlier address that this was a temporary feature designed to assist LMCs with the challenges caused by COVID. Nevertheless, it will be debated at the Board meeting in December when the Directors consider their plans for 2021.*
- b. With regard to the Project for the Induction & Ongoing Personal Development of LMC Officers & Staff, he confirmed that, whilst there will be a high degree of commonality, nation specific material will be included in order to accommodate differences facing GPCE, SGPC and GPC Wales.*
- c. In response to a request for the email addresses of individual Directors to be shared with members, he would seek advice, because it is in no one's interest to breach the GDPR, and if it was considered to be good practice the information would be posted on the Company's website.*
- d. He acknowledged the request for the GPDF to provide FAQs specifically on the business aspects of general practice and he agreed to actively consider how best to address the issue.*