



RCS

ADVANCING SURGICAL STANDARDS

THE ROYAL COLLEGE OF SURGEONS OF ENGLAND

Annual Report and Accounts

for the year ended 30 June 2014



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Registered Charity No. 212808

President's foreword

I am pleased to present this report, which summarises the achievements of my predecessor, Professor Norman Williams, in his final year as President. The central theme of this report is the delivery of excellence in surgery – whether in pioneering research the College has funded, setting standards for surgical services, or training and assessing the next generation of surgeons.

This report highlights the wide range of activities we have undertaken in the past year and demonstrates the legacy Professor Williams left at the end of his three year term of office. I would like to highlight three areas where real progress was made in the past year in furthering our mission to advance surgical standards and improve patient care.

Firstly, our research endeavours continued to grow and gain national and international recognition. Our new surgical trials units have recruited over 1,500 patients into numerous trials. These will, for the first time and on an unprecedented scale, allow for the assessment of new surgical techniques that will deliver new and better care to thousands of patients. In the year we were able to fund 40 research fellowships, many in partnership with leading organisations.

Secondly, the completion of 28 pieces of evidence-based guidance, accredited by the National Institute for Health and Care Excellence (NICE), for the commissioning of a variety of surgical procedures is a major achievement. This underlines our commitment to supporting the delivery of safe, efficient and cost-effective surgical care as well as helping to improve standards of patient care across England.

Thirdly, a major step was taken in addressing concerns about working time regulations. Professor Williams was asked by the Secretary of State to chair an independent taskforce (with a membership drawn from across the medical professions) to look at the implementation of

the Working Time Directive and its impact on the NHS and health professionals. The group agreed that the 'one size fits all' approach of the Working Time Directive in medicine is detrimental for training and patient care in some specialties. Government accepted the reviews recommendations, which if implemented, will give a clear path to much needed solutions.

Within our organisation, the review of the College's strategy, activity and governance, which Professor Williams instigated last year, was delivered to Council in December. The report's main conclusions were around improving our governance, with proposals to establish a new Board of Trustees. Council agreed to implement the recommendations and work to implement these changes is well underway and, subject to the necessary approvals, will come into effect in early 2015.

As incoming President I would like to thank everyone who contributes and supports the College in all its work.

Miss Clare Marx
President

Chief Executive's introduction

I am delighted to present my first annual report as Chief Executive of the Royal College of Surgeons. This report documents our activities and presents our financial statements for the year ended 30 June 2014. At the outset I would like to pay tribute to my predecessor, Mr Alan Bennett, who retired at the end of December 2013 and whose achievements during his time as Chief Executive are recognised in this report.

During the year we have continued to work hard to promote and protect the interests and safety of surgical patients. We do this in a number of ways – the most important being our role as a source of independent and professional advice. For example, we have been given a central role by government in developing regulations surrounding cosmetic surgery and we have also been asked to lead a project to increase openness and transparency in surgery.

We have made significant progress this year in changing the governance arrangements of the College to ensure that we have the right structure to help the organisation work for the benefit of patients and surgeons. College Council decided to create a smaller governing body in the form of a Board of Trustees which will include lay members and be responsible for operational aspects of the College's business whilst the College Council will remain responsible for the professional agenda. We hope to get formal approval to changes to our Royal Charter and Ordinances in the coming year.

We have a renewed focus on our membership engagement work, supported by the findings of a large membership survey carried out by Ipsos MORI in the summer of 2013. The results have enabled us to gain more insight into the needs of surgeons and their views of the College's services and support. That insight is informing our work across the College and Faculties as we look at how we can best serve their needs across the whole of their career and into retirement. A review

of the College's membership database and the way in which we manage information has also begun and we will be taking this forward into the coming year. As part of the membership strategy, we have set out a four-year plan to take our journals online to meet the increasing digital expectations of Fellows and Members both in the UK and abroad.

During the year we have also put in place a team with the right skills and expertise to look at the redevelopment of our London building to meet the future needs of the College.

I am pleased to report that the College has achieved for the first time in several years an operating surplus of £1.6m on its unrestricted activities. This together with a £1.8m gain on investments has added a healthy £3.4m in total to the College's unrestricted funds. Good progress has been made in improving the efficiency of our business processes and in our management of our resources. The proposed new governance structure will provide the oversight required to enable the College to deliver a stronger and more sustainable financial position going forward. The College's Restricted Funds reduced by a net £1m to £10.6m in the year, reflecting a welcome increase in the level of activities undertaken this year together with the College's policy of ensuring that funds received for specific purposes are expended on a timely basis.

Finally, I would like to thank members, staff and supporters for their continued commitment to the College and I look forward to delivering important changes in the governance and management of the College in the coming year.

Richard Scanlon
Chief Executive

Reference and administrative details

Charter

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 March 1992. The College is a charity with registered number 212808.

Constituent parts

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)).

Council

The Council is the governing body of the College and the elected members of Council are its trustees. Council consists of 24 elected surgical fellows and 2 dental surgery fellows elected by the Board of the Faculty of Dental Surgery. In addition, during the year two co-opted members and a number of invited members representing specific interests attended Council meetings. The elected members of Council were:

President

- Miss C Marx (appointed as President 10 July 2014)
- Professor N Williams (demitted 10 July 2014)

Vice-Presidents

- Mr J Getty (demitted 11 July 2013)
- Professor M Horrocks (demitted 10 July 2014)
- Professor M Parker (elected 10 April 2014, resigned as Vice President 1 October 2014)
- Mr D Ward (appointed 11 July 2013)

Honorary Treasurer

- Professor S Cannon (demitted 10 July 2014)

Members

- Mr J Abercrombie (appointed 11 July 2013)
- Mr S Ahmed (appointed 10 July 2014)
- Professor D Alderson
- Mr M Bircher
- Miss S Boddy
- Professor T Briggs (appointed 11 July 2013)
- Mr I Eardley
- Mr M Escudier (appointed 10 July 2014)
- Miss K Harley (demitted 10 July 2014)
- Mr M Hawthorne
- Miss S Hill
- Professor N Hunt
- Mr P Kay
- Mr R Kerr (appointed 11 July 2013)
- Mr P Lamont
- Professor C Lavy
- Miss V Lees (appointed 10 July 2014)
- Professor G McGrouther (demitted 10 July 2014)
- Mrs S McNally
- Mr C Milford (demitted 10 July 2014)
- Professor N Mortensen (appointed 11 July 2013)
- Miss F Myint (appointed 10 July 2014)
- Mr A Narula (demitted 10 July 2014)
- Mr P O'Flynn
- Mr D O'Riordan (demitted 11 July 2013)
- Professor I Taylor (demitted 11 July 2013)
- Mr T Terry (admitted 10 July 2014)
- Mr W Thomas (demitted 11 July 2013)

In July 2013 Dr T Ferguson and Professor A Santini, the Dean and Vice Dean of the Faculty of General Dental Practice (UK) respectively, were co-opted Members. Essentially, co-opted Members can vote on Council business but cannot take part in the vote for the election of College Officers.

Principal advisors

Bankers

C Hoare & Co 37 Fleet Street,
London EC4P 4DQ

HSBC Bank PLC 60 Queen Victoria Street,
London EC4N 4TR

Auditor

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

Solicitors

Bircham Dyson Bell 50 Broadway,
London SW1H 0BL

Farrer & Co LLP 66 Lincoln's Inn Fields,
London, WC2A 3LH

Investment managers

Schroder & Co Ltd 100 Wood Street,
London EC2V 7ER

Sarasin & Partners LLP Juxon House,
100 St Paul's Churchyard,
London, EC4M 8BU

Registered office

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

Funding partnerships

As a registered charity, the College relies upon 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

- Adint Charitable Trust
- Age UK
- Annett Charitable Trust
- Association of Coloproctology of GB Britain & Ireland
- Association of Surgeons of GB and Ireland
- Astor Foundation
- Ballinger Charitable Trust
- Barbara Whatmore Charitable Trust
- British Association of Plastic Reconstructive & Aesthetic Surgeons
- British Association of Endocrine & Thyroid Surgeons
- British Medical Association
- British Society for Surgery of the Hand
- Brock Webb Trust
- Cardy Beaver Foundation
- Christian Medical Fellowship
- Clare L Marx
- Clothworkers' Foundation
- Cotton trust
- Doctor's Orchestra
- Dudley and Geoffrey Cox Charitable Trust
- Edwin George Robinson Charitable Trust
- EF & MG Hall Charitable Trust
- Enid Linder Foundation
- Ethel & Gwynne Morgan Charitable Trust
- Frances & Augustus Newman Foundation
- Frank & Dorethea Cockett
- G D Herbert Charitable Trust
- G M Morrison Charitable Trust
- George and Esme Pollitzer Charitable Settlement
- George Drexler Foundation
- Get a Head Charitable Trust
- Gilbert & Eileen Edgar Foundation
- Golden Bottle Trust
- Grand Lodge of Freemasons 250th Anniversary Fund
- Henry Lumley Charitable Trust
- Hon Society of Knights of the Round Table Benevolent Fund
- Huggard Charitable Trust
- John Ellerman Foundation
- Joseph Strong Frazer Trust
- Leon & Jane Grant
- Limbless Association
- Lord Leonard and Lady Estelle Wolfson Foundation
- Lord Leverhulme's Charitable Trust
- Mary Kinross Charitable Trust
- Medical Protection Society
- MHP Communications
- Needlemakers' Company
- Nuffield Health
- Oakdale Trust
- Operation Hernia
- Orthopaedic Research UK
- Pamela I Noble
- Philip King Charitable Settlement
- Rosetrees Charitable Trust
- Royal College of Anaesthetists
- Saving Faces
- Shears Foundation
- Swann-Morton Foundation
- W D Macpherson Trust
- Women's Institute - West Kent Federation
- Worshipful Company of Barbers
- Wyndham Charitable Trust

Corporate support

- Acumed (UK)
- Allergan
- Arthrex
- B Braun Medical
- Benenden Healthcare Society
- CareFusion
- Daray Medical
- Ethicon UK
- EIDO Healthcare
- Evident
- Haemonetics (UK)
- Johnson & Johnson Medical Limited
- Karl Storz Endoscopy (UK)
- Leanvation Worldwide
- MDU
- Medecens Sans Frontieres UK
- Medtrade Products
- Medtronic
- Mercy Ships
- NeilMed Pharmaceuticals
- Osteotec
- Q Medical Technologies
- Smith & Nephew Healthcare
- Smith & Williamson
- Stryker UK
- Thomas Tunnock
- W L Gore & Associates UK
- Wesleyan Assurance Society

Endowed and restricted funds

- Anderson Reid Fund
- Blond McIndoe Fund
- Doctor Shapurjui H Modi Memorial ENT Fund
- Edward Lumley Fund
- Fellows Fellowship Fund
- Guyatt Fund - Sir Alan Parks Research Fellowship
- Harold Bridges Bequest
- Harry S Morton Fund
- Laming Evans Research Fund

- Lea Thomas Fund
- Lillian May Coleman Fund
- Margaret Witt Scholarship Fund
- Osman Hill Collection and Research
- Parks Visitorship
- Philip and Lydia Cutner Fund
- Preiskel Family Fund
- Rex & Jean Lawrie Overseas Surgical Training Fund
- Vandervell Research Fund

Legacies

- The late Ms PP Archer for research into cancer
- The late Ms VC Cope for general charitable purposes
- The late Mrs MI Coward for general charitable purposes
- The late Mrs J Fyles for general charitable purposes
- The late Mrs IJG Haddock for education and training
- The late Mrs DMS Loudan for general charitable purposes
- The late Mr AR Mowlem for general charitable purposes
- The late Mr WR Pratt for general charitable purposes
- The late Mrs BV Rollinson for general charitable purposes
- The late Mrs EG Saw for general charitable purposes
- The late Ms ME Simpson for general charitable purposes
- The late Miss GD Towler for general charitable purposes
- The late Mrs BC Towse for general charitable purposes
- The late Mr MB Wilbraham for general charitable purposes
- The late Mrs JI Wilson for general charitable purposes

Structure, governance and management

Council is responsible for the overall direction of the College and delegates the direction of specific functions to individual members of Council. Trustees, when elected by postal ballot by fellows and members of the College, are given an induction course on the College and on-going training on their responsibilities and other matters as required. Council members directly responsible to Council for the following areas at the date of signing were:

Committee	Responsible area	Council member
Annals and Bulletin Editorial	Overall responsibility	Professor N Mortensen
Dental and Surgical Examinations	Overall responsibility	Miss F Myint
Education	Overall responsibility	Professor T Briggs
Library, Museums and Archives	Overall responsibility	Professor C Lavy
Professional and Clinical Standards	Overall responsibility	Mr D Ward
	Professional standards	Miss S Hill
	Regional strategy	Mr D Ward
	Training strategy	Mr I Eardley
	Quality assurance	Mr J Abercrombie
	Opportunities in Surgery	Mrs S McNally
Research and International	Academic and research committee	Professor D Alderson
	Clinical effectiveness unit	Professor R Kerr
	International affairs committee	Professor M Parker

As part of the proposed changes to the governance of the College, a College Board has been established and held its first meeting in July 2014. Council has delegated to this Board responsibility for operational aspects of the College's business in anticipation of formal governance changes in early 2015 (subject to approval by Privy Council and the College's fellows and members to changes to the College's Royal Charter and Ordinances). The College Board is responsible for effective and efficient delivery of the College's operational plans and functions, including all financial matters, in line with charity law and best practice. Board standing committees comprise: Audit and Risk Committee; Remuneration and Nominations Committee; and Investment Committee.

Currently, Council Members of the College Board are: Miss C Marx; Mr D Ward; Professor S Cannon; Mr I Eardley;

Professor R Kerr; Dr T Ferguson; Professor N Hunt. Lay Members of the College Board are: Mr M Hussey; Mr R Napier; Mr J Robinson; Mr D Whitney.

The Faculty of Dental Surgery reports to Council and the Faculty of General Dental Practice (UK) reports to the College Board with each having their own committee structures. Each Faculty 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.

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.

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:

	2014	2013
Commonalty of Surgeons		
UK	12,269	11,968
Overseas	4,493	4,372
Total	16,762	16,340
Faculty of Dental Surgery		
UK *	2,774	2,815
Overseas	543	529
Total*	3,317	3,344
Faculty of General Dental Practice (UK)		
UK*	2,463	2,456
Overseas	15	-
Total*	2,478	2,456
Joint Members of FDS and FGDP(UK) (MJDF)		
UK	1,826	1,700
Overseas	76	59
Total	1,902	1,759
Total Fellows and Members		
UK	19,182	18,795
Overseas	5,127	4,960
Total	24,309	23,755

* Both categories include 150 (2013:144) joint FDS and FGDP members

Management

The principal managers employed by the College during the year were:

Chief Executive

Mr A Bennett (to 31 December 2013)

Mr R Scanlon (from 1 January 2014)*

Director of Finance & Information Technology

Mr R Scanlon (to 18 May 2014)

Director of Education

Ms F Alexander

Director of Research

Mr M Coomer

Director of the Faculty of General Dental Practice (UK)

Ms F Erasmus

Development Director

Mr J Fountain

Director of Dental and Surgical Examinations

Mr S Hills

Director of Strategic Communications

Ms J Revill

Head of Finance

Ms C Hibbs (from 27 May 2014)

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

* Mr R Scanlon was the Interim Chief Executive from 1 January to 18 May 2014

Report of the trustees

The trustees of the RCS are pleased to present their report for the year ended 30 June 2014.

Objects and Aims

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

Mission Statement

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

Core Values

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 specialist 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

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; and
- 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

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 2006, 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 2013-14

The following summarises our activities and achievements during the year and incorporates progress on the future plans outlined in last year's annual report and accounts.

Influencing policy to improve patient care

The government's major push on patient safety issues, data transparency and stronger standards has enabled the College to achieve a number of successes through our media and political work. Significant progress was made with our main campaign priorities on the implementation of the working time regulations and equality of access to surgical treatment.

A major step forward was taken in addressing our long-held concerns about Working Time Regulations. Past-President Professor Norman Williams chaired an independent taskforce, which was representative of a wide range of medical professions and opinions, to look at the implementation of the Working Time Directive and its impact on the NHS and health professionals. The government accepted recommendations from the report to provide much needed solutions to difficulties and problems that arise from a 'one size fits all' approach to working time.

Through new reports we highlighted variations in access to surgical treatment. The first report, *Access All Ages 2: Variations in access to surgical treatment among older people*, showed widespread variation in the rates of six common surgical procedures for people aged over 65 and 75, depending on where they live. The second report, *Is access to surgery a postcode lottery?*, showed that commissioners of surgical care were imposing arbitrary referral restrictions and denying access to vital surgical procedures that could have significantly improved the quality of life for patients. Both received political and media attention, with commissioners and government being called to account.

Over the past two years the College has been active in influencing the 'Care Act', as it made its way through Parliament. The legislation initially focused on reforming the social care sector and establishing new education and training bodies. The College was successful in influencing the Act at a very early stage in its parliamentary process. As part of the government's work on the Act, the Past-President, Professor Norman Williams, and Sir David Dalton, Chief Executive of Salford Royal Hospital, were asked by the Secretary of State for Health to lead a review on how best to introduce the Act's statutory duty of candour in the NHS. The recommendations of their review have been central to the shape and content of subsequent secondary legislation following the Act's assent into law.

During 2013–14, the College continued to engage and work with government ministers, parliamentarians, and NHS England and Health Education England. We have been quoted on a number of occasions in Parliament on our priority issues, which has also led to wide reporting in the press.

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 redeveloping the patient area of the College's website to improve the information available to patients and the public.

Raising standards and improving patient surgery

During the past year the RCS has continued to focus on improving the standard, quality and safety of patient care. We continued to offer trusts support in achieving service delivery standards and promoting patient safety. The RCS invited review mechanism continued to provide trusts with expert, objective and timely reports through high quality independent and expert

investigation. The number of reviews remained high throughout the year. The process of tracking the progress made with implementing our recommendations continued. We also continued our work to support the revalidation process by producing a range of revalidation guidance, as well as information on how to prepare for revalidation and information on appraisal.

Through our National Surgical Commissioning Centre we completed the development of 28 evidence-based guides for commissioners and providers to support standardised surgical care and equity of access. The guidance documents were accredited by the National Institute for Health and Care Excellence (NICE). Feedback from clinicians and clinical commissioning groups has been very positive and has successfully raised the profile of elective surgical care among commissioners. Work also began on developing a clinical service accreditation strategy with other professional bodies and medical royal colleges, which will be taken forward in the coming year.

The College was successful in gaining funding from the Department of Health to establish a Cosmetic Surgery Interspecialty Committee (CSIC), to lead the surgical recommendations from the Keogh review of the regulation of cosmetic interventions. The work is underway and is looking at standards for training and certification, clinical quality and outcomes, and patient information. A public consultation will follow next year.

We reviewed our core standards document *Good Surgical Practice*, which involved an extensive consultation with our fellows and members, patient groups, regulators, surgical colleges, and specialty associations. The document was finalised at the end of June with endorsements by the surgical specialty associations and the surgical royal colleges. An online professionalism hub brings together resources from the College and external organisations, such as the General

Medical Council and National Clinical Assessment Service, which are mapped against each section of *Good Surgical Practice*. We responded to hundreds of individual enquiries, providing tailored support and advice on all aspects of surgical careers.

Educating, training and assessing surgeons

The RCS continued developing the skills of surgeons in order to raise the standard of patient safety and clinical care. Courses were held either in our state-of-the-art education centre in London or in regional and international centres. During 2013–14 we delivered 649 courses to over 10,000 participants. The opening of new mortuary and freezer facilities to allow the use of unembalmed, freeze-preserved cadavers, which provide more realistic tissue for simulating operations and procedures, has led to a rapid development of courses using this material. In the year all courses that were identified as being suitable for using this material did so, thereby improving the fidelity of the simulation.

Over the past year, the Joint Committee on Surgical Training (JCST) has been implementing its strategy for 2013–18. During the year, the review of simulation in all surgical curricula was completed to enhance patient safety and accelerate learning for trainees. The first annual report of survey of trainees was published with targeted feedback given to each specialty on positive aspects and areas of concern so that improvement can be made in the coming year.

Professional surgical and dental examinations continued to consolidate the RCS position as a leading national and international centre for surgical assessment. Its focus is to deliver valid and reliable examinations that provide confidence that candidates have the required knowledge and skills to progress their training or perform in their professional role. During the year we delivered 84 examination diets to 7,345 candidates (3,144 dental candidates and 4,201 surgical

candidates). The examinations are held both in the UK and internationally. Over 99% of candidates endorsed the quality of the examinations service.

Supporting the best surgical research

Fellowships awarded through the RCS Research Fellowship Scheme continued to be highly sought after with five applicants for every one fellowship awarded. We exceeded our target for the year by awarding 40 surgical research fellowships. These included joint fellowships, honorary fellowships, military fellowships, two prestigious Fulbright fellowships, and a new three-year fellowship for research into Parkinson's disease. Our surgical trials units continued to gain momentum with 18 new studies opened in addition to the 54 opened in the previous year. This has involved recruiting 1581 patients into the unit trials.

Promoting and preserving our surgical heritage

Our library, museums and archives collections were awarded Designated Status by Arts Council England in February 2013. This facilitated funding from the Designation Development Fund of Arts Council England to undertake a ground-breaking project to review the College's collections. When complete this will give a full assessment of the significance of our historical items and extensive specialised clinical material in order to better understand and exploit their potential in the future.

The Hunterian Museum will mark the centenary of the outbreak of the First World War with a new exhibition, War, Art and Surgery, in late 2014. During the year the exhibition has been planned and built alongside a unique programme of events and an accompanying book. Hunterian Museum visitors in the year totalled 85,000 – up 13,000 on the previous year. The Wellcome Museum of Anatomy and Pathology continued to develop during the year to serve the needs of trainees and medical students, which included 1,700 research enquiries.

The Library and Surgical Information Services (LSIS) team have this year continued the current awareness service (CAS), supported by panels of clinical advisers, to alert members to the published evidence in their specialties. The CAS now covers five of the ten surgical specialties and a new bulletin on patient safety was introduced.

Moving forward with dentistry

In the year, the Faculty of Dental Surgery (FDS) continued to promote the Faculty to its members. The portfolio of highly rated courses grew by 10% during the year and the e-learning platform, e-Den, comprises over 260 learning sessions, 19,000 registered users, and 241,000 logged learning sessions during the year. Faculty examinations across all the dental specialties continue to set high standards of practice worldwide. The Faculty remains the sole non-university institution in the UK able to offer a qualification that permits primary dental registration. Additionally, the Faculty's journal, the *FDJ*, won the Association of Learned and Professional Society Publishers (ALPSP) Award for Best New Journal in 2013.

The Faculty of General Dental Practice (UK) (FGDP(UK)) responded to 13 major consultations and provided comment and/or expert opinion on 10 reviews and reports. These include several consultations from the General Dental Council (GDC), such as the quality of CPD and changes to CPD statutory rules, regulation of the dental specialties, standards of education and preparing for practice, and changes to the dentist regulations. The Primary Dental Journal (PDJ) moved to a themed approach, providing the PDJ with a unique position within UK dental publishing. FGDP (UK) has continued to support standards of education and patient care through courses, examinations, publications and e-learning programme.

Working regionally and internationally

Regionally, we implemented recommendations from the 2012–13 regional review during the year. The infrastructure and roles in the regions continued to develop with the focus on how our Directors of Professional Affairs can better support our membership in the regions of England and Wales. A series of events were held and an online toolkit was developed to support their role.

Internationally, we launched the Medical Training Initiative scheme (MTI) in January 2014, under the name of International Surgical Training Programme (ISTP) as a pilot for two years. Engagement with overseas companies, professional organisations and individuals has significantly increased. The RCS also hosted the third Global Surgical Frontiers conference in January 2014, for which the College acted as a conduit between our membership and providers of international surgical opportunities.

Future plans

Over the next year we will continue to engage with a wide range of stakeholders in order to maintain a high standard of care for surgical patients. The key priorities for the College will be to:

1. Set and embed standards of excellence in education and training, professional behaviour and service delivery for the whole surgical team in each area of surgical care. Establish a mechanism through which the College can quality assure these standards and by doing so can raise quality and reduce variability.
2. Further develop our national network for surgical research and assessment including the testing of techniques and appropriate dissemination of resulting information.
3. Continue to establish a pivotal role for the College in the new healthcare arrangements by working with and increasing influence on all relevant external agencies. Strengthen our role in the NHS by having a more authoritative voice for surgery, championing patient safety initiatives, and extending our influence with organisations responsible for the provision and quality assurance of education and training.
4. Lead on the development of standards, curricula, assessment and accreditation in relation to the wider multi-professional surgical team and work out how to support them in the future.
5. Continue to implement the recommendations of the 2013 College review. This will include: finalising and implementing governance changes; developing the College building in London; improving engagement with members and staff; finalising and delivering the College's international strategy; and a continuing focus on financial enhancements and efficiencies.

Financial review

After a number of years of reporting deficits on its unrestricted activities, the College has succeeded in delivering an operating surplus of £1.6 million in 2013–14. Together with investment gains of £1.8 million, this has resulted in overall unrestricted funds increasing by £3.4 million to £35.1 million.

Total income was £29.9 million for the year and remains at the same level as last year. Income has increased in the following areas: subscription income has grown £0.5 million, allowing the College to continue to expand its services to its fellows and members, course fees have risen by £0.2 million and the College's residential and conference facilities have delivered another strong performance this year, increasing its income by £0.4 million. This growth in income is, however, offset by a drop in voluntary income (donations, legacies

& grants) of £1 million compared to 2012-13, which had benefitted from a number of exceptional one-off donations.

Total expenditure was £29.3 million for 2013-14, down £1.2 million on the previous year. Standards, regulation & examination costs are down £0.9 million in part due to one-off re-structuring costs of £0.5 million in the previous year in respect of the regional team, and also lower examination costs in 2013-14 following the cancellation of overseas activities due to political unrest in the Middle East. Research grant activity is down £0.6 million on 2012-13 reflecting fewer awards being made and lower costs in respect of the Surgical Trials Units. Other professional activities are also down primarily due to the write back of a £0.2 million provision for bad debts and a £0.2 million reduction in professional fees relating to the environmental clean-up costs of Buckston Browne Farm charged to the endowed fund. These reductions were offset by an increase in residential & conference costs of £0.5 million, reflecting the overall growth in its activity.

Total capital expenditure in 2013-14 was £0.5 million, compared with £0.8 million in the previous year. In light of the trustees' decision to develop the College's headquarters in London within the next five years, capital expenditure proposals are being monitored closely and spend is being kept to a minimum.

The College's overall funds (unrestricted, restricted and endowed) grew by £3.3 million in 2013-14 to a total of £77.4 million. This was driven by investment gains of £2.7 million. The trustees consider that the overall financial position of the College remains strong, and unrestricted funds of £35.1 million are at a healthy level and within the target range, but are cognisant of the potential future commitment under the USS pension

scheme. The trustees continue to develop plans and risk management processes to ensure that the College continues to achieve unrestricted surpluses on an on-going basis; this will reduce the reliance on investment gains to maintain unrestricted reserves within the target range (see reserves policy below).

The financial statements on pages 23 to 44 show further details of the College's income, expenditure and cashflow during the year and its position at the end of the financial year. As the trustees consider that the College will continue in operational existence for the foreseeable future, they continue to adopt the going concern basis in the preparation of the financial statements.

Subsidiary company

Hunter Trading Limited is a wholly owned subsidiary of the College that markets conference and residential facilities that are not required for the College's own use. The company delivered a surplus of £243,000 for the year, down on 2012-13 (£306,000), primarily due to an increase in venue hire costs. Its results for the year and its financial position at the end of the year are consolidated in the College's financial statements (see note 10).

Investment policy

The primary investment objective for the College's unrestricted funds is to generate the budgeted income; this is set to enable the College to deliver its aims.

The secondary investment objective for the unrestricted funds is to maximise the total real rate of return, in a risk controlled manner, through the use of a diversified portfolio invested across a range of different asset classes.

Following the adoption of total return accounting during the year, as detailed below, the primary objective of the endowed funds and restricted funds is to maximise the total real rate of return.

The College does not invest in tobacco stocks.

Total return accounting

The trustees passed a resolution on 13 March 2014, under section 104A of the Charities Act 2011 as amended by the Trust (Capital and Income) Act 2013, to adopt the total return approach to investment for all of the College's permanently endowed funds.

A base date of 24 June 1992 was approved by the trustees as part of the resolution. The value of the investment fund was determined through an exercise which traced the market value of the permanent endowments at that date, plus the original value of any subsequent additions.

Policy on application of total return

The College will seek to preserve, in the medium to long term, the value of its endowments in real terms, whilst seeking to ensure that it delivers its objectives set out in its business plans. Under normal circumstances, a target spending rate of 3.5-4.5% of the value of the endowments is expected to be achievable without depleting the portfolio's real value. This represents the College's best estimate of the long term real rate of return on the endowments and will be reviewed regularly.

A total of £993,000 was applied to the income fund in the year. Together with the investment management fees and professional fees incurred, £151,000 and £56,000 respectively, the total applied from the endowed funds was £1,200,000. This represents an application of 3.94% which is in line with the target spending rate. The trustees feel that the level of application balances

the current income requirements with the need to hold funds for the future.

Investment performance

Income from the College's unrestricted investment portfolio (managed by Schroders) was £1,199,000. Income from the College's endowed and restricted portfolio (managed by Newton) was £1,139,000.

In terms of total returns, the College's funds both produced real returns i.e. above inflation. Total return on the unrestricted funds during the year, net of fees, was +10.2% and total return on the restricted and endowed funds, net of fees, was +5.8%. The main reason for the variation in performance was that the unrestricted funds were held in asset classes that benefitted significantly from the growth in world equity markets over the year, whereas the restricted and endowed funds were mainly held in an absolute return fund whose performance aim is to deliver a return of "cash + 4% per annum over 5 years before fees".

During the year the trustees agreed to transfer the management of the College's endowed/restricted investments from Newton to Sarasin & Partners LLP. The transfer took place after 30 June 2014.

Reserves policy

In accordance with Charity Commission guidance, the trustees have set a target range for the level of free reserves the College should maintain to ensure the financial security of the College and fund its business plan.

Free reserves form part of the College's unrestricted funds. They are held in addition to endowed and restricted funds (which result from gifts or other grants which can only be applied for a purpose specified by the donor or grantor). Details of these endowed and restricted funds are set out in notes 12 and 13 to the financial statements.

Definition of free reserves

The College defines free reserves as its total unrestricted funds less its fixed assets fund and its designated funds (see below). Free reserves are also known as General funds.

Fixed assets fund

The fixed assets fund represents the net book value of the College's unrestricted tangible fixed assets. These are all used operationally by the College and the trustees consider they are essential to the implementation of the College's operational strategy. Their disposal could adversely impact on the College's ability to deliver its aims. At 30 June 2014, the College held approximately £8.0 million (2013: £8.5 million) in its fixed assets fund.

Designated funds

Designated funds are funds that the trustees have earmarked for particular purposes. At 30 June 2014, the trustees have set aside £5.0 million for the development of the RCS headquarters in London. The freehold building contains a number of important resources for the surgical community, including the museums and library, and state-of-the-art education and meeting facilities. The trustees consider it is important that these premises remain relevant for the forthcoming decades. It is intended to utilise this fund within the next five years. The fund is held as part of the College's fixed asset investments.

Free reserves target

The trustees determined 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 £16.3 million to £21.7 million.

This range was set taking into account:

- 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; and
- the fact that the College's resources expended have in recent years exceeded its incoming resources on an annual basis.

When setting the target range, the current shortfalls in the USS and SAUL defined benefit pension schemes were considered. Although these schemes are defined benefit schemes, they are multi-employer schemes and the College's share of the current shortfalls cannot be identified on a consistent and reasonable basis. As a result, they are accounted for by the College and other participating employers as defined contribution schemes. The College's share of the current shortfalls has therefore not been deducted when calculating the College's unrestricted funds. Accordingly, when setting an appropriate target level for free reserves, the trustees felt it was prudent to take into account a potential future increase in employer contributions to eliminate these shortfalls. The College's accounting treatment of these pension schemes and the current shortfalls in the schemes are set out in notes 1 and 14 to the financial statements.

Actual level of free reserves at 30 June 2014

At 30 June 2014, the College's free reserves were £22.2 million (2013: £18.2 million). This represents 102% (2013: 79%) of the gross annual unrestricted expenditure of the College which is slightly above the target level. The appropriateness of the target level will continue to be monitored in light of the surplus returned in the current year.

Risk management

The trustees acknowledge their responsibility for ensuring adequate levels of risk management and

internal control. This is supported by the strategic plan and a four-year College business plan. A risk register is in place and is regularly reviewed. Internal financial controls fulfil the Charity Commission guidelines in all material respects, and are supported by budgetary and management accounting procedures.

Custodian trustee funds

The College acts as custodian trustee for the Sir Ratanji Dalal Research Scholarship Fund (that awards research scholarships in tropical surgery and medicine) and The Colledge Family Memorial Fellowship Trust (that awards travelling fellowships to surgeons). Their financial statements are audited by Crowe Clark Whitehill LLP. Both these funds hold investments in their own name and have their own bank accounts, entirely segregated from those of the College.

At 22 September 2014, the value of the Sir Ratanji Dalal Research Scholarship Fund endowed fund was £0.7 million (2013: £0.7 million) and its unrestricted fund was £0.02 million (2013: £0.04 million). The trustees of this Fund are the President of the Royal College of Surgeons of England and the President of the Royal College of Physicians who are jointly responsible for the safeguarding of its assets. Annual financial statements are prepared and presented to the trustees of this Fund.

At 30 June 2014, the value of The Colledge Family Memorial Fellowship Trust endowed fund was £2.5 million (2013: £2.5 million) and its unrestricted fund was £0.1 million (2013: £0.1 million). The trustees of this Fund are Mr T George, Professor A Narula and the Royal College of Surgeons of England who are jointly responsible for the safeguarding of its assets. Annual financial statements are prepared and presented to the trustees of this Fund.

The College is also the sole trustee of the EAJ Gray Will Trust. This is a life interest trust and income arising on the assets is transferred to the life tenant during the year. The assets of the trust at 30 June 2014 were £0.1m (2013: £0.1m). There is no requirement for financial statements of the trust to be audited.

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;
- 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 elected members of Council on 9 October 2014.

Miss C Marx
President

Mr D Ward
Vice President

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 2014 set out on pages 23 to 44.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 2014, and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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
Statutory Auditor
London

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 2014

	Notes	Unrestricted Funds	Restricted Funds	Endowed Funds	Total Funds	
		£000	£000	£000	2014 £000	2013 £000
Incoming resources						
Voluntary						
Donations and gifts		101	1,529	-	1,630	2,761
Legacies		345	251	-	596	770
Grants		-	1,674	-	1,674	1,364
Charitable activities						
Courses		4,554	1,203	-	5,757	5,546
Examinations		4,447	-	-	4,447	4,394
Subscriptions		6,079	-	-	6,079	5,580
Charges and sales		1,721	749	-	2,470	2,547
Activities to generate funds						
Residential, conference and other		4,865	-	-	4,865	4,454
Investment income		1,199	108	1,031	2,338	2,401
Total incoming resources		23,311	5,514	1,031	29,856	29,817
Resources expended						
Cost of generating funds						
Fundraising costs		326	-	-	326	288
Residential, conference and other		3,994	238	-	4,232	3,728
Investment management fees		13	99	151	263	279
		4,333	337	151	4,821	4,295
Charitable expenditure						
Education and courses		5,238	845	-	6,083	6,032
Standards, regulation and examinations		6,239	1,788	-	8,027	8,889
Research grants	3	-	2,281	-	2,281	2,857
Clinical Effectiveness Unit and other projects		-	1,506	-	1,506	1,035
Museums and library		1,649	534	-	2,183	2,301
Communications and publications		1,970	4	-	1,974	1,765
Other professional activities		1,701	87	56	1,844	2,698
		16,797	7,045	56	23,898	25,577
Governance costs		590	-	-	590	607
Total resources expended		21,720	7,382	207	29,309	30,479
Net incoming/(outgoing) resources		1,591	(1,868)	824	547	(662)
Transfers between funds	12/13	-	(143)	143	-	-
Application of total return	13	-	993	(993)	-	-
Net incoming/(outgoing) resources after transfers		1,591	(1,018)	(26)	547	(662)
Net gains on investments	10	1,781	45	888	2,714	4,055
Net movement in funds for the year		3,372	(973)	862	3,261	3,393
Restatement of brought forward balances on implementation of total return		-	(1,893)	1,893	-	-
Funds brought forward at 1 July		31,768	13,506	28,820	74,094	70,701
Funds carried forward at 30 June		35,140	10,640	31,575	77,355	74,094

All activities are continuing activities. The notes to the financial statements are on pages 26–44.

Consolidated balance sheet

As at 30 June 2014

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowed Funds £000	Total Funds	
					2014 £000	2013 £000
Fixed assets						
Tangible fixed assets	5	7,952	3,394	-	11,346	12,973
Investments	10	29,033	5,540	29,668	64,241	60,174
		36,985	8,934	29,668	75,587	73,147
Current assets						
Stock		272	-	-	272	260
Debtors	6	3,748	9	582	4,339	4,167
Cash and short-term deposits	7	3,760	1,697	1,325	6,782	6,460
		7,780	1,706	1,907	11,393	10,887
Current liabilities						
Amounts falling due within one year:						
Other creditors and accrued expenses	8	(4,646)	-	-	(4,646)	(5,215)
Income received in advance	9	(4,907)	-	-	(4,907)	(4,645)
		(9,553)	-	-	(9,553)	(9,860)
Net current assets/(liabilities)		(1,773)	1,706	1,907	1,840	1,027
Long-term liabilities						
Amounts falling due after more than one year:						
Other creditors	8	(72)	-	-	(72)	(80)
Net assets		35,140	10,640	31,575	77,355	74,094
Represented by:						
Unrestricted funds:						
Fixed assets fund		7,952	-	-	7,952	8,549
Designated funds		5,000	-	-	5,000	5,000
General funds		22,188	-	-	22,188	18,219
Total unrestricted funds	11	35,140	-	-	35,140	31,768
Restricted and endowed funds	12/13	-	10,640	31,575	42,215	42,326
Total funds		35,140	10,640	31,575	77,355	74,094

The notes on pages 26–44 form part of these financial statements.

The balance sheet of the parent charity is identical to the consolidated balance sheet presented above except that debtors and creditors amounts falling due within one year, and subtotals for current assets and current liabilities, are higher by £243,000 (2013: £306,000).

Approved on behalf of the elected members of Council and authorised for issue on 9 October 2014.

Miss C Marx
President

Mr D Ward
Vice President

Consolidated cashflow statement

For the year ended 30 June 2014

	Notes	Unrestricted	Restricted	Endowed	Total Funds	
		Funds	Funds	Funds	2014	2013
		£000	£000	£000	£000	£000
Net cash inflow/(outflow) from operating activities	(a)	2,276	(308)	150	2,118	1,249
Net cash (outflow)/inflow from capital expenditure and financial investment	(b)	(1,658)	(1,198)	1,060	(1,796)	(1,045)
Management of liquid resources	(c)	(28)	(8)	-	(36)	95
Increase in cash in the year	(d)	590	(1,514)	1,210	286	299
(a) Operating activities						
Net incoming/(outgoing) resources for the year before revaluations		1,591	(1,868)	824	547	(662)
Depreciation		1,040	1,030	-	2,070	2,116
(Increase) in stocks		(12)	-	-	(12)	(88)
(Increase)/decrease in debtors		(125)	535	(582)	(172)	(1,486)
(Decrease)/Increase in creditors		(218)	(5)	(92)	(315)	1,369
Net cash (outflow)/inflow from operating activities		2,276	(308)	150	2,118	1,249
(b) Capital expenditure and financial investment						
Net payments to acquire tangible fixed assets		(443)	-	-	(443)	(781)
Payments to acquire investments		(15,319)	(1,648)	(23,263)	(40,230)	(21,105)
Receipts from sales of investments		13,710	1,296	23,871	38,877	20,841
Transfers between funds		-	(1,043)	1,043	-	-
Changes in transfer of investments between funds		394	197	(591)	-	-
Net cash (outflow)/inflow from capital expenditure and financial investment		(1,658)	(1,198)	1,060	(1,796)	(1,045)
(c) Management of liquid resources						
Increase/(decrease) in short term deposits		28	8	-	36	(95)
(d) Reconciliation of net cash flow to movements in net funds						
Increase in cash in the year		590	(1,514)	1,210	286	299
Increase/(decrease) in short term deposits		28	8	-	36	(95)
Movement in net funds during year		618	(1,506)	1,210	322	204
Net funds brought forward at 1 July		3,142	3,203	115	6,460	6,256
Net funds carried forward at 30 June		3,760	1,697	1,325	6,782	6,460

Notes to the financial statements

For the year ended 30 June 2014

1. Accounting policies

The **financial statements** have been prepared under the historical cost convention with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Charities Act, applicable Accounting Standards and the principles of the Statement of Recommended Practice for Accounting and Reporting by Charities 2005 (SORP 2005). All activities derive from the continuing business of the College. As described in the Report of the trustees, the financial statements are prepared on the going concern basis as the trustees expect the College to continue in operation for the foreseeable future.

Incoming resources are included in the financial statements as follows: donations, gifts and legacies when they are capable of measurement and become receivable; grants as they become receivable; courses, tuition and examination fees in the period to which they relate, less provisions for doubtful debts; subscriptions on an accruals basis; and investment income as it becomes receivable.

Grants payable are charged to the financial statements, in full, in the period that they are notified to the recipients.

Donated services and gifts in kind are included where material as income and expenditure at an amount representing the value to the College.

Resources expended comprise expenditure, including staff costs, directly attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of the resources. Overheads relating to the building and all its services are charged to departments and faculties

based upon the area occupied. Those relating to finance, information technology and human resources costs are charged to departments on the basis of their financial activity, level of computer support and numbers of employees, respectively. These are detailed in note 2. All overheads in relation to grant-funded projects are charged, where appropriate, on the basis of their activity.

Fundraising costs comprise the costs incurred in encouraging others to make voluntary contributions to the College and its various activities.

Governance costs comprise those costs incurred in relation to the overall strategic management of the College, and the costs of compliance with statutory requirements.

Tangible fixed assets are capitalised where the amount expended is equal to or greater than £1,000 and the College obtains long-term benefit from the expenditure. Freehold land and buildings are shown in the balance sheet at historic cost. Capital projects which are not complete at the year-end are shown as 'Work in progress'.

Depreciation is charged from the date assets are acquired so as to write them off over their expected useful lives at the following annual rates:

• Freehold buildings	nil
• Freehold land	nil
• Plant and refurbishment	10%
• Furniture, fittings and vehicles	25%
• Computer equipment	25%

Freehold buildings are not depreciated as 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. The Council is of the opinion that any provision for depreciation would not be material and that the buildings are worth at least their book value. No depreciation is charged on “Work in progress”.

Heritage assets mainly comprise 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 not to be disposed of. The trustees consider that the cost of valuation of these artefacts would be disproportionate to the benefit of the resultant information. Therefore these assets are not recognised in the balance sheet. The College does not purchase heritage assets. Occasionally heritage assets may be donated to the College and if acquired before April 2010, these would not be valued in the balance sheet for the reasons already stated. Detailed electronic records of all heritage assets are maintained on the College’s website.

Investments are included at market value. Additions are recorded at cost. Disposals during the year are recorded at opening market value, or cost if purchased during the year. Gains or losses on disposal, as well as the change in investment values during the year on continued holdings are shown in the statement of financial activities. Endowed funds and some restricted funds, which are held for the long term, are held in the Common Investment Fund.

Stock mainly represents manuals purchased or printed for future courses. It is stated at the lower of cost and realisable value.

Pensions The College contributes to the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). Both of these are defined benefit pension schemes which are contracted out of the State Second Pension (S2P), and the assets of the schemes are held in separate trustee-administered funds. Because of the mutual nature of the schemes, the College is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the statement of financial activities represents the contributions payable to the scheme in respect of the accounting period. The College also participates in the NHS Pension Scheme, a statutory unfunded multi-employer defined benefit scheme. In addition, the College began contributing to a defined contribution scheme with Standard Life, which was set up during the year. The pension costs for the defined contribution scheme are charged to the statement of financial activities as they become payable in accordance with FRS17.

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

Designated funds arise from the policy of the trustees designating a number of unrestricted funds to be used for specific purposes in the future.

Endowed and restricted funds are gifts or other grants given to the College, the terms of which stipulate that the capital may not be spent, and under total return the investment income and gains are to be utilised in accordance with the purpose named by the donor. Movements in these funds are shown in note 13.

Custodian trustee funds are managed by the College on behalf of other charities and are not included in the financial statements. The College is a custodian trustee of The Colledge Family Memorial Fellowship Trust and The Sir Ratanji Dalal Scholarship Fund.

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

Hunter Trading Ltd. The College's consolidated accounts include the activities, assets and liabilities of the College's fully owned subsidiary, Hunter Trading Ltd.

Total return accounting The trustees exercised the power, under section 104A of the Charities Act 2011 as amended by the Trust (Capital and Income) Act 2013, to invest the permanently endowed funds on a total return basis. The trustees passed a resolution on 13 March 2014 to adopt the approach and approved a base date of 24 June 1992. The permanent endowments in note 13 of the financial statements have been recalculated as at the above date. The movement in the year for each Trust fund and the amount of the unapplied total return available for spending are shown in note 13 of the financial statements.

2. Resources expended

	Direct costs	Grants made	Allocated support costs	Total 2014	Total 2013
	£000	£000	£000	£000	£000
Cost of generating funds					
Fundraising costs	276	-	50	326	288
Investment management fees	263	-	-	263	279
Residential, conference & other trading costs	3,047	-	1,185	4,232	3,728
	3,586	-	1,235	4,821	4,295
Charitable expenditure					
Education and courses	5,265	-	818	6,083	6,032
Standards, regulation and examinations	7,069	-	958	8,027	8,889
Research grants	348	1,827	106	2,281	2,857
Clinical Effectiveness Unit and other projects	1,350	-	156	1,506	1,035
Museums and library	1,436	-	747	2,183	2,301
Communications and publications	1,738	-	236	1,974	1,765
Other professional activities	1,218	-	626	1,844	2,698
	18,424	1,827	3,647	23,898	25,577
Governance	493	-	97	590	607
Total	22,503	1,827	4,979	29,309	30,479

Support costs and basis of allocation

Support costs	Basis of allocation	Total 2014	Total 2013
		£000	£000
Premises and utilities	Floor area occupied	2,341	2,328
Human resources	Number of staff employed	515	427
Finance services	Budgeted expenditure	674	655
IT and systems support	Equipment and support provided	1,449	1,484
		4,979	4,894

3. Research grants

	Number awarded	2014 Total amount £000	Number awarded	2013 Total amount £000
Purpose of grant				
Research fellowships				
Liabilities at start of year		(697)		(293)
Paid in year		1,782		1,631
Liabilities at end of year		667		697
Charge for year	40	1,752	57	2,035
Other research projects				
Liabilities at start of year		(133)		(220)
Paid in year		91		143
Liabilities at end of year		92		133
Charge for year	1	50	3	56
Scholarships	-	-	3	3
Travel awards	13	25	7	26
	54	1,827	70	2,120
Surgical Trials Units		144		360
Administration		310		377
Total research grants		2,281		2,857

The College's grant making policy is that 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 upon the principles of translational research i.e. research examining a specific clinical problem.

Further details of the research fellowships awarded and other research projects are available in the research report, published annually. Financial details of the individual grants made are available from the finance department of The Royal College of Surgeons of England.

During the year, grants of £469,000 (2013: £1,193,000) 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.

4. Staff and other expenditure

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

	2014	2013
	No.	No.
Dental and surgical Examinations	18	17
Education	36	39
Executive Office	5	5
External Services	20	21
Faculty of Dental Surgery	16	16
Faculty of General Dental Practice (UK)	21	25
Finance	10	11
Internal Services	86	82
Professional and Clinical Standards	64	61
Research and Clinical Effectiveness Unit	25	14
Total	301	291

The average number of staff employed during the year was 280 (2013: 280).

The total remuneration of the staff employed by the College during the year was:

	2014	2013
	£000	£000
Salaries and wages	9,586	9,354
Social security costs	851	830
Pension costs	1,143	1,075
Total	11,580	11,259

At 30 June the number of employees whose emoluments exceeded £60,000 was:

	2014	2013
	No.	No.
£60,000 - £70,000	4	5
£70,001 - £80,000	5	3
£80,001 - £90,000	3	4
£90,001 - £100,000	2	2
£130,001 - £140,000	1	1

At 30 June 2014, 12 of these employees were members of the USS pension scheme (2013: 12); 1 was a member of the NHS pension scheme (2013: 1) and 2 were not members of either scheme (2013: 2).

Auditor's remuneration is included within governance costs as follows:

	2014 £000	2013 £000
Audit fees – the charity	42	43
Audit fees – Hunter Trading Ltd	4	3
Other services	9	2

5. Tangible fixed assets

	Freehold properties £000	Furniture, fittings and vehicles £000	Refurbishment and plant £000	Computer equipment £000	Work in progress £000	Total £000
Cost						
At 1 July 2013	3,352	1,106	24,967	3,144	208	32,777
Additions during the year	-	145	316	12	6	479
Disposals during the year	-	-	-	-	(36)	(36)
Transfers	-	77	-	36	(113)	-
At 30 June 2014	3,352	1,328	25,283	3,192	65	33,220
Depreciation						
At 1 July 2013	-	931	16,225	2,648	-	19,804
Charge for the year	-	106	1,727	237	-	2,070
At 30 June 2014	-	1,037	17,952	2,885	-	21,874
Net book values						
At 30 June 2013	3,352	175	8,742	496	208	12,973
At 30 June 2014	3,352	291	7,331	307	65	11,346

6. Debtors

	Unrestricted Funds £000	Restricted Funds £000	Endowed Funds £000	Total 2014 £000	Total 2013 £000
Trade debtors	1,780	-	-	1,780	1,803
Other taxation	51	9	-	60	15
Prepayments	343	-	-	343	202
Other debtors	1,574	-	582	2,156	2,147
	3,748	9	582	4,339	4,167

7. Cash and short-term deposits

	Unrestricted Funds £000	Restricted Funds £000	Endowed Funds £000	Total 2014 £000	Total 2013 £000
Cash in hand	7	-	-	7	21
Current and instant access accounts	3,753	1,697	1,325	6,775	6,439
	3,760	1,697	1,325	6,782	6,460

8. Creditors and accrued expenses

	Unrestricted Funds £000	Restricted Funds £000	Endowed Funds £000	Total 2014 £000	Total 2013 £000
Amounts falling due within one year:					
Trade creditors	875	-	-	875	1,434
Taxation and social security	275	-	-	275	267
Other creditors and accruals	3,496	-	-	3,496	3,514
	4,646	-	-	4,646	5,215
Amounts falling due after more than one year:					
Other creditors	72	-	-	72	80
	72	-	-	72	80

9. Income received in advance

	Unrestricted Funds £000	Restricted Funds £000	Endowed Funds £000	Total 2014 £000	Total 2013 £000
Brought forward at 1 July	4,645	-	-	4,645	4,606
Received during the year	23,573	6,545	-	30,118	30,089
Taken as income during the year	(23,311)	(6,545)	-	(29,856)	(30,050)
Carried forward at 30 June	4,907	-	-	4,907	4,645

10. Investments

	Unrestricted Funds £000	Restricted Funds £000	Endowed Funds £000	Total 2014 £000	Total 2013 £000
Quoted securities at market value	22,637	1,627	29,948	54,212	56,497
Deposits with investment managers	8,038	6	115	8,159	1,957
Investment properties at market value	1,870	-	-	1,870	1,720
Transfers between funds	(3,512)	3,907	(395)	-	-
Market value at 30 June	29,033	5,540	29,668	64,241	60,174

Movements in the year

Market value at 1 July	26,037	5,340	28,797	60,174	55,855
Additions	15,319	1,648	23,263	40,230	21,105
Disposals	(13,710)	(1,296)	(23,871)	(38,877)	(20,841)
Transfer on implementation of total return	-	(722)	722	-	-
Change in transfers between funds	(394)	525	(131)	-	-
Net gain during the year	1,781	45	888	2,714	4,055
Market value at 30 June	29,033	5,540	29,668	64,241	60,174
Cost at 30 June	27,730	5,487	28,708	61,925	54,250

At 30 June 2014, the market value of UK investments was £48,554,000 (2013: £39,110,000) and the market value of overseas investments was £15,687,000 (2013: £21,064,000).

As detailed in note 1, the Common Investment Fund acts as an investment pool for most of the College's restricted and endowed Funds.

During the year the College reviewed its investment strategy and as a result of this, it changed the funds it invested in. At the year end, there was a large unrestricted cash deposit because of transition between funds, with Schroder & Co Ltd.

After the balance sheet date, the endowed and restricted funds have been transferred from Newton Investment Management Ltd to Sarasin and Partners LLP.

Valuation of Investment Properties

The last full valuation of the all the College's investment properties was carried out as at 24 June 2010 by the College's property managers, BNP Paribas.

During the year Chesterton Humberts valued the properties at Earls Court at £620,000. On consideration of this valuation and the poor state of repair of the properties, a gain of £150,000 has been recognised in the year to bring the carrying value to £500,000 at 30 June 2014 (2013: £350,000).

The other investment properties are due to be valued in 2015. The trustees do not consider there has been any material changes in the values of these properties since they were last valued in 2010.

Investment in subsidiary

The College holds the entire issued £1 share capital of Hunter Trading Limited, which markets those conference and residential facilities that the College does not require for its own use.

The results and financial position of Hunter Trading Limited have been consolidated in these financial statements on a line-by-line basis. Its income for the year was £3,418,000 (2013: £3,017,000), its expenditure was £3,175,000 (2013: £2,711,000). Its profit before tax of £243,000 (2013: £306,000) has been transferred to the College under gift aid. The net assets of Hunter Trading Limited at 30 June 2014 were £1 (2013: £1).

11. Unrestricted funds

	2014	2013
	£000	£000
Fixed assets fund	7,952	8,549
Designated funds	5,000	5,000
General funds	22,188	18,219
Total unrestricted funds	35,140	31,768

The fixed assets fund represents the net book value of the College's unrestricted tangible fixed assets which are all used operationally by the College and the trustees consider are essential to the implementation of the College's operational strategy. Their disposal could adversely impact on the College's ability to deliver its aims.

Designated funds are funds that have been earmarked for particular purposes by the trustees. In the year ended 30 June 2013, the trustees set aside £5.0 million to meet the planned redevelopment of the College's headquarters in London. It is intended to utilise these funds within the next five years.

General funds represent the College's free reserves that are maintained to ensure the financial security of the College and fund its business plan.

12. Restricted funds

	2013 £000	Increase £000	Decrease £000	Transfers £000	2014 £000
Research Trust Funds					
RCSE Fellows Fellowship Fund	54	11	-	-	65
DBP Surgical Trust Fund	60	78	-	-	138
Shrimpton Fund	26	4	-	-	30
Preiskel Fund	20	2	-	20	42
Modi Fund	464	23	(2)	-	485
Blond McIndoe (<i>Joint Fund with Education</i>)	447	22	(103)	-	366
Surgical Research Fund	221	129	(140)	-	210
Rex & Jean Lawrie O/S Fund	67	-	(1)	-	66
The Arthritis Research Trust	319	22	(139)	-	202
Cutner Legacy	30	4	-	-	34
Guyatt Legacy	52	11	-	-	63
Starritt Legacy	35	-	(9)	-	26
Clarke Legacy	4	-	-	-	4
Fletcher Legacy	33	-	-	-	33
Miss Carol Rummey Legacy	157	-	(14)	-	143
Ethicon Research Fund	1	-	-	-	1
Dunhill Medical Trust	82	69	-	-	151
Far East HK Masonic Association	8	-	-	-	8
Curry Legacy Damage/Pain	21	-	(10)	-	11
Denker Legacy	4	-	-	-	4
Mr Sorab J Lam Legacy	529	15	(47)	-	497
Ethicon Travelling Fellowship	173	10	(9)	-	174
Education & Training Trust Funds					
E&T Haddock Legacy	-	250	-	-	250
Faculty of Dental Surgery Funds					
JW Mclean Fund*	10	7	(1)	108	124
Faculty of General Dental Practice (UK) Funds					
Research Fund (FGDP(UK))	3	-	-	-	3

12. Restricted funds (continued)

	2013 £000	Increase £000	Decrease £000	Transfers £000	2014 £000
Grants and Donations					
PCCT Transplant Fellowships	472	63	(12)	-	523
Hunterian Museum Project	387	-	(249)	-	138
Eagle Project	3,958	-	(729)	-	3,229
FDS-ORE Contract Activity	100	9	-	-	109
eDEN (elearning for dentistry)	115	25	(37)	-	103
Galeski Travel Fellowship	160	14	(18)	-	156
H&S Charitable Trust	589	-	(396)	-	193
eLearning for Healthcare	89	105	(26)	-	168
FDS-NAC	92	30	(14)	-	108
Surgical Trials Units	64	207	(33)	-	238
Other balances < £100,000	2,767	4,449	(4,400)	(271)	2,545
Total	11,613	5,559	(6,389)	(143)	10,640

* The JWMclean legacy should have been previously classified as restricted and not endowed; this correction was made during the year.

	2013 £000
Reconciliation of restricted funds brought forward	
Funds brought forward at 1 July 2013	13,506
Restatement of brought forward balances on implementation of total return*	(1,893)
Total	11,613

* See note 13 below for further information.

13. Endowment funds

	2013 £000
Restatement of brought forward balances on implementation of total return	
Balance at 30 June 2013	28,820
Retained Income brought forward 30 June 2013	1,893
Total restated balance at 30 June 2013	30,713

13. Endowment funds (continued)

	Unapplied total return £000	Permanent capital £000	Total endowment £000
Balance at 1 July 2013	15,762	14,951	30,713
Income and gains			
Investment income	1,031	-	1,031
Investment gains	888	-	888
Total income and gains	1,919	-	1,919
Application of total return	(993)	-	(993)
Fees and transfers			
Investment management fees	(151)	-	(151)
Professional fees	(56)	-	(56)
Transfers between funds	143	-	143
Total fees and transfers	(64)	-	(64)
Net movement in year	862	-	862
Funds sub-total	16,624	14,951	31,575
Due/(owed) under Charity Commission scheme orders	1,691	(1,691)	-
Balance at 30 June 2014	18,315	13,260	31,575

13. Endowment funds (continued)

	Endowment balance 2013	Retained income 2013	Total endowment 2013	Unapplied total return 2013	Income and gains	Application of total return	Fees and Transfers	Unapplied total return 2014	Permanent capital	Total endowment 2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Funds										
Dental Science Research Fund	2,130	248	2,378	1,362	151	(73)	(12)	1,428	1,016	2,444
Rank Chair Physics in Surgery*	2,026	(80)	1,946	991	132	(53)	(10)	1,060	955	2,015
RCSE Cancer Research Fund	3,727	116	3,843	2,087	243	(123)	(13)	2,194	1,756	3,950
RCSE Biochemical Research Fund	793	64	857	483	52	(49)	(3)	483	374	857
Darlow Fellowship Fund	102	10	112	45	7	(4)	14	62	67	129
RCSE Research Fund	7,484	301	7,785	4,001	490	(302)	89	4,278	3,784	8,062
RCSE Education Fund	5,197	281	5,478	3,216	344	(133)	(27)	3,400	2,262	5,662
RCSE Museum Fund	14	79	93	85	6	(4)	-	87	8	95
Groves Bequest for Museum	442	18	460	299	29	(17)	(2)	309	161	470
M-W Johnson for Hunterian	884	214	1,098	673	71	(98)	(6)	640	425	1,065
George Qvist for Hunterian	443	-	443	234	29	(15)	(2)	246	209	455
RCSE Library Fund	1,738	16	1,754	921	113	(61)	(9)	964	833	1,797
RCSE Prize Fund	123	150	273	212	13	(1)	(21)	203	61	264
HS Morton Travelling Fellowship	424	49	473	273	28	(35)	8	274	200	474
Sims Commonwealth Travel F/S	133	76	209	103	10	(1)	(1)	111	106	217
RCSE Scholarship Fund	108	32	140	89	9	-	(1)	97	51	148
Witt Fund	185	21	206	24	12	(6)	(1)	29	182	211
Rishworth Fund for Annals	106	8	114	64	7	(1)	-	70	50	120
John Kinross Fund	174	135	309	205	11	-	(1)	215	104	319
Presidents Finch Fund	1,974	90	2,064	(44)	129	(16)	45	114	2,108	2,222
J W Mclean Trust**	108	-	108	108	-	-	(108)	-	-	-
Commemoration Fund (FDS)	141	16	157	91	9	-	(1)	99	66	165
Moser Trust (FDS)	364	49	413	240	24	(1)	(2)	261	173	434
Funds sub total	28,820	1,893	30,713	15,762	1,919	(993)	(64)	16,624	14,951	31,575
Recoupment adjustment in respect of Charity Commission scheme orders	-	-	-	1,806	-	-	(115)	1,691	(1,691)	-
Funds total	28,820	1,893	30,713	17,568	1,919	(993)	(179)	18,315	13,260	31,575

* The negative balance shown on retained income 2013 for the Rank Chair Physics in Surgery Fund is caused by the College providing in full for notified future expenditure. This will be funded from future streams of investment income.

** The J W Mclean legacy should have been previously classified as restricted and not endowed; this correction was made during the year.

The trustees exercised the power, under section 104a of the Charities Act 2011 as amended by the Trust (Capital and Income) Act 2013, to invest the permanently endowed funds on a total return basis. The trustees passed a resolution on 13 March 2014 to adopt the approach and approved a base date of 24 June 1992. This enables the trustees to decide which part of the unapplied total return from the investment of the charity's permanent endowment should be held on trust for application for the purposes of the charity. In exercising this power, the College transferred the accumulated restricted income of £1,893,000 on endowments to capital.

In 2014, a total of £115,000 was transferred from restricted funds to endowed funds, all of which were authorised under Charity Commission Schemes, as follows:

1. MacRae-Webb-Johnson Fund

In 2003–04, £600,000 was transferred from the MacRae-Webb-Johnson's endowed fund to its restricted fund to support the Hunterian Museum Project. This sum is to be replaced by income arising on the MacRae-Webb-Johnson's restricted fund at the rate of £24,000 a year for 25 years. The tenth transfer of £24,000 was made in 2013–14.

2. President's Finch Fund

In 2006–07, £1,100,000 was transferred from the President's Finch's endowed fund to its restricted fund to support the Eagle Project. This sum is to be replaced by income arising on the President's Finch's restricted fund at the rate of £55,000 a year for 20 years. The seventh transfer of £55,000 was made during 2013–14.

3. RCSE Education Fund

In 2008–09, £400,000 was transferred from the Education endowed fund to its restricted fund to

support the Eagle Project. This sum is to be replaced by income arising on the Education restricted fund at the rate of £20,000 a year for 20 years. The sixth transfer of £20,000 was made during 2013–14.

In 2009–10, an additional £400,000 was transferred from the Educational Fund to further support the Eagle Project. This sum is to be replaced by income arising on the Education restricted fund at the rate of £16,000 a year for 25 years. The fourth payment was made during 2013–14.

During the year £56,094 (2013: £263,512) for professional fees was charged against the RCSE Research Fund for environmental clean-up costs relating to the Buckston Browne Farm. The trustees consider this is appropriate as the gain on sale of the Buckston Browne Farm was originally credited to the RCSE Research Fund.

Funds with closing balances over £1 million are as follows:

- **Dental Science Research Fund:** for the promotion of research into improving dental treatment and dental health.
- **Rank Chair Physics in Surgery:** supports research work at the Institute of Child Health.
- **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.
- **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.
- **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.
- **M-W Johnson for Hunterian:** supports museum projects.

- **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.
- **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.

Funds with balances less than £1 million fall into 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**
HS 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

14. Pension Schemes

The College participates in the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). Both of these are defined benefit pension schemes which are contracted out of the State Second Pension (S2P). The assets of the schemes are held in separate trustee-administered funds. The College also has four

employees who are members of the NHS Pension Scheme, a statutory unfunded multi-employer defined benefit scheme.

Of the College's 301 employees at 30 June 2014 (2013: 291), 159 were members of USS (2013: 144), 31 were members of SAUL (2013: 36), 71 were members of Standard Life (2013: nil) and 4 were members of the NHS Pension Scheme (2013: 2).

Universities Superannuation Scheme (USS)

The following note has been provided by USS.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line

with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where

a surplus could, perhaps, be used to similarly reduce contribution requirements.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

- **New entrants**

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

- **Normal pension age**

The normal pension age was increased for future service and new entrants, to age 65.

- **Flexible retirement**

Flexible retirement options were introduced.

- **Member contributions increased**

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

- **Cost sharing**

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

- **Pension increase cap**

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

At 31 March 2014, USS had over 162,000 active members. The total USS pension cost for the College for the year ended 30 June 2014 was £956,548 (2013: £944,362). No contributions were outstanding at the balance sheet date. The contribution rate payable by the College was 16% of pensionable salaries.

Superannuation Arrangements of the University of London (SAUL)

The following note has been provided by SAUL.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries, and informal reviews of SAUL's position are carried out between formal valuations. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

	31 March 2011
Discount rate:	
– pre-retirement	6.80% p.a.
– post-retirement	4.70% p.a.
General* salary increases	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail Prices Index inflation (“RPI”)	3.50% p.a.
Consumer Price Index Inflation (“CPI”)	2.80% p.a.
Pension Increases in payment (excess over GMP)	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females.
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.

* an additional allowance is made for promotional salary increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries. Based on the strength of the employer covenant and the trustee's long-term investment strategy, the trustees and the employers agreed to maintain employer and member contributions at 13% of salaries and 6% of salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or “CARE”, benefit structure) to SAUL's benefit structure have applied since 1 July 2013. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

SAUL is a ‘last man standing’ scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation.

The total SAUL pension cost for the College for the year ended 30 June 2014 was £102,207 (2013: £115,763). No

contributions were outstanding at the balance sheet date. The contribution rate payable by the College was 13% of pensionable salaries.

NHS Pension Scheme

The total NHS Pension Scheme cost for the College for the year ended 30 June 2014 was £18,994 (2013: £14,752). No contributions were outstanding at the balance sheet date. The contribution rate payable by the College was 14% of pensionable salaries.

Standard Life Scheme

The total Standard Life cost for the College for the year ended 30 June 2014 was £64,789 (2013: nil). The contribution rate payable by the College was 9% of pensionable salaries.

15. Transactions with trustees

No trustees receive any fees or honoraria.

Council members claim travelling, subsistence and accommodation costs in respect of Council and committee meetings and for attending other meetings on behalf of the College. The total of all such expenses reimbursed to the 26 trustee members of Council in the year was £71,000 (2013: £56,000).

16. Related party transactions

In the year ended 30 June 2011, a hospitality event arranged by a trustee was held at the College. At 30 June 2014 the amount outstanding relating to this event was £4,678. This has now been fully repaid.

17. Legacy income

The major legacies or gifts which have been notified to the College but not included in the financial statements, as they do not meet the income recognition criteria of entitlement, measurement and certainty at the balance sheet date are:

	Estimated amount £000
Notified on or before 30 June 2014	
For the main appeal of the College	444

18. Operating leases

The minimum payments that the College is committed to make in 2014-2015 under operating leases are as follows:

	Furniture, fittings and vehicles	
	2014 £000	2013 £000
Leases which expire:		
Within one year	5	-
Within two to five years	4	15
	9	15