



Royal College  
of Surgeons

ADVANCING SURGICAL CARE



# Annual report and accounts

for the year ended 30 June 2016



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# President's Foreword

The past year has been one of change. Our new Council, with full members from the ten SAC-recognised surgical specialty associations, now fully represents the diversity of surgery. The RCS Board, with its elected surgical trustees and lay members, reflects a modern trustee body. I am pleased to present some of the achievements of the RCS this year in delivering the Council's vision of advancing surgical care.

Our strategic priorities for 2015–2019, launched at the beginning of this year, were a focus for action and resource so that the RCS is positioned to meet the challenges facing surgery now and into the future. The three strategic aims are to: advance standards and reduce the variability of patient outcomes; attract, educate, develop and support high-quality surgeons; and influence and shape future health policy and practice to advance standards of surgical care nationally and internationally. This report highlights the progress we have made in the first year in delivering these priorities.

The increased demand on limited resources in the health service has been a major theme this year and the RCS has been vocal on behalf of surgical patients and surgeons. We have seen a rise of delays or blanket bans on treatment purely for financial reasons and not backed up by evidence from the National Institute for Health and Care Excellence, a medical royal college or other professional association. We have had many successes in highlighting that NHS surgical treatment should be based on clinical guidance and patients should be dealt with on a case-by-case basis.

Next year our ambitious plans to transform the way we support our membership in the regions will be much in evidence as we start the redevelopment of our buildings in Lincoln's Inn Fields. Our aim is to create a world-class examination, training and member space in a modern, efficient and smaller building in London and deliver improved presence and training in the regions.

It is impossible in a short foreword to acknowledge the many people and activities of the RCS, all in support of the strategic aim of advancing surgical care. I thank the many staff members and surgeons from across the UK who give their time and energy to help us.

**Miss Clare Marx**

**President**

The Royal College of Surgeons of England

# Chief Executive's Introduction

This report documents the activities of The Royal College of Surgeons of England and presents our financial statements for the year ended 30 June 2016. I am pleased to present this, my first full annual report as Chief Executive.

Building on the governance changes introduced in 2015, alongside the development of a new strategy, the RCS has pursued a number of initiatives to promote improved quality and standards, support career and professional development, and strengthen its working with members and policy-makers. It has also pursued its plans for the development of the RCS buildings in London as well as establishing a programme of events for regionally based fellows and members. Our membership continued to grow so that we are now well past the important 25,000 member mark.

The RCS has continued to focus on business processes and efficiencies, implementing a new pay and grading system for staff, reviewing its cost base, and, towards the end of the year, putting in place new leadership arrangements. We have also put in place a team to take forward the work of improving our efficiency to the benefit of the service we provide to all stakeholders and particularly our membership.

While it is disappointing to report an overall loss on our activities in 2015–2016, this reflects mainly a reduction of over £2m in our restricted funds as we continue to deliver substantial levels of activity supported by these funds, together with a slight fall in the value of our investments following the volatility in world stock markets this year. However, we did achieve an operating surplus on our unrestricted activities for a third successive year, allowing us to invest in the coming year in delivering our strategic priorities that ultimately benefit patients across the UK. Our financial position also includes a further £3.5m of exceptional cost as we undertake the detailed planning to develop our London base.

The next year will be critical for the RCS' ambitions around developing our Lincoln's Inn Fields buildings. We have key decisions to make to ensure we deliver a project that uses our resources in a reasonable manner as well building on our heritage and creating world-class training, examination and research facilities. Alongside this we will look to secure additional funds through fundraising and to reduce our operating costs by consolidating our estate.

May I take this opportunity to thank members, staff and supporters for their continued commitment to the RCS as it undergoes a significant period of transformation to make it fit for the future.

**Mr Andrew Reed**

**Chief Executive**

The Royal College of Surgeons of England

# Reference and Administrative Details

## Charter

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The Royal College of Surgeons of England was established by Royal Charter in 1800 to promote and encourage the study and practice of the art and science of surgery. Its earlier history lies in the records of the City Companies of Surgeons and Barber Surgeons. The affairs of the College are regulated by its founding and subsequent charters and ordinances. The most recent of these charters was granted in April 2015, and prior to that in March 1992. The College is a charity with the registered number 212808.

## Constituent Parts

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For administrative purposes, the College comprises the Commonalty of Surgeons, the Faculty of Dental Surgery (FDS) and the Faculty of General Dental Practice (UK) (FGDP(UK)).

## Trustees

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The Board of Trustees, which came into effect with our new Charter in April 2015, comprises the College Officers, the Deans of the Dental Faculties, three Elected Trustees (elected by and from Council), and four Lay Trustees appointed by the Board.

### *Officers*

President:	Miss C Marx
Vice-Presidents:	Mr S Cannon
	Mr D Ward (until 8 July 2015)
	Professor D Alderson (from 9 July 2015)
	Mr I Eardley (from 9 July 2015)

### *Deans of the Faculties*

FDS Dean:	Professor N Hunt
FGDP(UK) Dean:	Dr M Horton

### *Elected Trustees*

Mr I Eardley (until 8 July 2015)  
Miss S Hill (from 9 July 2015)  
Mr R Kerr  
Mr P Lamont (until 13 July 2016)  
Professor N Mortensen (from 14 July 2016)

### *Lay Trustees*

Mr M Hussey  
Mr R Napier  
Mr J Robinson  
Mr D Whitney

## Members of Council

Council consists of 24 elected surgical fellows, 10 appointed surgical specialty association members, and 2 dental surgery fellows elected by the Board of the Faculty of Dental Surgery. Elected Surgical Council Members are elected by postal ballot by fellows and members of the College. Appointed surgical specialty association members are appointed by a transparent and democratic procedure that has been determined by their appointing surgical specialty association and approved by the Council. In addition, during the year a number of invited members representing specific interests attended Council meetings.

Mr J Abercrombie	Mr P Lamont	<b>Appointed surgical specialty association members:</b>	
Mr S Ahmed	Professor C Lavy		Mr G Cooper (appointed 9 July 2015)
Mr M Bircher	Miss V Lees		Mr T Goodacre (appointed 9 July 2015)
Miss S Boddy	Mrs S McNally		Mr D Jones (appointed 9 July 2015)
Professor T Briggs	Professor N Mortensen		Mr N Markham (appointed 9 July 2015)
Mr M Escudier	Miss F Myint		Mr I Martin (appointed 9 July 2015)
Mr M Hawthorne	Mr P O'Flynn		Mr A Nanu (appointed 9 July 2015)
Miss S Hill	Professor T Rockall		Mr N Phillips (appointed 9 July 2015)
Professor N Hunt	(appointed 9 July 2015)		Professor C Shearman (appointed 9 July 2015)
Mr P Kay	Mr T Terry		Mr R Stewart (appointed 9 July 2015)
Mr R Kerr	Mr D Ward		Mr A Swift (appointed 9 July 2015)

## Principal Advisors

### Bankers

C Hoare & Co	37 Fleet Street, London EC4P 4DQ
HSBC Bank PLC	60 Queen Victoria Street, London EC4N 4TR

### External Auditor

Crowe Clark Whitehill LLP	St Bride's House, 10 Salisbury Square, London EC4Y 8EH
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### Internal Auditor

Grant Thornton UK LLP	30 Finsbury Square, London EC2P 2YU
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### Solicitors

Bircham Dyson Bell	50 Broadway, London SW1H 0BL
Farrer & Co	66 Lincoln's Inn Fields, London WC2A 3LH

### Investment Managers

Cazenove Capital Management (a trading name of Schroder & Co Ltd)	31 Gresham Street, London EC2V 7QA
Sarasin & Partners LLP	Juxon House, 100 St Pauls Churchyard, London EC4M 8BU

### Property Development Advisors

Lendlease Consulting Ltd	20 Triton Street, Regents Place, London NW1 3BF
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## Registered Office

The Charity's registered office is at 35–43 Lincoln's Inn Fields, London WC2A 3PE.

# Funding Partnerships

As a registered charity (212808) the College relies on charitable support to underpin its work in advancing surgical standards through education, research and training.

The College is grateful to its many supporters, whose donations and encouragement are crucial as the demands on the College's limited resources become ever greater. We would like, in particular, to acknowledge the following charitable trusts, foundations, companies and individuals.

## Foundations, Charitable Trusts, Associations and Individuals

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Association of Breast Surgery	Gilbert and Eileen Edgar Foundation
Association of Coloproctology of Great Britain and Ireland	Golden Bottle Trust
Association of Upper Gastrointestinal Surgeons	Henry Lumley Charitable Trust
Ballinger Charitable Trust	Henry Moore Foundation
Breast Cancer Now	Hon Society of Knights of the Round Table Benevolent Fund
British Association of Endocrine and Thyroid Surgeons	Huggard Charitable Trust
British Association of Plastic, Reconstructive and Aesthetic Surgeons	Joseph Strong Frazer Trust
British Medical Association	Lord Leonard and Lady Estelle Wolfson Foundation
British Society for Surgery of the Hand	Mary Kinross Charitable Trust
Brock Webb Trust	Michael and Anna Wix Charitable Trust
Catherine Cookson Charitable Trust	Miss J Webb
Colin and Anna Frizzel Charitable Trust	Miss N Shotts FDSRCS
Coral Samuel Charitable Trust	Mr L J Grant
Dinwoodie Charitable Company	Orthopaedic Research UK
Dunhill Medical Trust	Reuben Foundation
Edwin George Robinson Charitable Trust	Roger Vere Foundation
E F and M G Hall Charitable Trust	Rosetrees Charitable Trust
Enid Linder Foundation	Royal College of Anaesthetists
ENT UK	Saving Faces
Frances and Augustus Newman Foundation	Shears Foundation
Freemasons Fund for Surgical Research	Swann-Morton Foundation
G D Herbert Charitable Trust	Vascular Surgical Society of Great Britain & Ireland
G M Morrison Charitable Trust	Wellington Hospital
George and Esme Pollitzer Charitable Settlement	Welton Foundation
George Drexler Foundation	Worshipful Company of Barbers
Get A-Head Charitable Trust	Worshipful Company of Needle-makers
	Wyndham Charitable Trust

## Corporate Support

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Acelity	Carleton
Acumed	Cook Medical
Army Medical Services	De Soutter Medical
B Braun Medical	Delta Surgical
Biomet UK Healthcare	Doctify
BK Ultrasound	Edwards Lifesciences
Boston Scientific	Eido Healthcare
Carefusion	Eosurgical



Erbe Medical UK  
 Eschmann  
 Ethicon UK  
 Femcare Nikomed  
 Finishing Touches  
 GE Healthcare  
 Genesis Medical  
 Guardian Surgical  
 Haag-Streit UK  
 Healthcare 21 Group  
 June Medical  
 Karl Storz Endoscopy (UK)  
 Laborie  
 Lifecell  
 Limbs and Things  
 Maquet  
 Medartis  
 Medical Defence Union  
 Medical Protection Society  
 Medi Plus  
 Medtronic  
 Molnlycke Health Care

Mentor  
 Neoligaments  
 National Locums  
 Olympus  
 Ossur  
 Proteus Publishing Solutions  
 Q Medical Technologies  
 Richard Wolf UK  
 Sonosite Fujifilm  
 Smith & Nephew Healthcare  
 Stiefel  
 Stryker  
 Synergy Health  
 Thomas Tunnock  
 THD Lab  
 Toshiba  
 Vertex  
 Wesleyan Financial Services  
 Wetlab  
 W L Gore and Associates (UK)  
 Zimmer Biomet

## Endowed and Restricted Funds

Alban Barros D'Sa Scholarship Fund  
 Blond McIndoe Fund  
 Doctor Shapurjui H Modi Memorial ENT Fund  
 Fellows Fellowship Fund  
 Guyatt Fund – Sir Alan Parks Research Fellowship  
 Harold Bridges Bequest  
 Harry S Morton Fund  
 Margaret Witt Scholarship Fund  
 Parks Visitorship

Patricia Curry Research Fund  
 Philip and Lydia Cutner Fund  
 Philip King Research Fund  
 Preiskel Family Fund  
 Rex and Jean Lawrie Overseas Surgical Training Fund  
 Sorab (Soli) Jamshed Lam Research Fund  
 Vandervell Research Fund

## Legacies

The late Mr J C Balfour for general charitable purposes  
 The late Mr J H Baron for Women in Surgery (WinS)  
 The late Mr D Bartlett for general charitable purposes  
 The late Professor B Cohen for Hunterian Museum  
 The late Mrs J E Duncan for general charitable purposes  
 The late Professor D F Le Grove for general charitable purposes  
 The late Mrs V V Leeder for research into cancer

The late Mr J A P Marston for general charitable purposes  
 The late Mr A R Mowlem for general charitable purposes  
 The late Reverend A Pomfret for research into heart disease  
 The late Mrs E Rashleigh for research into heart disease  
 The late Ms C A Stephens for surgical research  
 The late Ms E D Stevens for general charitable purposes

# Structure, Governance and Management

The College Board of Trustees has responsibility for the overall direction of the College, but delegates all substantive matters relating to professional and public policy to the Council, and allows it to further delegate its powers.

Trustees and Council Members are given an induction course on the College and ongoing training on their responsibilities and other matters as required.

The committees of the College Board are as follows:

## COMMITTEE

**Audit and Risk Committee**

**Finance Committee (from 9 June 2016)**

**Investment Committee**

**Remuneration and Nominations Committee**

**Project 2020 Steering Group**

**Library, Museum and Archives**

## CHAIR

Mr C Graham (from 9 June 2016)

Mr R Napier (until 8 June 2016)

Mr R Napier

Mr S Cannon

Mr J Robinson

Mr S Cannon

Professor D Ward (until 14 July 2016)

Professor N Mortensen (from 15 July 2016)

Council members directly responsible to Council for the following areas are as follows:

## COMMITTEE

**Annals and Bulletin Editorial**

**Career and Professional Development Committee**

**Dental and Surgical Examination**

**Influence and Engagement Committee**

**Professional and Clinical Standards**

## RESPONSIBLE AREA

Overall responsibility

Overall responsibility  
Surgical workforce  
Surgical training  
Supporting surgeons

Overall responsibility

Overall responsibility  
UK health policy  
International

Overall responsibility  
Surgical data  
Quality improvement

## COUNCIL MEMBER

Professor N Mortensen

Mr I Eardley  
Mrs S McNally  
Miss F Myint  
Mr I Martin

Miss F Myint

Professor D Alderson  
Mr R Kerr  
Professor C Lavy (until 14 July 2016)  
Professor V Lees (from 15 July 2016)

Mr S Cannon  
Mr G Cooper  
Mr J Abercrombie

The Faculty of Dental Surgery reports to Council and forms part of the business of the College Board of Trustees.

The Faculty of General Dental Practice (UK) reports to the College Board of Trustees.

Each faculty has its own committee structure and has a dean to chair the boards of each of their respective faculties. The results of both dental faculties are included in the College's financial statements.

Council and the boards of the two dental faculties are elected by the subscribing fellows and members.

As at 30 June, the numbers of fellows and members in each category were as follows:

		<b>2016</b>	<b>2015</b>
Commonalty of Surgeons	UK	13,178	12,604
	Overseas	4,832	4,589
	<b>Total</b>	<b>18,010</b>	<b>17,193</b>
Faculty of Dental Surgery	UK*	2,972	2,804
	Overseas	639	547
	<b>Total</b>	<b>3,611</b>	<b>3,351</b>
Faculty of General Dental Practice	UK*	2,695	2,573
	Overseas	21	21
	<b>Total</b>	<b>2,716</b>	<b>2,594</b>
Joint Members of FDS and FGDP(UK) (MJDF)	UK	1,756	1,818
	Overseas	80	77
	<b>Total</b>	<b>1,836</b>	<b>1,895</b>
Total fellows and members	UK	20,369	19,594
	Overseas	5,572	5,234
	<b>Total</b>	<b>25,941</b>	<b>24,828</b>

\*Both categories include 232 (2015: 205) joint FDS and FGDP(UK) members.

## Management

The College Board delegates to the Chief Executive responsibility for the day-to-day management of the College and he delegates management of specific functions to Directors, each of whom is responsible for a directorate. The key management personnel employed by the College during the year and in post at the date of signing were:

Chief Executive	Mr A Reed (from 3 September 2015)
Interim Chief Executive	Mrs J Weller (until 2 September 2015)
Deputy Chief Executive and Project 2020 Director	Mrs J Weller (from 17 March 2016)
Director of Finance	Ms C Hibbs
Director of Education	Ms F Alexander
Director of Research	Mr M Coomer
Director of Communications	Mr S Edwards
Director of the Faculty of General Dental Practice (UK)	Ms F Erasmus (until 31 July 2016)
Interim Director of the Faculty of General Dental Practice (UK)	Ms A Barbour (from 1 August to 25 September 2016)
Director of the Faculty of General Dental Practice (UK)	Mr S Thornton-Wood (from 26 September 2016)
Development Director	Mr J Fountain
Director of Dental and Surgical Examinations	Mr S Hills
Director of International Affairs	Mr D Jackman
Director of Professional and Clinical Standards	Mrs K Smith
Registrar of the Faculty of Dental Surgery	Mr J Vandridge Ames
Director of Internal Services	Mrs J Weller (until 16 March 2016)
Interim Director of Internal Services	Ms C Hibbs (from 17 March 2016)

The Chief Executive introduced a new leadership structure on 1 September 2016 to oversee the College's strategic and operational activities. This comprises a team of 4 executive directors as follows:

Deputy Chief Executive and Project 2020 Director	Mrs J Weller
Director of Learning and Quality	Mr S Hills
Director of External Affairs	Mr S Edwards
Interim Director of Resources	Ms C Hibbs

Key management personnel are remunerated within the College's general pay policy for staff. The College is committed to recruit, motivate, support and retain high calibre employees capable of achieving the College's objectives, and to reward performance appropriately in a manner that enhances service delivery. The current pay policy aims to ensure that employees are rewarded fairly for their respective contributions to the organisation's performance. All staff, except poor performers, are eligible for an annual across-the-board increase with additional one-off payments for exceptional performance. The policy is currently under review for implementation in 2017.

# Report of the Trustees

The trustees of the RCS are pleased to present their report for the year ended 30 June 2016.

## Objects and Aims

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The RCS was established for the study and promotion of the art and science of surgery.

## Mission Statement

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The RCS is committed to enabling surgeons to achieve and maintain the highest standards of surgical practice and patient care.

## Core Values

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We will:

- put the interests of patients at the heart of all we do;
- provide leadership and support for surgeons of all specialties;
- develop the potential of surgeons through education, training and research;
- work closely with the specialty associations and other organisations to achieve our mutual aims;
- foster and develop the College's employees;
- promote equality of opportunity and act against discrimination in all aspects of College life; and
- be fair, responsible, open and accountable for all we do.

## Strategic Aims

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We will:

- provide strong leadership and support for surgeons in all matters relating to their surgical practice, throughout their surgical careers;
- work with patients, the general public and government to improve surgical services;
- consolidate the College's position as a leading national and international centre for surgical education, training, assessment, examination and research;
- lead the whole multi-professional surgical team in all matters relating to the care of the surgical patient, including the surgical treatment of children, and further develop its role in setting and maintaining standards of practice for all the members of that team throughout their careers;
- develop the College's structure and function to allow it to achieve its goals;
- promote, by consultation and collaboration with other royal colleges, the specialist associations and other interested parties, the development of an effective single voice for surgery on relevant professional issues.

## Public Benefit

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The RCS delivers public benefit through a wide range of activities that influence and support the professional development of surgeons and the delivery of surgical services for the benefit of patients, surgeons and trainee surgeons. We provide strong leadership and support for surgeons in all matters relating to their surgical practice throughout their careers. Our activities and achievements, which all lead to public benefit, reinforce our strategic aims and demonstrate our commitment to maintain the highest standards of surgical practice and patient care.

The trustees confirm that they have paid due regard to the guidance issued by the Charity Commission on public benefit, and further confirm that the activities of the RCS are carried out for public benefit. Our work is based on a number of the charitable purposes defined under the Charities Act 2011, chiefly the advancement of education, the advancement of health or the saving of lives, and the advancement of the arts, culture, heritage or science. We engage directly with the public through the Hunterian Museum, the media, our publications and our journals: the *Annals*, the *Bulletin* and *FDJ (Faculty Dental Journal)*.

## Activities and Achievements During 2015–2016

The following summarises our activities and achievements during the year against the future plans outlined in the previous year's annual report and accounts.

In July 2015 the RCS published its three new strategic priorities for the period 2015–2019, which underpinned the RCS' vision of Advancing Surgical Care. Over the next four years we will be focusing our activities and resources on delivering the priorities.

The following summarises our progress over the past year in delivering these priorities:

### **Quality and Standards (Priority 1) – Advance standards and reduce the variability of patient outcomes**

The RCS continues to focus on improving the standard, quality and safety of patient care. We published a report we commissioned from The Nuffield Trust to explore the most significant challenges faced by emergency general surgery (EGS), which include variation in outcomes, workforce, organisational and operational issues. The report suggested potential solutions to the problems facing EGS, such as the systematic use of protocols and pathways and development of managed clinical networks. We continue to pursue a number of initiatives to improve EGS including the collection and publication of data, working with hospitals to improve patient pathways, and proposals to improve training.

We also have taken forward the recommendations of the Department of Health's review into the regulation of cosmetic interventions by developing a certification scheme that aims to provide evidence of competences (including professional behaviours, clinical skills, knowledge and experience) in defined areas of cosmetic surgery. To underpin the certification process, we published our *Professional Standards for Cosmetic Surgery*. This aimed to improve patient safety and standards in the industry by stipulating that only surgeons with the appropriate training and experience should undertake cosmetic surgery, as well as the ethics and behaviour expected of them.

New Research Fellowship partnerships were established, namely with the British Society of Endovascular Therapy, Virginia Mason Hospital in Seattle, and Addenbrookes Charitable Trust. We awarded thirty-one one-year research fellowships, plus seven two-year fellowships, five of which were with the Dunhill Medical Trust, who have substantially increased their contribution to £550k to look into projects associated with the elderly. In addition, we awarded six Pump Priming grants to newly appointed consultants to undertake pilot work in preparation for applying for a programme grant, and twelve intercalated BSC grants for medical students whose subject relates to surgery.

The Leeds Surgical Trials Centre recently became the seventh partner to our Surgical Trials Initiative. There were a total of 220 surgical trials across the UK in 2015–2016, an increase of 229% from 2013–2014 when 96 trials opened. Over 31,000 patients have been recruited in 2015–2016 to the trials nationally.

Throughout the year, Library and Surgical Information Services (LSIS) team members continued (with support from panels of clinical advisors) to provide the current awareness service alerting members to the new published evidence and developments in their specialties. Working with a number of surgical specialty associations, the team also carried out systematic literature searching to provide the evidence that underpins guidance produced by the RCS' National Surgical Commissioning Centre, which supports the commissioning of surgical care for patients.

### **Career and Professional Development (Priority 2) – Attract, educate, develop and support high-quality surgeons**

During the year we published our new national undergraduate curriculum for medical schools to help ensure medical students qualify with the knowledge and skills to manage conditions where a patient may need surgery. It aimed to ensure exposure of medical students to high-quality surgical training and education in their undergraduate years, addressing variability of access to teaching surgery at medical schools in the UK. A basic understanding of patient presentations that may require surgery and treatment is important across a range of medical specialties, including for GPs as they initially diagnose a patient's condition and decide whether or not to refer them to a specialist.

We have also embarked on a project to find out how active student surgical societies are and the types of activities they do. This data will be looked at alongside the medical school to core surgical training path data from the 2014–2015 and 2015–2016 core surgical training recruitment process. The plan is to share the ideas and activities among the student surgical societies and use the results to target future RCS activities.

To further our aim to create a surgical training programme that delivers professionals who are able to provide the highest quality of care to patients in the NHS, we published (with funding from Health Education England) a report entitled *Improving Surgical Training (IST)*. The principles in the report were applied to a pilot model for general surgery, but could also be rolled out across surgical postgraduate training. The pilot over the next two years will trial improvements in the quality of training, a better training–service balance for trainees, and look to develop other members of the surgical team to work alongside trainees.

Improvements to patient care through the extended surgical team remained a focus of our work. We published a report called *A Question of Balance: The Extended Surgical Team*, in which we investigated experiences of staff working at eight case study sites that have introduced workforce models using the wider surgical team. Many positive examples of how the extended surgical team can support doctors and enhance training were found. Within the RCS, we are using the findings to design our own work around developing and supporting the extended surgical team.

### **Influence and Engagement (Priority 3) – Influence and shape future health policy and practice to advance standards of surgical care nationally and internationally**

With a new government formed, we made a strong case to Parliament for increased funding of the NHS. We highlighted that demand is at an all-time high, with the care needs of patients becoming increasingly complex and the NHS struggling to provide the standard of care patients deserve. Significant progress was made with our main campaign priorities, which are raising the standards of surgical practice and equality of access to surgical care.

The RCS gained widespread national media coverage and Parliamentary time for our ongoing concerns about patients' access to surgery. Throughout the year we have analysed and commented on the deterioration in waiting times. Our report *Smokers and Overweight Patients: Soft Target for NHS Savings?* showed more than one in three Clinical Commissioning Groups (CCGs) in England were denying or delaying routine surgery (such as hip and knee replacements) to patients until they stop smoking or lose weight, which is in contravention of national clinical guidance. The report received extensive media coverage and was debated in the House of Lords.

In 2015–2016 the College took every opportunity, in meetings with government ministers and the press, to strongly oppose the government's imposition of the junior doctors contract. This included speaking out jointly with other royal colleges to present a strong and united voice. Alongside a coalition which included Labour, SNP, Conservative, and Liberal Democrat MPs we tried to persuade the government to pilot the contract on a smaller scale first, with a thorough and genuinely independent evaluation, as a way of moving forward. We then worked with the Academy of Medical Royal Colleges to call for a halt to contract imposition and industrial action, which led to further discussions and eventually a revised contract. The College continues to look at how it can support surgeons in training and address their concerns.

In Wales, the RCS gained widespread coverage of our seminal report *The State of Surgery In Wales*, which set out our views on the current state of surgery ahead of the Welsh Assembly elections. The report highlighted some groundbreaking advances in surgery but also the pressure, particularly on waiting times, the NHS is under in Wales. We made recommendations for the next Welsh government to take to address them. Following his appointment, the new Welsh health minister promised to prioritise reducing waiting times. We also developed our influencing work in Northern Ireland throughout the year.

The newly formed International Affairs Office reviewed our approach to international activities and developed a new strategy during the year. Driven by the need for improved and increased high-quality surgical care globally, the strategy includes initiating medium-scale projects in low- and middle-income countries (LMICs), as well as appointing RCS Ambassadors in key LMICs to further membership engagement across the globe. During the year the International Surgical Training Programme, a programme that allows international medical graduates to undertake training and development in UK hospitals, continued to increase the number of partner organisations. Our fifth annual Global Surgical Frontiers Conference was held and attracted nearly 200 participants.

We also launched our latest membership survey to better understand issues and topics surrounding membership and the profession as a whole. Responses will help us understand what is important and how we can continually improve the membership experience and provide the best possible support. The survey will cover views from all grades of our members, from affiliates through to fellows. The results will shape our activities and support in the coming year.

The Patient Liaison Group (PLG) has continued to work collaboratively with the RCS on many issues and policies, ensuring that surgical patients have a prominent voice in RCS campaigns, policy consultations and on our Council. The PLG played a key role in our cosmetic surgery work and our engagement with patient organisations across the health service.



The following summarises other key activities and achievements made by the College during the year.

### *Training and assessing surgeons*

Over the past year, the Joint Committee on Surgical Training (JCST) has welcomed three new Specialty Advisory Committee (SAC) Chairs (with a fourth due to take up post in the near future) and has continued to implement its strategy for 2013–2018. It has reviewed the structure and workings of its Training Interface Groups, which are groups dedicated to specific areas of surgery that straddle more than one main surgical specialty. It reviewed the structure of SAC induction days to ensure it covered all the principal areas relevant to the SACs and their liaison members. It has continued work to measure and improve the quality of surgical training via its trainee survey, quality indicators for training posts, certification and benchmarking guidelines, and support for schools of surgery in their quality-management activity. Another important project has been the rebuilding and consequent release of the Intercollegiate Surgical Curriculum Programme website.

Professional surgical and dental examinations continued to consolidate the RCS' position as a leading national and international centre for surgical assessment. During the year we delivered 7,730 individual examinations (3,319 dental entries and 4,411 surgical entries). The examinations are held both in the UK and internationally. More than 99% of candidates endorsed the quality of the examinations service.

### *Promoting and preserving our surgical heritage*

Autumn 2015 saw the Designing Bodies exhibition in the Hunterian Museum generously supported by B Braun, the Henry Moore Foundation and the Struass Charitable Trust; it showcased the RCS' collection of anatomical models. This included the M.A.R.T.Y.N. (Modelled Anatomical Replica for Training Young Neurosurgeons) models that were developed in the RCS Conservation Unit. This was followed by a vaccination exhibition in April 2016. An accompanying one-day symposium took place on People-Powered Medicine, which investigated public participation in medicine and healthcare from the 19th century to today. In June 2016 the museum also participated in Exceptional and Extraordinary, a Wellcome Trust-funded project that partnered eight medical museums around the country and commissioned four artists to create emotional and provocative art works about disability comprising dance, live performance and film.

The Hunterian Museum welcomed 86,000 visitors in the year. The Wellcome Museum of Anatomy and Pathology attracted more than 4,600 trainees and students, with events including 16 Open Surgery events that offered tutored revision support for more than 450 MRCS candidates. Museums and Archives staff assisted 1,200 researchers.

In March 2016 the Library, Museums and Archives' ground-breaking Pan-Domain Collection Review was completed. The project, which began in April 2014 and was funded through Arts Council England's Designation Development Fund, undertook a comprehensive survey of all the RCS' Designated Collections. This involved looking at collection management and usage, assessing physical care and preservation requirements, and a series of significance assessments. The results allow us to prepare for relocation and refurbishment, to improve collection care, and to further understand the significance of the collections and how they can be used in the future for public engagement, in education and training, and in enquiry and research – all supporting the RCS' strategic objectives.

### *Developing the College*

We continued to implement the recommendations of the 2013 RCS review. During the course of the year, we embedded the governance changes that came into effect with the new charter granted in April 2015. This included appointing surgical specialty association Council members who took up their roles in July 2015. Alongside the governance changes, we embedded the strategic priorities for 2015–2019 within our governance by creating cross-cutting committees of Council to lead and shape the work of the three strategic priorities.

We continued to invest in work to drive forward the redevelopment of the RCS buildings in Lincoln's Inn Fields, where we intend to transform our London base into a modern, light and flexible facility to provide the best possible education, examination and research facilities for the profession while at the same time embracing our prestigious heritage. As well as modernising our inefficient and ageing estate, the redesign will reflect our changing functions as a home for surgical excellence in Britain and across the world in the 21st century. The project team involving RCS staff have extensively consulted and worked with key stakeholders throughout the year and have received external support from architects, structural engineers and planning consultants. The building project team have worked to shape the new building around the needs of the College as well as keeping close control on costs.

We maintained our focus on both membership and staff engagement. Our new membership engagement office created a new national and regional events programme to support members across all stages of their careers. We concluded our programme of work to improve staff engagement, which has resulted in better channels of communication and more opportunities to bring staff



together. During the year we also refreshed our visual identity to reflect our updated strapline and to modernise the 'eagle' image to improve its digital reproducibility. Alongside this we introduced new guidelines to ensure consistent use of the logo, colour and fonts across the RCS.

The RCS has continued to focus on business processes and efficiencies, implementing IT-based solutions for a number of support services around the RCS, and allowing our staff to focus on delivering a first-class service to our fellows and members. The unrestricted surplus we report this year will allow the RCS to invest in delivering work that can benefit patients across the UK through support for surgeons.

### *Moving forward with dentistry*

The Faculty of Dental Surgery continued its campaign to improve children's oral health throughout the past year. Following successful lobbying with other dental stakeholders, the personal child health record given to parents at a child's birth now includes information on dental visits. The Health and Social Care Information Centre agreed to adapt their methodology on NHS dental statistics to cover children's dental visits by commissioning group and council area and the Labour Party made dentistry an initial priority policy area. The Dean was also invited to join Public Health England's (PHE's) Child Oral Health Improvement Programme Board to help drive forward a national action plan, and the Faculty is now working with PHE to explore how to improve oral health improvement training for the early-years workforce. As part of its work on patient safety, the Faculty has been calling for the same language-testing rules to apply to all non-UK healthcare professionals so that their English skills in a clinical context can be assessed. The faculty has also been looking at expanding its work internationally, with examinations planned for Malaysia and Cairo.

The Faculty of General Dental Practice (UK) (FGDP(UK)) continued to develop its highly respected standards and guidance for primary care dentistry. During the year the third edition of the authoritative *Clinical Examination and Record-Keeping Guidance* was published and made freely available to the UK dental profession through the Faculty Open Standards Initiative. The new edition gives greater prominence to electronic record-keeping, reflecting the shift in record-keeping practice in recent years, and an expanded range of appendices and sample documents. The Faculty responded to a number of major consultations from the General Dental Council and the Care Quality Commission throughout the year, as well as pressing for improvements to reduce tooth decay in children. The *Primary Dental Journal (PDJ)* continued to publish themed issues containing a combination of research, best-practice papers and scenario articles for the whole dental team. FGDP(UK) programmes of courses, examinations, publications and e-learning supported improving standards of education and patient care.

## Future Plans

Over the next year we will continue to deliver our vision to advance surgical care through our strategic priorities for 2015–2019. The priorities are as follows:

### **Quality and Standards (Priority 1):** *Advance standards and reduce the variability of patient outcomes*

We aim to improve the use and quality of existing and possible future sources of clinical data. This information will inform and drive improvements in the care delivered by surgeons. The RCS will take a leading role in delivering quality improvement plans and sharing best practice specific to surgery.

### **Career and Professional Development (Priority 2):** *Attract, educate, develop and support high-quality surgeons*

We will encourage and inspire students and doctors to become surgeons. We will play a central role in educating, developing and supporting surgeons throughout the whole of their careers.

### **Influence and Engagement (Priority 3):** *Influence and shape future health policy and practice to advance standards of surgical care*

We will develop a proactive and planned approach to stakeholder engagement, nationally and internationally. We will include all those involved in the delivery of healthcare including clinicians, patients, managers, politicians and commissioning organisations.

### *Transforming the way we support our membership and advance surgical care*

We will commence an ambitious programme of transforming the way we support our membership and advance surgical care. This will include building on our heritage at Lincoln's Inn Fields where we will create world-class training, examination and research facilities, improved member space and a more flexible, efficient working environment as well as improving the efficiency of the organisation through a targeted efficiency programme.

# Financial Review

The annual accounts for 2015–2016 present the financial results of the College for the first time under the new Charities SORP and FRS 102. The comparative year results have been re-stated to reflect the new reporting standard. The College's opening reserves have reduced by a net £1.6m as a result, reflecting primarily the impact of recognising the College's share of the liability in respect of the funding deficit of one of its multi-employer defined benefit pension schemes (USS). A pension reserve has been created accordingly within the College's unrestricted funds.

The College has reported this year an overall consolidated operating loss on its charitable and trading activities of £522k, before unrealised gains or losses on investments. This compares to the re-stated £674k loss reported in the prior year. The loss arising reflects the impact on the College's results of a net reduction of £2.4m in its restricted and endowed funds in the year, masking the strong performance that has been delivered in respect of the College's unrestricted activities. With a net unrealised loss also being recorded on its invested assets of £626k in the year, total funds have decreased by 1.4% or £1.15m on the re-stated prior year. Unrestricted funds stand at £38.46m, representing 49% of total funds (2015: 47% or £37.23m). It is noted that at 28 September 2016, the College's invested assets had increased in value by 5.7% or £3.5m.

The consolidated results for the 2015–2016 financial year are summarised below.

Results for the year ended 30 June 2016	2016	2015	Change	
	£000	£000	£000	%
Donations and Legacies	4,324	4,491		
Charitable Activities	20,799	19,871		
Activities to Generate Funds	4,771	5,006		
Investment Income	2,627	2,483		
<b>Total Income</b>	<b>32,521</b>	<b>31,851</b>	<b>670</b>	<b>2%</b>
Raising Funds	4,162	4,577		
Charitable Activities	28,881	27,948		
<b>Total Resources Expended</b>	<b>33,043</b>	<b>32,525</b>	<b>518</b>	<b>2%</b>
<b>Net Income/(Expenditure)</b>	<b>(522)</b>	<b>(674)</b>		
Net Gains/(Loss) on Investments	(626)	3,690		
<b>Net Income/(Expenditure)</b>	<b>(1,148)</b>	<b>3,016</b>		
<b>Funds Carried Forward</b>	<b>78,515</b>	<b>79,663</b>	<b>(1,148)</b>	<b>(1)%</b>
Unrestricted Funds	38,464	37,233	1,231	3%
Restricted Funds	7,726	9,944	(2,218)	(22%)
Endowed Funds	32,325	32,486	(161)	(0%)
Unrestricted Funds	49%	47%		
Restricted Funds	10%	12%		
Endowed Funds	41%	41%		

The College has delivered an operating surplus on its unrestricted activities for the third successive year amounting to £1.86m (2015: re-stated £510k), including a surplus on its subsidiary trading operation of £402k. This surplus represents 6.85% of total unrestricted income and falls within the trustee's target surplus range of 5–10%.

Income rose to £32.5m for the year, an increase of just £0.7m or 2% on the prior year, with income in respect of unrestricted activities exceeding £27m for the first time. The increase in income was not as high as achieved in the prior year but the College has continued to deliver further growth in its key revenue streams of course fees (up 3.4%), examination fees (up 0.7%), and membership subscription fees (up 7%). Revenues from the College's conference activities and residential facilities were 4.7% lower this year, but lower costs helped to improve the surplus margin to 11.7%. These revenue streams contributed 79% of

total income reported. Donation and legacies income fell marginally to £4.32m, representing a 13% share of total income, but investment income increased a further 6% this year to £2.6m, representing 8% of total income.

Expenditure reached £33m in 2015–2016, up just £518k or 2% on the prior year. The College has continued to develop and progress its programme of transformation during 2015–2016, investing its resources to support the development and delivery of both its professional and organisational strategic priorities. The College's plans to redevelop its estate to create a modern working environment for the home of surgery by 2020 have progressed well during the year and provide the physical context for the transformation agenda that is underway. Delivery of the College's vision will present significant challenges and the College is focussed on delivering the further cost efficiencies and improved margins on revenue-generating activities in order to achieve the level of annual operating surpluses on its unrestricted activities that will be required to minimise the financial burden arising from the redevelopment of the estate and to maximise the future opportunities for developing its charitable activities and advancing surgical care.

Expenditure has increased under Communications and publications, and Other professional activities. Communications now includes the College's membership services activities, previously disclosed under Other professional activities. Other professional activities include the additional resources expended this year on a review of the College's business model as well as preparation for the move of the College's operations into a reduced footprint on its existing estate from the summer of 2017. Clinical Effectiveness Unit expenditure also increased but this reflected another successful year in its externally funded activity and grants awarded. Research grant expenditure fell slightly to £2.95m, reflecting primarily a higher number of low value awards made in 2015–2016 compared to the prior year, but the number of full research fellowships awarded, 37 in total, was just above the 33 awarded in the prior year. Support costs were down 2.65% overall to £5.99m (see note 5) helped by lower estate maintenance costs this year pending the decision to proceed with the re-development of the estate, and lower governance costs than last year when the governance framework was implemented. Governance costs have been re-disclosed under this category rather than separately on the face of the statement of financial activities, as previously, as part of the reporting standard changes.

The College's financial statements consolidate the results and financial position of its wholly owned subsidiary, Hunter Trading Ltd, that markets conference and residential facilities that are not required for the College's own use (see note 19). The company delivered an improved surplus of £402k for the year (2015: £383k), reflecting the continued successful returns the College receives in commercialising its space.

### Net Assets

Net assets have decreased by £1.15m or 1.4% from £79.7m to £78.5m. A net unrealised loss of £626k is reported on the externally managed investment portfolios this year. Both portfolios were impacted by stock market uncertainties in the early part of the financial year and although both had seen some recovery in value towards the end of the year, both were unable to return to their prior year levels. Capital additions totalled £5.15m (see note 8), compared with £1.35m in the previous year. The increase reflects the additional £3.5m of design and planning costs expended in respect of the proposed redevelopment of the College's estate and £0.7m expended on the redevelopment of the College's website. Cash and short-term deposits rose 2.6% or £0.23m on 2014–2015 to £9.03m (see note 12). The cash balance represents 105 days' expenditure (excluding depreciation) unchanged from the re-stated prior year of 105 days. The College's overall current ratio stands at 1.12 for 2015–2016, down from 1.21 in 2014–2015.

### Financial Outlook

The College's underlying financial position remains positive, with unrestricted funds of £38.5m remaining at a healthy level despite the impact on its position of recognising under FRS 102 the College's share of the liability of the future contributions payable under the USS and SAUL defined benefit pension schemes (see note 20 on pension schemes). The College is planning to commence its major capital development programme in the summer of 2017, which will require some form of debt financing to be put in place. However, the College is committed to delivering significantly improved operational efficiency over the next few years in order to minimise the need for additional capital financing and strengthen the financial health of the College in the long term to provide the resources to deliver on its vision for the future of surgery.

Details of the College's income, expenditure and financial position are provided in the financial statements from pages 26 to 49.

## Reserves Policy

The College's Funds comprise unrestricted funds, restricted and endowed funds. The restricted and endowed funds result from grants, donations and legacies which can only be applied for a purpose specified by the donor or grantor and are not available for general purposes. The College aims to carry out the activities and projects supported by these funds on a timely basis in accordance with the purposes and conditions specified. Restricted and endowed funds totalled £40m at 30 June 2016 (see notes 17 and 18).

The unrestricted funds represent the accumulated surpluses generated from the College's general business activities and are funds that are available for use at the discretion of the trustees. They comprise fixed asset funds, designated funds and general funds.

### Fixed Assets Fund

The fixed assets fund comprises the funds invested in fixed assets that the trustees consider essential in enabling the College to implement effectively its operational strategy. The fund represents the net book value of the College's unrestricted tangible fixed assets. The College held £12.3m in its fixed assets fund at 30 June 2016 (2015: £8.2m).

### Designated Funds

Designated funds are funds that the trustees have ear-marked for specific purposes. Since 2014 a total of £8.4m of general funds has been designated to be held for specific purposes. £5m of funds was set aside in 2014 for the redevelopment of the RCS London headquarters and a further £2m of funds was ear-marked in 2016. As at 30 June 2016, £4m of these funds has been expended. A further £1.4m of general funds was designated in 2014–2015 to support the digital transformation agenda. As at 30 June 2016, £0.7m of these has been expended. A total of £3.7m of designated funds remains at 30 June 2016.

### General Funds

In accordance with Charity Commission guidance, the trustees set a target range for the level of free reserves or general funds that the College should maintain to ensure its financial security and funding of its business plan. Free reserves or general funds are defined as its total unrestricted funds less its fixed assets and designated funds. The trustees determine that a prudent target range for the College's free reserves is between 75% and 100% (i.e. between nine months and twelve months) of gross annual unrestricted expenditure. This equates to a target range of £18.9m to £25.29m for the 2015–2016 year.

This range is set taking into account the following:

- » the risk of fluctuating income and expenditure levels;
- » the risk of an unexpected need for funds;
- » the need to provide working capital for the College's current operational and future development activities;
- » the fact that the College's resources expended had regularly exceeded its incoming resources prior to the 2013-2014 financial year; and
- » the funding shortfalls in the USS and SAUL defined benefit pension schemes and the future increases in employer contributions to eliminate these shortfalls.

The College's general funds stand at £20.88m at 30 June 2016, 3.2% down on the prior year (2015: £21.57m). This represents 82.6% (2015: 85%) of the 2015–2016 unrestricted expenditure. The reduction in general funds is largely attributed to the ear-marking of £1.58m of funds within a new pension reserve, representing the College's deficit pension scheme liability. A strong operating performance in the year has helped to mitigate the impact of loss on investments on the funds position.

The target range is reviewed on a regular basis in the light of the level of operating surplus returned each year.

## Investment Policy

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The College adopts a long-term investment horizon, which is reflected in its focus on total return, diversification, risk control and capital preservation, and in its investment manager selection. Sarasin & Partners manage the College's restricted and endowed investments. Cazenove Capital Management manage the unrestricted investment portfolio. All the funds are invested in a way that gives the College access to capital within a short period of time, should this be necessary, and subject to the endowed status of the fund where applicable.

The investment managers are required to generate the College's annual income requirements for each fund and to maximise the total real rate of return for each fund in a risk controlled manner through the use of a diversified portfolio invested across a range of different asset classes. Each fund manager is set strategic asset allocation target ranges for different asset classes and property should not ordinarily make up more than 12% of any portfolio. No direct or indirect investments in tobacco stocks are permitted.

The unrestricted portfolio has an annual target yield of 3.8% and a long-term total return in line with market indices. The restricted and endowed portfolio has an annual target yield of 3.7% and a long-term total return of RPI plus 4.6%.

Short-term cash not required to support general operations is placed on short-term fixed term deposits with approved investment managers.

## Investment Performance

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The College's Investment Committee advises and reports on a regular basis to the Board of Trustees on the performance of the investment portfolios and the appointed fund managers.

Both portfolios returned strong income performances for the year, with £1.3m generated from the unrestricted investment portfolio (2015: £1.14m) and £1.2m from the endowed and restricted portfolio (2015: £0.98m). However, overall portfolio performance was down as stock markets reacted to global economic uncertainties and both portfolios were unable to recover to their opening market values by the year end. The return net of fees on the unrestricted funds ended 2.4% down, and the return on restricted and endowed funds was 0.3% down.

## Total Return Accounting

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The College adopted Total Return Accounting for its permanently endowed funds during the 2014–2015 financial year. A base date of 24 June 1992 was approved for determining the permanent capital value of the endowed funds, based on the market value of the permanent endowments at that date, plus the original value of any subsequent additions. The value of these investments was frozen and classified as frozen permanent capital and the remaining value of the investments was classified as unapplied total return.

The College seeks to preserve the value of its endowments in real terms over the medium to long term. A target spending rate of between 3.5% and 4.5% of the value of the endowments is considered achievable without diminishing the value of the portfolio in real terms and represents the College's best estimate of the long-term real rate of return on the endowments. This target range is kept under review to ensure that it remains appropriate.

A total of £1.15m was applied in the year, and together with investment management fees of £168k, the total applied from the endowed funds was £1.3m. This represents an application of 4% in 2015–2016 which is at the median of the approved target spending rate.

## Risk Management

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The Board of Trustees has overall responsibility for determining the College's risk appetite and tolerance, and for ensuring that the College has appropriate and adequate risk management processes in place to support the delivery of its strategic plans. The Audit and Risk Committee is responsible for advising the Board on the College's statutory financial reporting and for overseeing and reviewing the systems of financial governance and risk management. These systems are designed to manage rather than eliminate risk and provide reasonable assurance that mitigating actions are adequate.

Key areas of risk are identified in line with the College's strategic plans. Risks and the controls in place to manage them are assessed in terms of financial and reputational impact and their status is assessed both before and after mitigating actions. Risks are recorded on the College's risk register. The management and monitoring of these risks is assigned to key management personnel and related business areas. Key areas of risk are reviewed by the Audit and Risk Committee and by executive management on a regular basis. The College appointed Grant Thornton in July 2016 to provide internal audit services to the College as part of its objective to ensure that risk management and internal control systems remain effective and adequate.

The College has established a robust governance and assurance framework to monitor and mitigate risk and build effective resilience to respond to a changing internal and external environment. The College's key areas of risk and uncertainty are linked fundamentally to the delivery of organisational transformation and improvement and to the development of its new long-term strategy.

The College is alert to the strategic and operational risks that transformation creates and is putting appropriate measures in place to manage the demands of change on the organisation and ensure its objectives of creating an operationally efficient, technologically smart, and financially sustainable organisation are successfully met. The College's plan to redevelop its estate forms a central plank of the transformation programme and brings with it strategic and financial risks that require prudent oversight, robust planning, and effective professional support to ensure that optimum value is delivered for the College, its membership and its external stakeholders.

Organisational transformation is underpinned by the development of a new long-term strategy for the College, which aims to position the College as the leading voice of surgery in the UK and overseas. The strategy will be developed through extensive consultation of its membership and engagement with policy-makers in the healthcare sector and other stakeholders, to ensure that it is relevant and forward-looking, and provides the basis for an effective and innovative programme of investment of the College's charitable resources.

Throughout this period of development, the College must remain attentive to external risks that may have an adverse impact on the delivery of its objectives, for example, changing priorities of the NHS or changing regulatory and data security requirements. The College's communication and engagement strategies and its governance framework ensures that it can respond appropriately.

## Corporate Trustee Responsibilities

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The Royal College of Surgeons of England is a corporate trustee of two trusts, the Colledge Family Memorial Fellowship Trust and the EAJ Gray Will Trust. Both these trusts hold investments and assets in their own name and their activities are entirely separate from those of the College.

### Colledge Family Memorial Fellowship Trust

The College is one of three trustees of the Colledge Family Memorial Fellowship Trust, which was set up to award travelling fellowships to surgeons. The other trustees of this fund are Mr T George and Professor A Narula. The College provides a number of services to the trust, namely the preparation of annual accounts, the submission of these and the annual return to the Charity Commission, and liaison with the investment fund managers, Cazenove Capital Management, to ensure that the funds are invested in accordance with the wishes of the trustees and invested on the same basis as the College's unrestricted funds. The trust's financial statements are audited by Crowe Clark Whitehill LLP.

The value of the Colledge Family Memorial Fellowship Trust endowed fund at 30 June 2016 is £2.49m (2015: £2.57m) and its restricted fund is £85k (2015: £25k).

### **EAJ Gray Will Trust**

The College is the sole trustee of the EAJ Gray Will Trust. This is a non-charitable life interest trust and income arising on the assets is transferred to the life tenant each year. The College is the residuary beneficiary of the trust.

The value of the trust's fund at 30 June 2016 was £0.13m (2015: £0.13m). There is no requirement for the financial statements of the trust to be audited.

## **Other Trustee Responsibilities**

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### **Sir Ratanji Dalal Research Scholarship Fund**

The President of The Royal College of Surgeons of England is one of two trustees of the Sir Ratanji Dalal Research Scholarship Fund, the other being the President of the Royal College of Physicians. The College provides administrative and accounting services to the fund and its trustees, preparing the annual accounts and annual return for submission to the Charity Commission.

In 2015 the trustees approved a change in the accounting date from 22 September to 30 June and the prior year accounts were therefore prepared for the period 23 September 2014 to 30 June 2015.

The value of the Sir Ratanji Dalal Research Scholarship endowed fund was £0.68m at 30 June 2016 (2015: £0.7m) and its restricted fund was £18.6k (2015: £14k). The financial statements are audited by Crowe Clark Whitehill LLP.



# Statement of Trustees' Responsibilities

The trustees are responsible for preparing the report of trustees and the financial statements in accordance with applicable law and regulations.

Charity law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under charity law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and the group and of their net incoming/outgoing resources for that period. In preparing these financial statements, the trustees are required to:

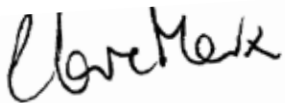
- » select suitable accounting policies and then apply them consistently;
- » observe the methods and principles in the Charities Statement of Recommended Practice;
- » make judgements and estimates that are reasonable and prudent;
- » state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- » prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity and the group will continue to operate.

The trustees are responsible for keeping proper 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 the group and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditor

Crowe Clark Whitehill LLP has indicated its willingness to be reappointed as the company's auditor for the coming year.

Signed on behalf of the members of the Board of Trustees on 12 October 2016.



**Miss C Marx**  
**President of Council**  
**Chair of the Board of Trustees**



**Mr I Eardley**  
**Vice-President of Council**  
**Member of the Board of Trustees**



# Independent Auditor's Report

## *To the trustees of The Royal College of Surgeons of England*

We have audited the financial statements of The Royal College of Surgeons of England for the year ended 30 June 2016 set out on pages 26 to 49.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charity's trustees, as a body, in accordance with section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## *Respective responsibilities of trustees and auditor*

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## *Scope of the audit of the financial statements*

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and the group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## *Opinion on financial statements*

In our opinion, the financial statements:

- » give a true and fair view of the state of the affairs of the charity and the group as at 30 June 2016, and of the group's incoming resources and application of resources for the year then ended;
- » have been properly prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- » have been prepared in accordance with the requirements of the Charities Act 2011.

## *Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- » the information given in the Report of Trustees is inconsistent in any material respect with the financial statements; or
- » sufficient accounting records have not been kept by the parent charity; or
- » the financial statements are not in agreement with the accounting records and returns; or
- » we have not received all the information and explanations we require for our audit.

Crowe Clark Whitehill LLP

**Crowe Clark Whitehill LLP**  
Statutory Auditor, London

Date

18 October 2016

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

# Consolidated Statement of Financial Activities

## for the year ended 30 June 2016

	NOTES	Unrestricted Funds	Restricted Funds	Endowed Funds	Total Funds	
		£000	£000	£000	2016	2015 (restated)
<b>INCOMING RESOURCES</b>						
<b>Voluntary</b>						
Donations and gifts		112	847	-	959	1,231
Legacies		451	-	23	474	371
Grants		13	2,878	-	2,891	2,889
<b>Charitable activities</b>						
Courses		4,840	52	-	4,892	4,679
Examinations		4,769	-	-	4,769	4,736
Subscriptions		8,544	-	-	8,544	7,953
Charges and sales		2,229	365	-	2,594	2,503
<b>Other trading activities</b>						
Residential, conference and other		4,771	-	-	4,771	5,006
Investment income		1,423	93	1,111	2,627	2,483
<b>TOTAL INCOMING RESOURCES</b>		<b>27,152</b>	<b>4,235</b>	<b>1,134</b>	<b>32,521</b>	<b>31,851</b>
<b>RESOURCES EXPENDED</b>						
5						
<b>Cost of generating funds</b>						
Fundraising costs		343	-	-	343	358
Residential, conference and other		3,223	233	-	3,456	3,871
Investment management fees		97	98	168	363	348
		<b>3,663</b>	<b>331</b>	<b>168</b>	<b>4,162</b>	<b>4,577</b>
<b>Charitable expenditure</b>						
Education and courses		5,202	1,053	-	6,255	6,488
Standards, regulation and examinations		8,016	733	-	8,749	8,519
Research grants	6	-	2,951	-	2,951	3,208
Clinical Effectiveness Unit and other projects		-	2,117	-	2,117	1,713
Museums and library		2,164	309	-	2,473	2,796
Communications and publications		2,517	-	-	2,517	2,037
Other professional activities		3,731	88	-	3,819	3,187
		<b>21,630</b>	<b>7,251</b>	<b>-</b>	<b>28,881</b>	<b>27,948</b>
<b>TOTAL EXPENDITURE</b>		<b>25,293</b>	<b>7,582</b>	<b>168</b>	<b>33,043</b>	<b>32,525</b>
<b>NET INCOME/(EXPENDITURE) BEFORE GAINS/ (LOSSES)</b>		<b>1,859</b>	<b>(3,347)</b>	<b>966</b>	<b>(522)</b>	<b>(674)</b>
Net gains/(losses) on investments	10	(628)	(25)	27	(626)	3,690
<b>NET INCOME/(EXPENDITURE)</b>		<b>1,231</b>	<b>(3,372)</b>	<b>993</b>	<b>(1,148)</b>	<b>3,016</b>
Application of Total Return	18	-	1,154	(1,154)	-	-
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>1,231</b>	<b>(2,218)</b>	<b>(161)</b>	<b>(1,148)</b>	<b>3,016</b>
Funds brought forward at 1 July		37,233	9,944	32,486	79,663	76,647
<b>FUNDS CARRIED FORWARD AT 30 JUNE</b>		<b>38,464</b>	<b>7,726</b>	<b>32,325</b>	<b>78,515</b>	<b>79,663</b>

The notes to the financial statements are on pages 29 to 49.

# Consolidated Balance Sheet

## as at 30 June 2015

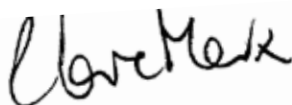
	NOTES	Unrestricted Funds	Restricted Funds	Endowed Funds	Total Funds	
		£000	£000	£000	2016	2015
					£000	£000
<b>Fixed assets</b>						
Tangible fixed assets	8	12,314	1,841	-	14,155	10,726
Investments	10	31,839	608	31,959	64,406	68,262
		<b>44,153</b>	<b>2,449</b>	<b>31,959</b>	<b>78,561</b>	<b>78,988</b>
<b>Current assets</b>						
Stock		179	-	-	179	173
Debtors	11	4,180	107	319	4,606	4,673
Cash and short-term deposits	12	3,715	5,220	91	9,026	8,798
		<b>8,074</b>	<b>5,327</b>	<b>410</b>	<b>13,811</b>	<b>13,644</b>
<b>Current liabilities</b>						
Amounts falling due within one year:						
Other creditors and accrued expenses	13	(6,613)	(50)	(44)	(6,707)	(5,724)
Income received in advance	14	(5,678)	-	-	(5,678)	(5,563)
		<b>(12,291)</b>	<b>(50)</b>	<b>(44)</b>	<b>(12,385)</b>	<b>(11,287)</b>
<b>Net Current Assets/(Liabilities)</b>		<b>(4,217)</b>	<b>5,277</b>	<b>366</b>	<b>1,426</b>	<b>2,357</b>
<b>Long-term liabilities</b>						
Amounts falling due after more than one year:						
Other creditors and accrued expenses	13	(51)	-	-	(51)	(98)
Defined benefit pension liability	13/20	(1,421)	-	-	(1,421)	(1,584)
		<b>(1,472)</b>	<b>-</b>	<b>-</b>	<b>(1,472)</b>	<b>(1,682)</b>
<b>NET ASSETS</b>		<b>38,464</b>	<b>7,726</b>	<b>32,325</b>	<b>78,515</b>	<b>79,663</b>
Represented by:						
Unrestricted funds:						
Fixed assets fund		12,314	-	-	12,314	8,177
Designated funds		3,690	-	-	3,690	5,894
Pension reserve		1,580	-	-	1,580	1,592
General funds		20,880	-	-	20,880	21,570
<b>Total unrestricted funds</b>	16	<b>38,464</b>	<b>-</b>	<b>-</b>	<b>38,464</b>	<b>37,233</b>
Restricted and endowed funds	17/18	-	7,726	32,325	40,051	42,430
<b>TOTAL FUNDS</b>		<b>38,464</b>	<b>7,726</b>	<b>32,325</b>	<b>78,515</b>	<b>79,663</b>

The notes on pages 29 to 49 form part of these financial statements.

The balance sheet of the parent charity is identical to the consolidated balance sheet presented above except that debtor and creditor amounts falling due within one year, and current assets and current liabilities totals are higher by £402k (2015: £383k), which represents the amount of surplus gifted from the trading subsidiary.

Approved on behalf of the members of the Board of Trustees and authorised for issue on 12 October 2016.

**Miss C Marx**  
President of Council  
Chair of the Board of Trustees



**Mr I Eardley**  
Vice-President of Council  
Member of the Board of Trustees



# Consolidated Cash Flow Statement

## for the year ended 30 June 2016

	NOTES	Total Funds	
		2016	2015
		£000	£000
Cash flows from operating activities:			
<b>Net cash provided by/(used in) operating activities</b>	A	(477)	1,211
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments		2,627	2,483
Purchase of property, plant and equipment		(5,152)	(1,347)
Proceeds from sale of investments		14,245	47,927
Purchase of investments		(11,015)	(49,773)
<b>Net cash provided by/(used in) investing activities</b>		<b>705</b>	<b>(710)</b>
Change in cash and cash equivalents in the reporting period		228	501
Cash and cash equivalents at the beginning of the reporting period	B	8,798	8,297
Change in cash and cash equivalents due to exchange rate movements		-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	B	<b>9,026</b>	<b>8,798</b>

### Notes to consolidated statement of cash flow for the year ended 30 June 2016

#### A. Reconciliation of cash flows from operating activities

<b>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</b>	(1,148)	3,016
<b>Cash flows from investing activities:</b>		
<b>Adjustments for:</b>		
Depreciation charges	1,723	1,967
(Gains)/losses on investments	626	(3,690)
Dividends, interest and rents from investments	(2,627)	(2,483)
(Increase)/decrease in stocks	(6)	99
(Increase)/decrease in debtors	67	207
Increase/(decrease) in creditors	888	2,095
<b>Net cash provided by/(used in) operating activities</b>	<b>(477)</b>	<b>1,211</b>

#### B. Analysis of cash and cash equivalents

Cash in hand	7	7
Current and short-term deposits	9,019	8,791
<b>Total cash and cash equivalents</b>	<b>9,026</b>	<b>8,798</b>

# Notes to the Financial Statements

## for the year ended 30 June 2016

### 1. Charity Information

The Royal College of Surgeons was established by Royal Charter in 1800 and is a registered charity in England and Wales (charity number: 212808).

### 2. Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed investments, and in accordance with the Statement of Recommended Practice (SORP): "Accounting and Reporting by Charities (2015) preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", effective from 1 January 2015, and the Charities Act 2011. The RCS constitutes a public benefit entity as defined by FRS 102.

This is the first set of accounts compiled in accordance with FRS 102 and the Charities SORP 2015. In preparing the accounts the trustees have determined that in applying the accounting policies required by FRS 102 and the Charities SORP a re-statement of comparative items is needed. Details of the re-statement are set out in note 25.

The financial statements consolidate on a line-by-line basis the financial statements of The Royal College of Surgeons of England and of its subsidiary undertaking, Hunter Trading Ltd, for the financial year ended 30 June 2016. Inter-group transactions are eliminated on consolidation.

The financial statements have been prepared on a going concern basis as the trustees consider that the College has sufficient resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that call into doubt the ability of the College to continue as a going concern.

### 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Preparation of the financial statements requires management to make judgements and estimations in the process of applying the College's accounting policies that may have a significant effect on the carrying amounts of assets and liabilities in the accounts. The nature of estimation and judgement means that actual outcomes may differ from expectation and may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

The treatment of pensions is considered the key area of critical accounting judgement and estimation uncertainty in respect of the financial statements to 30 June 2016. These judgements and estimations are disclosed in more detail under accounting policy 4.10 and under the pensions note (note 20).

### 4. Principle Accounting Policies

#### 4.1 Income

Income is recognised when the entitlement is established, there is probability of receipt and the amount can be reliably measured. Income received relating to future accounting periods is deferred and shown as a creditor on the balance sheet.

- i. Course and examination fees are recognised in the financial statements in the period in which the relevant course and examination takes place.
- ii. Membership subscription fees are included on an accruals basis.
- iii. Grant income is included on a receivables basis.
- iv. General and specific donations are credited in full in the year of receipt.

- v. Grants or donations received in respect of fixed asset expenditure are treated as deferred capital grants and released in line with the depreciation of the fixed asset.
- vi. Legacy income is recognised when notified, providing the amount is measurable and receipt is probable.
- vii. Investment income is credited on a receivables basis.
- viii. Other income is accounted for on an accruals basis and recognised in the financial statements to the extent that the contract or service is completed.

#### 4.2 Expenditure

All expenditure is accounted for on an accruals basis, and, with the exception of support costs, is attributed directly to each activity undertaken.

- i. Employee costs include the net movement in year on the provision for annual leave accrued by employees in respect of services rendered as required by FRS 102.
- ii. Support costs are allocated to activities on a basis consistent with the use of these resources: Building Services costs are charged to departments and faculties based upon area occupied, Portering and Cleaning Services, Finance, IT and Human Resources costs are allocated based on the number of full-time equivalent staff.
- iii. Governance costs comprise those costs incurred in relation to the overall strategic management of the College and the costs of compliance with statutory requirements and under FRS 102 are disclosed as part of support costs and allocated to other professional activities.
- iv. Overheads in relation to grant-funded projects are charged, where appropriate, on the basis of their activity.
- v. Grants payable are charged in full in the period in which the recipients are notified of their award.
- vi. Fundraising costs comprise the costs incurred in encouraging others to make voluntary contributions to the College and its activities.

#### 4.3 Taxation

The College is a registered corporate charity and as such is exempt from taxation on its income and gains to the extent that they are applied for its charitable purposes.

The College's wholly owned subsidiary, Hunter Trading Ltd, is liable to corporation tax, but all profits earned on its trading operations are gifted each year to the College.

The College is partially exempt for the purposes of VAT and is only able to reclaim a percentage element of VAT charged on goods and services purchased.

#### 4.4 Tangible Fixed Assets

Freehold land and buildings are stated in the balance sheet at historic cost and are not depreciated. The College has a policy of maintaining them in such a condition that their value, taken as a whole, is not impaired by the passage of time, any provision for depreciation would not be material, and the buildings are worth at least their book value. The assets are reviewed for impairment on an annual basis.

- i. Capital projects which are not completed at the year-end are shown as "work in progress" and are not depreciated.
- ii. Refurbishments and plant are capitalised and depreciated over 10 years.
- iii. Expenditure on equipment, furniture and fixtures and fittings less than £1,000 is written off to the income and expenditure account in full in the year of acquisition.
- iv. Expenditure on equipment, furniture and fixtures and fittings greater than £1,000 is capitalised and depreciated from the date of acquisition of the asset over an expected useful life of 4 years.
- v. Assets acquired with the aid of specific grants are capitalised and depreciated as above and the related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

#### 4.5 Fixed Asset Investments

Fixed asset investments are stated at market value at the balance sheet date. These investments include cash held by the investment managers intended for investment or held as part of the portfolio. The statement of financial activities includes the net unrealised gains and losses arising on revaluation and the realised gains and losses arising from disposals in the year.

Endowments are accounted for under the Total Return approach using a base date of 24 June 1992 to determine the permanent capital of each endowment.

#### 4.6 Heritage Assets

Heritage assets are books, manuscripts, specimens, objects or other assets that have historic, scientific, artistic, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

The College's heritage assets comprise mainly the numerous specimens and artefacts collected by John Hunter in the 1700s and presented to the College in 1799. These are held in the Hunterian Museum. The College is by law the proprietor of these specimens and the Hunterian trustees have a duty to ensure that the College maintains the specimens and does not dispose of them. The College also owns historic books related to surgery and medicine which were bequests in the 19th century and are preserved and maintained in the library and are not to be disposed of.

No value has been attributed to the College's heritage assets in the balance sheet on the grounds that the trustees consider there is no reliable method of establishing historic cost information for these artefacts and that the costs of valuation would be disproportionate to the benefit of the resultant information.

No heritage assets have been purchased or disposed of by the College in the last five years. The College received some donated heritage assets in this accounting period but none are deemed to have an individual value greater than £1,000.

#### 4.7 Stock

Stock comprises goods produced for re-sale, including course manuals purchased or printed, and is stated at the lower of cost and net realisable value.

#### 4.8 Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and in hand, and cash held on readily realisable short-term deposit with Cazenove Capital Management.

#### 4.9 Financial Instruments

A financial instrument is broadly defined as a contract that gives rise to a financial asset in one entity and a financial liability in another entity. These financial assets and liabilities are recognised when the College becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are classified according to the substance of the contractual arrangements entered into. The College has financial instruments that fall into the category of basic financial instruments as defined under section 11 of FRS 102. FRS 102 requires disclosure of the measurement bases of these instruments.

The College's financial assets measured at amortised cost include cash, trade debtors, other debtors and accrued income. Financial assets measured at fair value include investments. The College's financial liabilities measured at amortised cost include trade creditors, other creditors, and accruals.

#### 4.10 Post Employment Benefits

The College contributes to four pension schemes on behalf of its employees: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL), both multi-employer externally funded defined benefit schemes, the NHS Pension Scheme, a statutory unfunded multi-employer defined benefit public sector scheme, and Standard Life, a defined contribution scheme set up for employees in 2014.

The trustees are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme whereby the participating entities are not under common control and the schemes represent industry-wide schemes. Throughout the current and preceding periods, the USS and SAUL schemes were defined benefit only pension schemes until 31 March 2016, contracted out of the State Second Pension.

The assets of the USS and SAUL multi-employer schemes are held in separate trustee-administered funds. Given the mutual nature of these schemes, the schemes' assets are not hypothecated to individual institutions and a scheme-wide contribution is set. The College is therefore exposed to actuarial risks associated with other entities' employees and is unable to identify

the College's share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis. The College is therefore required under section 28 of FRS 102 "Employee benefits", to account for these schemes as if they were defined contribution schemes. The amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

Formal valuations of USS and SAUL are undertaken every three years by professional qualified and independent actuaries using the Projected Unit method in which the actuarial liability for benefits makes allowance for projected increases in earnings. The Pensions Act 2004 introduced a new scheme-specific funding regime, requiring schemes to adopt a statutory funding objective and ensure that the schemes' assets are sufficient and appropriate to cover their technical provisions.

The last audited triennial actuarial valuations were at 31 March 2014 and both USS and SAUL schemes reported funding shortfalls at this date and participating employers entered into a funding agreement to make additional contributions in order to recover the deficits. In accordance with section 28 of FRS 102 the College recognises the discounted fair value of the contributions payable under the deficit recovery agreements and the resulting expense in the income and expenditure account.

The College accounts for the NHS scheme as a defined contribution scheme and the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. The College contributes also to a defined contribution scheme with Standard Life and the pension costs charged to the income and expenditure account represent the contributions payable for the accounting period.

#### *4.11 Other Provisions for Liabilities*

Provisions are recognised when the College has a present obligation (legal or constructive) as a result of a past event, it is probable that the College will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle this obligation at the end of the reporting period. As required by FRS 102, the College has recognised a provision for annual leave accrued by employees as a result of services rendered in the reporting period, and which employees are entitled to carry forward and use within the next 12 months. This provision is measured at the relevant salary cost. The College's annual leave period runs from 1 January to 31 December.

#### *4.12 Operating Leases*

Rentals payable under operating leases are charged to the statement of financial activities on a straight-line basis over the lease term.

#### *4.13 Funds*

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general charitable objectives of the College.

Designated funds are unrestricted funds that have been designated by the trustees to be applied for specific purposes in the future.

Fixed assets funds represent the net book value of the College's unrestricted tangible fixed assets which the trustees consider are essential to the implementation of the College's operational strategy and that their disposal could adversely impact on the College's ability to deliver its aims.

Restricted funds represent donations, legacies, or other grants, given to the College for specific purposes to be expended in accordance with the terms of the donation, legacy or grant.

Endowed funds represent donations or legacies given to the College, the terms of which stipulate that the original capital cannot be spent. The funds are invested to generate an income and capital growth which can then be expended in accordance with the purposes stated by the donor.



## 5. Expenditure

	Direct Costs	Grants Made	Allocated Support Costs	Total 2016	Total 2015
	£000	£000	£000	£000	£000
<b>Raising Funds:</b>					
Fundraising costs	290	-	53	343	358
Residential, conference and other trading costs	2,317	-	1,139	3,456	3,871
Investment management fees	363	-	-	363	348
	<b>2,970</b>	<b>-</b>	<b>1,192</b>	<b>4,162</b>	<b>4,577</b>
<b>Charitable Activities:</b>					
Education and courses	5,429	-	826	6,255	6,488
Standards, regulation and examinations	7,470	-	1,279	8,749	8,519
Research grants	662	2,199	90	2,951	3,208
Clinical Effectiveness Unit and other projects	1,864	-	253	2,117	1,713
Museums and library	1,547	-	926	2,473	2,796
Communications and publications	2,160	-	357	2,517	2,037
Other professional activities	2,753	-	1,066	3,819	3,187
	<b>21,885</b>	<b>2,199</b>	<b>4,797</b>	<b>28,881</b>	<b>27,948</b>
<b>Total Expenditure</b>	<b>24,855</b>	<b>2,199</b>	<b>5,989</b>	<b>33,043</b>	<b>32,525</b>

### Allocated support costs

Support costs total £5.99m for 2015–2016 and comprise Building Services, Internal Services including portering and cleaning, Finance and IT Services, Human Resources and Governance costs. These costs are allocated to activities on a basis consistent with the use of these resources. The allocation method and cost of each support service is summarised below:

Support Services	Allocation Basis	2016 £000	2015 £000
Building Services	Space occupied	1,661	1,850
Internal Services incl. portering & cleaning	Full-time equivalent staff	1,015	975
Human Resources	Full-time equivalent staff	433	733
Finance Services	Full-time equivalent staff	856	582
IT Services	Full-time equivalent staff	1,584	1,390
Governance costs	Other professional activities	440	622
		<b>5,989</b>	<b>6,152</b>

Governance costs include the following fees payable to the auditors in respect of audit and non-audit services:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Audit fees – parent charity	43	44
Audit fees – Hunter Trading Ltd	4	4
Other services	11	9
	<b>58</b>	<b>57</b>

## 6. Research Grants

### Research fellowships

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Liabilities at the start of the year	(2,056)	(1,326)
Paid in the year	2,303	1,808
Liabilities at the end of the year	1,931	2,056
<b>Charge for the year</b>	<b>2,178</b>	<b>2,538</b>

### Research grant expenditure

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Research fellowships	2,178	2,538
Travelling fellowships and other projects	21	29
Surgical Trials Units	290	290
Administration	462	351
<b>Total expenditure in the year</b>	<b>2,951</b>	<b>3,208</b>

The total number of research awards in 2015–2016 was 74 (2014–2015: 65) and 22 travel awards were made (2014–2015: 17). Of this, there were 31 one-year research fellowships, 7 two-year fellowships and 9 dental fellowships. During the year, grants of £595k (2014–2015: £413k) were awarded for individuals at institutions with which members of Council are connected. These members of Council did not participate in the decisions to award the respective grants.

Surgical research fellowships awarded by the College are only eligible to surgical trainees who are Members of the College (MRCS) and who have entered their period of specialty training (specialist registrars). The overriding objective of the surgical research projects is to improve care of surgical patients and the projects are based on the principles of translational research (ie research examining a specific clinical problem). Details of the research fellowships awarded and other research projects undertaken are available in the annual research report published by the College's Research Directorate.

## 7. Employee Information

Staff costs	2016	2015
	£000	£000
Salaries and wages	10,673	10,233
Social security costs	1,000	891
Pension costs	1,460	1,998
<b>Total</b>	<b>13,133</b>	<b>13,122</b>

Salaries and wages include redundancy and termination payments totalling £13k (2015: £100k) arising from restructuring activities during the year.

The number of staff employed by the College at 30 June was as follows:

	2016	2015
	No.	No.
Finance and IT Services	34	30
Centre for Evidence in Transplantation	4	2
Clinical Effectiveness Unit	18	12
Communications	22	21
Development	4	4
Education	34	33
Dental & Surgical Examinations	21	21
Executive Office	3	5
Faculty of Dental Surgery	15	17
Faculty of General Dental Practice (UK)	25	25
Joint Committee on Surgical Training	21	23
Internal Services	67	62
International Affairs	3	2
Professional and Clinical Standards	41	45
Research	5	7
Project 2020	3	-
<b>Total</b>	<b>320</b>	<b>309</b>

The average number of staff employed during the year was 310 (2015: 300).

At 30 June the number of employees whose emoluments exceeded £60k was:

	2016	2015
£60,000 – £70,000	6	7
£70,001 – £80,000	9	9
£80,001 – £90,000	2	3
£90,001 – £100,000	2	1
£100,001 – £110,000	-	-
£110,001 – £120,000	-	-
£120,001 – £130,000	-	-
£130,001 – £140,000	1	1
£140,001 – £150,000	-	-
£150,001 – £160,000	1	-

The key management personnel of the College are set out on page 12. The total employee benefits received by the College's key management personnel in the year amounted to £1.149m (2015: £1.019m). No trustees received any remuneration for services as members of the Board of Trustees in the current and preceding years.

## 8. Tangible Fixed Assets

	Freehold properties	Furniture, fittings and vehicles	Refurbishment and plant	Computer equipment	Work in progress	2016 Total
	£000	£000	£000	£000	£000	£000
<b>Cost:</b>						
At 1 July 2015	3,352	1,368	25,639	3,434	774	34,567
Additions during the year	-	79	284	504	4,285	5,152
Disposals during the year	-	-	(2,433)	(1,432)	-	(3,865)
<b>At 30 June 2016</b>	<b>3,352</b>	<b>1,447</b>	<b>23,490</b>	<b>2,506</b>	<b>5,059</b>	<b>35,854</b>
<b>Depreciation:</b>						
At 1 July 2015	-	1,149	19,608	3,084	-	23,841
Charge for the year	-	143	1,358	222	-	1,723
Disposals during the year	-	-	(2,433)	(1,432)	-	(3,865)
<b>At 30 June 2016</b>	<b>-</b>	<b>1,292</b>	<b>18,533</b>	<b>1,874</b>	<b>-</b>	<b>21,699</b>
<b>Net Book Value:</b>						
At 30 June 2015	3,352	219	6,031	350	774	10,726
<b>At 30 June 2016</b>	<b>3,352</b>	<b>155</b>	<b>4,957</b>	<b>632</b>	<b>5,059</b>	<b>14,155</b>

Work in progress includes £3.99m in respect of the planned redevelopment of the London headquarters and £0.7m in respect of the website redevelopment and digital transformation agenda.

## 9. Heritage Assets

The College's heritage assets comprise mainly the historical artefacts in the Hunterian Museum and historical books in the College Library. Heritage assets can be acquired by gift, bequest, exchange or purchase on the open market. They are available to the members and staff of the RCS, the wider academic community and the public.

All preservation and conservation costs are charged to the statement of financial activities as incurred. No heritage assets were capitalised during the year as none exceeded the capitalisation threshold of £1,000.

The Hunterian Museum is a world class surgical heritage resource which helps to tell the story of surgeons and surgery over the last three centuries. The museum is open to the public; however, the specialist collections in store are accessed only by researchers on request.

The main collection is the Hunterian Collection, which comprises approximately 3,700 anatomical specimens and artefacts. These were collected by John Hunter in the 1700s and presented to the College in 1799.

The College Museum Collection holds approximately 3,500 objects associated with surgical and dental research and training since 1800 including anatomy and pathology specimens which are over 100 years old.

The Historical Surgical Instruments Collection comprises approximately 9,000 surgical instruments.

The Special Collections include fine and decorative art including portraits and furniture with over 5,300 objects in this collection. The collection is held in the museum, seven collections stores and throughout the College. There are also approximately 80 objects from the collection on loan.

The Library collections became a designated collection under the Designation Scheme of the Arts Council England in 2013.

They comprise an estimated 115,000 books and pamphlets dating from the 15th century as well as an important collection of rare journals dating from the 17th century onwards.

The 20th century collections focus on surgery, dentistry, anatomy, physiology and pathology, while the subjects in the earlier collections reflect the evolution of medicine and surgery. Natural history and other scientific subjects are represented in the Library collections, reflecting the work of 19th century College museum curators responsible for the Hunterian Museum.

Further information on all of these collections is available on the College website ([www.rcseng.ac.uk](http://www.rcseng.ac.uk)).

	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	Total 2016 £000	Total 2015 £000
<b>10. Investments</b>					
Quoted securities at market value	28,904	598	31,425	60,927	63,460
Deposits with investment managers	173	10	534	717	2,040
Investment properties at market value	2,762	-	-	2,762	2,762
<b>Market value at 30 June</b>	<b>31,839</b>	<b>608</b>	<b>31,959</b>	<b>64,406</b>	<b>68,262</b>
<b>Movements in the year:</b>					
Market value at 1 July	32,561	3,229	32,472	68,262	62,726
Additions	916	64	10,035	11,015	49,773
Disposals	(1,010)	(2,660)	(10,575)	(14,245)	(47,927)
Net gain during the year	(628)	(25)	27	(626)	3,690
<b>Market value at 30 June</b>	<b>31,839</b>	<b>608</b>	<b>31,959</b>	<b>64,406</b>	<b>68,262</b>
<b>Cost at 30 June</b>	<b>29,179</b>	<b>575</b>	<b>30,194</b>	<b>59,948</b>	<b>62,302</b>

At 30 June 2016, the total market value investments held with the College's investment managers was £61.6m, comprising UK investments of £45.3m (2015: £49m) and overseas investments of £16.3m (2015: £16.5m). Between the balance sheet date of 30 June 2016 and 28 September 2016, the market value of these investments has increased by £3.5m to £65.1m, an increase of 5.7%.

As part of the overall management of funds, the investment managers of the restricted and endowed investment portfolio have entered into commitments to purchase various currencies under forward rate contracts at 30 June 2016. Maturity dates were 7 July 2016 and 10 August 2016. These forward contracts are included within total investments at a market value of £(372,828) at 30 June 2016 (2015: £10,020).

The College's investment properties at 50 Lincoln's Inn Fields are valued at £2.762m. A full valuation was carried out as at 30 June 2015 by Chestertons.

£1.5m of invested cash was re-classified from investments to cash and cash equivalents in 2015–2016 (2015: £1.5m).

	Unrestricted funds	Restricted funds	Endowed funds	Total 2016	Total 2015
	£000	£000	£000	£000	£000
<b>11. Debtors</b>					
Trade debtors	1,980	-	-	1,980	2,158
Prepayments	441	-	-	441	407
Other debtors including taxation	1,759	107	319	2,185	2,108
	<b>4,180</b>	<b>107</b>	<b>319</b>	<b>4,606</b>	<b>4,673</b>

## 12. Cash and Short-term Deposits

Cash in hand	7	-	-	7	7
Current and instant access accounts	3,708	5,220	91	9,019	8,791
	<b>3,715</b>	<b>5,220</b>	<b>91</b>	<b>9,026</b>	<b>8,798</b>

£1.5m of invested cash was re-classified from investments to cash and cash equivalents in 2015–2016 (2015: £1.5m).

## 13. Creditors and Accrued Expenses

### Amounts falling due within one year:

Trade creditors	771	-	-	771	1,250
Taxation	302	-	-	302	271
Other creditors and accruals	5,381	50	44	5,475	4,195
Pension liability	159	-	-	159	8
	<b>6,613</b>	<b>50</b>	<b>44</b>	<b>6,707</b>	<b>5,724</b>

### Amounts falling due after more than one year:

Other creditors and accruals	51	-	-	51	98
Pension liability	1,421	-	-	1,421	1,584
	<b>1,472</b>	<b>-</b>	<b>-</b>	<b>1,472</b>	<b>1,682</b>

## 14. Income Received in Advance

Brought forward at 1 July	5,563	-	-	5,563	4,907
Received during the year	27,267	4,235	1,134	32,636	32,507
Taken as income during the year	(27,152)	(4,235)	(1,134)	(32,521)	(31,851)
<b>Carried forward at 30 June</b>	<b>5,678</b>	<b>-</b>	<b>-</b>	<b>5,678</b>	<b>5,563</b>

Income received in advance comprises membership subscriptions, education course fees and examination fees.

## 15. Financial Instruments

	2016	2015
	No.	No.
Financial assets measured at amortised cost	13,111	14,953
Financial assets measured at fair value	60,927	63,460
Financial liabilities measured at amortised cost	(6,295)	(5,323)

## 16. Unrestricted Funds

	2016	2015
	£000	£000
Fixed assets fund	12,314	8,177
Designated funds	3,690	5,894
Pension reserve	1,580	1,592
General funds	20,880	21,570
<b>Total unrestricted funds</b>	<b>38,464</b>	<b>37,233</b>

The trustees designated £5m of unrestricted funds in 2014 to support the planned redevelopment of the College's headquarters and a further £2m was designated in 2015–2016. A total of £3.99m has been utilised to date, of which £3.49m was utilised in this reporting period, leaving £3m at 30 June 2016, to be fully utilised in the next reporting period. The associated costs have been capitalised and disclosed as "work in progress" under tangible fixed assets. The designated fund has been reduced to reflect the expenditure to date and the costs are matched by the fixed assets fund. The College's reserves now include a pension reserve of £1.58m to fund the FRS 102 pension deficit liability.

The trustees designated a further £1.4m in 2015 to support the digital transformation agenda. £0.7m has been utilised in this period and expenditure of £110k will be incurred in the next reporting period. £575k remains to support the digital transformation agenda from 2017.

## 17. Restricted Funds

	2015 £000	Increase £000	Decrease £000	Transfers £000	2016 £000
Trust funds	3,332	629	(1,351)	-	2,610
Grants and donations	6,612	3,606	(5,102)	-	5,116
<b>Total restricted funds</b>	<b>9,944</b>	<b>4,235</b>	<b>(6,453)</b>	<b>-</b>	<b>7,726</b>

The College has 27 trust funds and their position is set out below by fund:

### Research Trust Funds:

Modi Fund	427	4	(54)	-	377
Mr Sorab J Lam Legacy	425	4	(75)	-	354
Surgical Research Fund	267	31	(2)	-	296
Blond McIndoe (Joint Fund with Education)	235	3	(52)	-	186
Ethicon Travelling Fellowship	174	6	(9)	-	171
Miss Carol Rummey Legacy	135	12	(2)	-	145
H Speight Discretionary Trust	-	171	(26)	-	145
Dunhill Medical Trust	362	204	(452)	-	114
RCSE Fellows Fellowship Fund	127	180	(199)	-	108
DBP Surgical Trust Fund	142	2	(47)	-	97
Fletcher Legacy	74	1	(1)	-	74
Preiskel Fund	43	2	(2)	-	43
Cutner Legacy	34	-	-	-	34
Rex and Jean Lawrie O/S Fund	46	1	(16)	-	31
Shrimpton Fund	31	-	(11)	-	20
BLACK Legacy	77	1	(60)	-	18
Curry Legacy Damage/Pain	11	-	(1)	-	10
Far East HK Masonic Association	8	-	-	-	8
The Arthritis Research Trust	61	1	(56)	-	6
Guyatt Legacy	65	-	(61)	-	4
Clarke Legacy	4	-	(1)	-	3
Denker Legacy	7	-	(4)	-	3
Ethicon Research Fund	1	-	-	-	1
Starritt Legacy	22	-	(22)	-	-

### Education and Training Trust Funds:

E and T Haddock Legacy	421	4	(196)	-	229
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### Faculty of Dental Surgery Funds:

J W Mclean Fund	130	2	(2)	-	130
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### Faculty of General Dental Practice (UK) Funds:

Research Fund (FGDP(UK))	3	-	-	-	3
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<b>Total Trust Funds</b>	<b>3,332</b>	<b>629</b>	<b>(1,351)</b>	<b>-</b>	<b>2,610</b>
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	2015 £000	Increase £000	Decrease £000	Transfers £000	2016 £000
<b>Grants and donations are summarised as follows:</b>					
<b>Grants and Donations:</b>					
Education Centre Refurbishment	2,533	-	(696)	-	1,837
PCCT Transplant Fellowships	511	-	(121)	-	390
National Prostate Cancer Audit	138	403	(329)	-	212
Surgical Trials Units	190	2	-	-	192
FDS-NAC	137	52	(24)	-	165
eLearning for Healthcare	148	3	(1)	-	150
Education Development Restricted Fund	-	-	-	136	136
Galeski Travelling Fellowship	124	12	(10)	-	126
Cosmetic Surgery Project	232	202	(325)	-	109
Health Education England	-	105	-	-	105
Other balances < £100,000	2,599	2,827	(3,596)	(136)	1,694
<b>Total Grants and Donations</b>	<b>6,612</b>	<b>3,606</b>	<b>(5,102)</b>	<b>-</b>	<b>5,116</b>
<b>TOTAL RESTRICTED FUNDS</b>	<b>9,944</b>	<b>4,235</b>	<b>(6,453)</b>	<b>-</b>	<b>7,726</b>

## 18. Endowed Funds

	Unapplied Total Return £000	Permanent Capital £000	Total Endowment £000
<b>Endowed funds at 1 July 2015</b>	<b>17,535</b>	<b>14,951</b>	<b>32,486</b>
Investment income	1,111	-	1,111
Legacies	23	-	23
Investment gains	27	-	27
<b>Total income and gains</b>	<b>1,161</b>	<b>-</b>	<b>1,161</b>
Application of total return	(1,154)	-	(1,154)
Investment management fees	(168)	-	(168)
<b>Total application and fees</b>	<b>(1,322)</b>	<b>-</b>	<b>(1,322)</b>
<b>Net movement in year</b>	<b>(161)</b>	<b>-</b>	<b>(161)</b>
<b>TOTAL ENDOWED FUNDS</b>	<b>17,374</b>	<b>14,951</b>	<b>32,325</b>

A total of £2.5m was borrowed from three of the College's permanent endowed funds under four Charity Commission Orders over the period from 2003–2004 to 2009–2010 to fund two capital projects, the Eagle project and the Hunterian Museum project. All four Orders were formally annulled in 2015–2016 following confirmation that the full value of the original loans had been fully recouped and permanent capital restored.

The College has 22 endowed funds and the 2015–16 position is set out below by fund:

ENDOWED FUND NAME	Unapplied Total Return 2015 £000	Income and Gains £000	Applied Total Return £000	Investment Fees £000	Unapplied Total Return 2016 £000	Permanent Capital £000	2016 Total £000
RCSE Research Fund	4,353	285	(333)	(42)	4,263	3,784	8,047
RCSE Education Fund	3,584	204	(182)	(30)	3,576	2,262	5,838
RCSE Cancer Research Fund	2,270	165	(148)	(21)	2,266	1,756	4,022
Presidents Finch Fund	243	82	(13)	(12)	300	2,108	2,408
Dental Science Research Fund	1,454	87	(165)	(13)	1,363	1,016	2,379
Rank Chair Physics in Surgery	1,186	76	(104)	(11)	1,147	955	2,102
RCSE Library Fund	1,008	64	(76)	(9)	987	833	1,820
M-W Johnson for Hunterian	720	40	(39)	(6)	715	425	1,140
RCSE Biochemical Research Fund	501	30	(26)	(5)	500	374	874
H S Morton Travelling Fellowship	301	17	(12)	(3)	303	200	503
Groves Bequest for Museum	319	16	(22)	(2)	311	161	472
Moser Trust (FDS)	285	16	-	(2)	299	173	472
George Qvist for Hunterian	258	16	(22)	(2)	250	209	459
John Kinross Fund Fellowship	232	12	-	(2)	242	104	346
RCSE Prize Fund	217	10	(1)	(1)	225	61	286
Sims Commonwealth Travelling Fellowship	123	8	-	(1)	130	106	236
Witt Fund	39	8	(4)	(1)	42	182	224
Commemoration Fund (FDS)	107	6	-	(1)	112	66	178
RCSE Scholarship Fund	105	5	-	(1)	109	51	160
Darlow Fellowship Fund	64	5	(2)	(1)	66	67	133
Rishworth Fund for <i>Annals</i>	76	5	(1)	(1)	79	50	129
RCSE Museum Fund	90	4	(4)	(1)	89	8	97
<b>TOTAL ENDOWED FUNDS</b>	<b>17,535</b>	<b>1,161</b>	<b>(1,154)</b>	<b>(168)</b>	<b>17,374</b>	<b>14,951</b>	<b>32,325</b>

8 of the 22 funds have closing balances greater than £1m, amounting to £27.76m of the £32.33m of funds at 30 June 2016. A brief description of the purposes of each fund is provided below:

**1. RCSE Research Fund:** to promote, carry on and fund study and research into surgery and related subjects and to publish useful results of such study and research.

**2. RCSE Education Fund:** to educate surgeons, medical practitioners and the general public in the art, science and practice of surgery and related subjects and to further instruction and training in surgery.

**3. RCSE Cancer Research Fund:** to promote, carry on and fund study and research into cancer and its preventative treatment and care and to publish useful results of such study and research.

**4. Dental Science Research Fund:** for the promotion of research into improving dental treatment and dental health.

**5. Presidents Finch Fund:** income to be applied for charitable purposes which will be of service for the welfare and advancement of the science and art of surgery.

**6. Rank Chair Physics in Surgery:** supports research work at the Institute of Child Health.

**7. RCSE Library Fund:** to promote, carry on, maintain and fund the establishment of libraries of the RCS for the furtherance of study and research into surgery and related objects.

**8. M-W Johnson for Hunterian:** supports museum projects.

The remaining 14 funds with balances of less than £1 million, and amounting to £4.57m, are summarised under the following categories:

#### Research Funds

RCSE Biochemical Research Fund  
Darlow Fellowship Fund

#### Scholarship and Prize Funds

RCSE Prize Fund  
RCSE Scholarship Fund  
Witt Fund

#### Travelling Fellowship Funds

H S Morton Travelling Fellowship  
Sims Commonwealth Travel F/S

#### Faculty of Dental Surgery Funds

Commemoration Fund (FDS)  
Moser Trust (FDS)

#### Museum Funds

RCSE Museum Fund  
Groves Bequest for Museum  
George Qvist for Hunterian

#### Other Funds

Rishworth Fund for *Annals*  
John Kinross Fund

## 19. Hunter Trading Ltd

The College holds the entire issued £1 share capital of Hunter Trading Limited equal to the closing net assets of the company. The results and financial position of the company for the year are summarised as follows:

	2016	2015
	£000	£000
<b>Profit and Loss Account</b>		
Income	3,450	3,605
Expenditure	(3,048)	(3,222)
<b>Profit before tax</b>	<b>402</b>	<b>383</b>
Profits gifted to RCS	(402)	(383)
<b>Result for the year</b>	<b>-</b>	<b>-</b>
<b>Balance Sheet</b>		
Debtors	402	383
Creditors: amounts falling due within one year	(402)	(383)
<b>Net assets</b>	<b>-</b>	<b>-</b>

The net assets at 30 June 2016 are £1 (2015: £1) represented by £1 of called up share capital. Inter-company activity in 2015–2016 comprised the settlement of the profits of 2014–2015 of £383k gifted to the College and the relevant debtor and creditor amounts in respect of the profits to be gifted for 2015–2016 of £402k.

## 20. Pension Liabilities and Charges

The College participates in two multi-employer defined benefit pension schemes, USS, and SAUL, that reported funding shortfalls at their last full triennial valuations at 31 March 2014. In accordance with section 28 of the new reporting standard, FRS 102, the College is required to recognise its share of the liability for the contributions payable under each of the deficit recovery agreements. The liabilities and charges are allocated fully to unrestricted funds on the basis that the conditions pertaining to the use of the College's restricted funds preclude charges of this nature.

Defined Benefit Pension Liability	2016	2015
	Total	Total
	£000	£000
USS	1,468	1,592
SAUL	112	-
<b>Total Liability</b>	<b>1,580</b>	<b>1,592</b>
Liability less than 1 year	159	8
Liability more than 1 year	1,421	1,584

### Universities Superannuation Scheme (USS)

The College's calculated share of the USS defined benefit pension liability amounts to £1.47m (2015: £1.59m) and the total cost charged to the statement of financial activities in respect of USS amounts to £899k (2015: £1.68m). Of the College's 320 employees at 30 June 2016 (2015: 309), 139 were members of USS (2015: 157).

The liability has been calculated using the USS models provided. The opening provision is created at 30 June 2014, the first year end following the date of the triennial valuation, and based on an initial deficit recovery period of 7 years from 2014 to 2021. The Scheme Trustee and employers subsequently agreed that employer contributions should increase from 16% to 18% with effect from 1 April 2016 for a deficit recovery period to 31 March 2031. The provision was therefore re-calculated on this basis for the year to 30 June 2015.

The following assumptions were used to calculate the College's share of the USS liability:

	2016	2015	2014
Discount rate	2.75%	3.68%	4.17%
Projected salary inflation	1% in 2017 and 2% to 2031	1.2% in 2016, 1% in 2017 and 2% to 2031	2.2% in 2015 and 2% to 2021

The discount rate is based on the iBoxx Sterling AA Corporate Bond rate over 15 years prevailing at 30 June of each relevant year. Salary inflation assumptions take into account the level of annual pay increases set in the April before the relevant year end, prevailing CPI rates, and the Bank of England long-term inflation target of 2%. The calculation also reflected actual changes in membership reported for 2014 and 2015 and an assumption that there would be some reduction in the forward years. The assumptions underpinning the calculation reflect a prudent assessment of the available information and options but represent a key area of estimation uncertainty in the financial statements.

Analysis of the charge to the income and expenditure statement is set out below:

<b>Statement of Financial Activities</b>	<b>2016</b>	<b>2015</b>
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Employer contributions	1,023	1,042
Contributions allocated to deficit provision	(63)	(192)
Change in contributions from past expectations	(105)	794
<b>Contribution Costs Total</b>	<b>855</b>	<b>1,644</b>
Interest payable	44	35
<b>Pension Costs Total</b>	<b>899</b>	<b>1,679</b>

#### *Superannuation Arrangements of the University of London (SAUL)*

The College's calculated share of the SAUL defined benefit pension liability amounts to £112k (2015: Nil) and is charged in full to the statement of financial activities. Of the College's 320 employees at 30 June 2016 (2015: 309), 92 were members of SAUL (2015: 62).

The Scheme Trustee and employers agreed that the technical provisions deficit at the valuation date of 31 March 2014 will be recovered by a 3% increase in employer contributions from 13% to 16% with effect from 1 April 2016 and over a deficit recovery period to 31 March 2018. In accordance with the guidance issued by SAUL, the College has calculated its share of the liability as at 30 June 2016 based on the discounted value of the future 3% deficit funding contributions payable under this agreement effective from 1 April 2016. The discount rate used to calculate the present value of the liability is 0.84%, representing the average yield to maturity for a range of corporate bonds maturing in 2018.

The total cost charged to the statement of financial activities in respect of the SAUL pension scheme amounts to £382k as follows:

<b>SAUL Pension Scheme</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Employer contributions payable	270	154
Pension liability provision	112	-
<b>Total Pension Charges</b>	<b>382</b>	<b>154</b>

#### *Supplementary scheme disclosures*

Since the College cannot identify its share of the assets and liabilities of the USS and SAUL schemes, the following disclosures have been provided by the respective pension schemes to reflect those relevant for the schemes as a whole.

#### *Universities Superannuation Scheme (USS)*

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings. Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	<b>2016</b>	<b>2015</b>
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pension increases (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI's) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – no age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long-term rate were also adopted. The current life expectancies on retirement at age 65 are:

	<b>2016</b>	<b>2015</b>
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	<b>2016</b>	<b>2015</b>
Scheme Assets	£49.8bn	£49.1bn
Total Scheme Liabilities	£58.3bn	£60.2bn
FRS 102 Total Scheme Deficit	£8.5bn	£11.1bn
FRS 102 Total Funding Level	85%	82%

### *Superannuation Arrangements of the University of London (SAUL)*

SAUL is a centralised defined benefit scheme within the UK for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis. Following a consultation with Members, the SAUL Final Salary Section closed at 31 March 2016 and from 1 April 2016 all Members now build up benefits on a CARE basis. Insufficient information is available to use defined benefit accounting for this multi-employer scheme and accordingly under FRS 102 this is accounted for by the College as if it was a defined contribution plan.

The College is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer may be spread across the remaining participating employers and reflected in the next actuarial valuation.

### *College's other pension schemes*

Of the College's 320 employees at 30 June 2016 (2015: 309), 46 were members of Standard Life (2015: 53) and 10 were members of the NHS Pension Scheme (2015: 4).

The College pays a contribution rate of 9% into the Standard Life defined contribution scheme at a total cost of £110,897 in 2015–2016 (2015: £135,887) and a contribution rate of 14% into the NHS Pension Scheme at a total cost of £68,382 in 2015–2016 (2015: £29,267). No contributions in respect of these schemes were outstanding at the balance sheet date.

## 21. Transactions with Trustees

No trustees receive any fees or honoraria for services. Trustees claim travelling, subsistence and accommodation costs in carrying out their College responsibilities and attending relevant meetings.

The total expenses reimbursed to the trustees holding office during the 2015–2016 year amounted to £75k (2015: £55k). This represented reimbursement to 11 trustees (2015: 23). Although there was a reduction in the number of trustees following the change in governance arrangements in April 2015, expenses are higher overall this year due to sessional payments of £44k made to trustees.

The College received donations from trustees to the value of £30k in the current period (2015: Nil).

One of the College's trustees is Chief Executive of a company that provided professional services to the College to the value of £71k in the current year (2015: Nil). One trustee is President of an organisation that operates from within the College's premises under a tenancy agreement. The College received £4k in rent and service charges from this organisation during the current period (2015: £4k).

## 22. Capital Commitments

The College is engaged in two major transformation developments, the redevelopment of its London headquarters and digital/IT transformation, which will commit significant funds in the 2016–2017 year. At the date of signing, no capital commitments had been authorised and contracted (2015: £504k).

## 23. Operating Leases

The future minimum payments that the College is committed to make under operating leases are as follows:

	Furniture, Fittings and Vehicles	
	2016 £000	2015 £000
<b>Payments under leases due:</b>		
Under one year	18	11
One to two years	15	13
Within two to five years	4	14
	<u>37</u>	<u>38</u>

## 24. Changes in Income Disclosure

The College re-categorised the following income in its statement of financial activities and re-stated the prior year comparatives accordingly:

- » £1.7m of income previously disclosed as course fees has been re-disclosed as subscription income (2015: £1.4m)
- » £275k of income previously disclosed as donations has been re-disclosed as grant income (2015: £400k)

The above adjustments have no impact on the total income or reserves position.

## 25. Transition to FRS 102

The College has adopted FRS 102 for the year ended 2016, requiring the re-statement of the opening and closing positions of the comparative prior year and the surplus in year to reflect the following changes in accounting treatment:

- » a provision to be recognised for any employee benefits, namely annual leave, that staff are contractually entitled to, and that has not been taken at the year end;
- » legacy income to be recognised when entitlement is established, it is measurable, and receipt is probable; and
- » a liability to be recognised for the College's share of the contributions payable under deficit recovery agreements for defined benefit pension schemes.

Re-stated reserves are £1.6m lower than the reserves reported in the 2014–2015 published accounts.

<b>Reconciliation of Reserves</b>	<b>At 1 July 2014</b>	<b>At 30 June 2015</b>
	<b>£000</b>	<b>£000</b>
Reserves (as previously stated)	77,355	<b>81,292</b>
Holiday accrual	(294)	<b>(327)</b>
Legacy income	541	<b>290</b>
Pension	(955)	<b>(1,592)</b>
Reserves (as re-stated)	<b>76,647</b>	<b>79,663</b>

<b>Reconciliation of 2015 surplus for the period</b>	<b>2015 £000</b>
2015 surplus as previously stated	<b>3,937</b>
Holiday accrual	<b>(33)</b>
Legacy income	<b>(251)</b>
Pension	<b>(637)</b>
2015 surplus as re-stated	<b>3,016</b>



## Comparative statement of financial activities for the year ended 30 June 2015 showing performance of the separate classes of funds

	NOTES	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	Total funds 2015 £000
<b>INCOME AND ENDOWMENTS FROM</b>					
<b>Donations and legacies</b>					
Donations and gifts		63	1,168	-	1,231
Legacies		186	185	-	371
Grants		12	2,877	-	2,889
<b>Charitable activities</b>					
Courses		4,679	-	-	4,679
Examinations		4,736	-	-	4,736
Subscriptions		7,953	-	-	7,953
Charges and sales		1,815	688	-	2,503
<b>Other trading activities</b>					
Residential, conference and other		5,006	-	-	5,006
<b>Income from investments</b>					
Investment income		1,409	147	927	2,483
<b>TOTAL INCOME AND ENDOWMENTS</b>		<b>25,859</b>	<b>5,065</b>	<b>927</b>	<b>31,851</b>
<b>EXPENDITURE ON</b>					
	5				
<b>Raising funds</b>					
Fundraising costs		358	-	-	358
Residential, conference and other		3,636	235	-	3,871
Investment management fees		102	90	156	348
		<b>4,096</b>	<b>325</b>	<b>156</b>	<b>4,577</b>
<b>Charitable activities</b>					
Education and courses		5,575	913	-	6,488
Standards, regulation and examinations		8,190	329	-	8,519
Research grants	6	-	3,208	-	3,208
Clinical Effectiveness Unit and other projects		-	1,713	-	1,713
Museums and library		2,355	441	-	2,796
Communications and publications		2,019	18	-	2,037
Other professional activities		3,114	73	-	3,187
		<b>21,253</b>	<b>6,695</b>	<b>-</b>	<b>27,948</b>
<b>TOTAL EXPENDITURE</b>		<b>25,349</b>	<b>7,020</b>	<b>156</b>	<b>32,525</b>
<b>Net income before gains</b>		<b>510</b>	<b>(1,955)</b>	<b>771</b>	<b>(674)</b>
Net gains/(losses) on investments	10	2,577	25	1,088	3,690
<b>NET INCOME/(EXPENDITURE)</b>		<b>3,087</b>	<b>(1,930)</b>	<b>1,859</b>	<b>3,016</b>
Application of Total Return	18	-	948	(948)	-
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>3,087</b>	<b>(982)</b>	<b>911</b>	<b>3,016</b>
Funds brought forward at 1 July		34,146	10,926	31,575	76,647
<b>FUNDS CARRIED FORWARD AT 30 JUNE</b>		<b>37,233</b>	<b>9,944</b>	<b>32,486</b>	<b>79,663</b>

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