



Royal College
of Surgeons
ADVANCING SURGICAL CARE



Annual report and accounts

for the year ended 30 June 2019

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President's foreword

I am pleased to present this annual report for 2018–19, my second year as President of the Royal College of Surgeons of England. Over the 2018–19 period, we have made significant strides in our work to advance surgical care for patients, and I would like to extend my personal thanks to all those fellows, members, associate members and staff who have supported the RCS in these efforts.

This year saw the publication of the final report of the RCS's Commission on the Future of Surgery, which set out a compelling vision for future advances in medicine and technology over the next 20 years, along with the possible relevance, value and implications of future innovations for surgeons, trainees and patients. This report will play a vital role in shaping the RCS for the future, and I would like to thank the commissioners and staff for the time and energy they gave to this project.

In what has been another challenging year for clinicians and patients, we have persistently raised concerns with the government about long waiting times for non-urgent surgery and the lack of a plan to clear the backlog of patients waiting for elective treatment. We have also undertaken work to ensure that any new access standards introduced by the government do not adversely affect patient access to timely and effective surgical care.

Alongside this, we have highlighted concerns regarding medical device safety, the regulation of cosmetic interventions, and standards in the independent sector in light of the actions of rogue surgeon, Ian Paterson. I am pleased to see the government now giving firmer commitments in these areas and look forward to continuing this work over the coming year.

I am also pleased to note the RCS's work to attract and support a diverse and representative workforce in surgery, including through our Women in Surgery (WinS) programme which now supports a record 5,900 members through events, regional activities and social media campaigns.

The RCS has continued to support and deliver a range of research and quality improvement projects. Our Cholecystectomy Quality Improvement Collaborative (CholeQuIC), for instance, published evaluations showing how the project has improved the timeliness of care for patients with acute gallstone disease, while support from six generous funders has allowed us to appoint the first ever RCS Professorial Chairs in Surgical Trials, of which there are now seven in post.

Our members and staff can be immensely proud of their efforts in 2018–19, and I look forward to building upon this work over the coming years.

Professor Derek Alderson
President

Chief Executive's statement

This report documents the activities of the Royal College of Surgeons of England and presents our financial statements for the year ended 30 June 2019.

The year was marked by two particular highlights: the launch of the report of our Commission on the Future of Surgery, referred to in the President's foreword, and the 25th anniversary of the Research Fellowship Scheme. The Future of Surgery report will set the agenda for this College in almost every aspect of our work. The Research Fellowship Scheme has supported over 750 young surgeons to develop their careers, and many are now among the most successful innovators on the UK and world stages.

Our number of fellows, members and affiliates continued to grow, maintaining our position as the biggest surgical college in the UK, and we were delighted to welcome members of the wider surgical team in increasing numbers as associate members. At the same time, and recognising the burden placed on surgical trainees, we froze UK membership fees for the third year in succession and developed a plan with our sister Colleges to freeze the Joint Committee on Surgical Training (JCST) fee for a further three years. Our learning offer continued to develop, and we had a hugely successful year in exams, thanks to the outstanding dedication of our clinical and administrative teams. We also had renewed vigour and focus in our approach to global activities, which will ultimately aid better access to surgery and surgical outcomes for people in lower- and middle-income countries, where deaths preventable by surgery significantly outnumber those caused by infection. All of this was achieved while meeting a stretching target operating surplus.

In dentistry, the Faculty of Dental Surgery (FDS) has continued to campaign successfully for improvements in the oral health of older people, as well as tackling tooth decay in children. Its educational programme has supported around 6,000 dentists worldwide, and its e-Den online package for the whole dental team now has over 33,000 users. The Faculty of General Dental Practice (UK), which continues to progress towards independent status, published a completely revised second edition of Standards in Dentistry, launched its Member Register at the turn of the year and extended its student membership scheme to all dental students.

Our new building continues to materialise before our eyes, having moved through the ground-breaking ceremony, which marked the completion of demolition, to the construction phase. It is scheduled for completion in November 2020, and 2019–20 will be our last full year in our temporary home in the Nuffield.

As ever, I am hugely grateful to our fantastic staff for their forbearance, producing amazing results in less than ideal circumstances, as well as to our fellows and members, donors and sponsors, without whom nothing is possible.

Andrew Reed
Chief Executive

Trustees' report

The trustees of The Royal College of Surgeons of England (RCS) are pleased to present their report for the year ended 30 June 2019.

Our objects and aims

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

Our mission

Our mission is to advance surgical care.

Our strategic aims

We will do this by:

- » advancing surgical standards and reducing the variability of patient outcomes;
- » attracting, educating, developing and supporting high-quality surgeons;
- » influencing and shaping future health policy and practice to advance standards of surgical care nationally and internationally.

Our 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 our 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.

Working for the public benefit

We deliver 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 in 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*). During 2018–19 we commenced work on drawing up a new five-year plan that will take us forward into the new decade, see us established in our new headquarters and progress to the next stage of our development in our mission.

What we have achieved this year

Quality and standards

Quality improvement

Having successfully concluded our flagship quality improvement initiative the Cholecystectomy Quality Improvement Collaborative (Chole-QulC) in 2018, our published evaluations show how the project has improved the timeliness of care for patients with acute gallstone disease, as well as describing the key characteristics of the hospitals achieving particular success in improving quality. Building on the project's many achievements in improving care, in early 2019 we launched Chole-QulC-ER, a new quality improvement collaborative with the aim of extending the reach of Chole-QulC and spreading best practice within more hospitals across the UK.

Good practice guides

We continued to produce good practice guides, our successful series advising our fellows and members on dealing with sensitive or complex circumstances. They include:

- » *Caring for Patients Nearing the End of Life* and its accompanying podcasts, including a helpful process for facilitating sensitive but necessary conversations about the end of life.
- » *Surgical Innovation, New Techniques and Technologies*, which followed on from our Commission on the Future of Surgery, providing a guiding framework for introducing new procedures, techniques and technologies into healthcare in a way with robust oversight and protecting patient safety, while at the same time encouraging and providing support to innovation.
- » *Ethical Principles of Working Overseas*, offering an advisory code of practice containing a set of overarching principles as well as practical advice on how to approach differing political and healthcare circumstances in various host nations. It includes recommendations on how to work with aid agencies, how to take into account the impact of one's practice on local health economies and how to respond to differing concepts of care and standards than those in the UK.

Invited review and accreditation

We undertook important work to assure and improve the quality and safety of patient care, completing 36 individual, service and clinical record reviews. Our accreditation team accredited 271 continuing professional development events, 33 senior clinical fellowships, 9 surgical education centres and 10 surgical courses. We also certified 29 cosmetic surgeons as having provided evidence (including professional behaviours, clinical skills, knowledge and experience) of their competence.

Research fellowships

We celebrated the 25th anniversary of the Research Fellowship Scheme in November 2018. More than 750 fellowships have been awarded and over £40 million donated since its inception from a range of charities, including the Freemasons Fund, the Enid Linder Foundation, the Shears family, the Newman Foundation and the Rosetrees Trust. This year the scheme continued to attract new partnerships including ENTUK/Oracle Cancer Trust, the Health Education and Improvement Wales, and a generous donation from the Moondance Foundation, which enables us to work with Bowel Cancer UK to improve bowel cancer outcomes in Wales. In 2018–19 we also awarded joint fellowships with the British Association of Paediatric Surgeons and Blond McIndoe.

Professor Peter Hutchinson has been appointed as the new RCS Director of Clinical Research, replacing Professor Dion Morton, who served for six years and was instrumental in setting up the RCS Surgical Trials Initiative. The Initiative has appointed the first ever RCS Professorial Chairs in Surgical Trials, of which there are now seven in post across the country with a further two chairs being recruited. A total of £1.8m was raised to support these chairs from six generous funders.

Clinical effectiveness

The Clinical Effectiveness Unit works closely with the Surgical Specialty Associations to conduct large-scale studies into the quality of surgical care. This includes four national clinical audits into the delivery of NHS services for patients with breast, bowel, prostate and oesophago-gastric cancer. These audits continue to highlight issues about how patients receive care within the NHS.

Career and professional development

Learning

We have expanded our programme of webinars, which are free for members, and run events based on topics that members tell us they need. We have subscribed to 17 new e-journals for members and launched members' access to the *Visible Body: Human Anatomy Atlas* in May 2019.

Membership support

Following our successful launch of associate membership for roles within the wider surgical care team, we have been working with founding members to define how we can best support these roles going forward. We have also refreshed our SAS (Staff, Associate Specialist and Specialty) Forum and are working with that group to ensure that SAS doctors are embedded in our strategy and activities. We have run campaigns to showcase careers in surgery, using National Careers Week to provide inspiring careers content through a successful 'Humans of Surgery' campaign which reached over 20,000 people.

The trainee voice is an important one in our work. We work closely with the Association of Surgeons in Training (ASIT) and the British Orthopaedic Trainees Association (BOTA) on our activities and through our committees to ensure that the trainee voice is heard and supported.

Attracting and supporting a diverse and representative workforce in surgery is a vital priority for us. This year we recruited foundation doctors to join medical students on our Future Surgeons Forum, working with the forum to support those with surgical career ambitions. We continue to support and fund surgical career development activities in the regions, and our affiliate member numbers continue to rise, reaching 1,900 this year. Our Women in Surgery programme supports and inspires women in their surgical career ambitions through a programme of events, social media campaigns and funding of regional activities. The number of members joining our Women in Surgery programme is on the rise. In 2018–19 it rose to 5,900 for the first time.

Our education offer stands at the heart of what we do to develop high-quality surgeons and equip them with the skills they need for the fast-changing world in which they operate.

Highlights of this year have included:

- » We launched the 10th edition of *Advanced Trauma Life Support* (ATLS): we were the first in the world to run the hybrid ATLS course and have since delivered to 3,997 delegates.
- » We expanded and embedded our offer to the surgical care team.
- » We doubled the number of international courses delivered.
- » We partnered with UCL to develop our learning design methodology and implemented it in all our course developments. We also created a series of free learning design resources, available on Moodle.
- » We raised our profile in surgical education, presenting and delivering two workshops at the International Conference on Surgical Education and Training (ICOSSET) and drove our strategic focus on education research and innovation, culminating in the Innovation in Surgical Education Conference in June 2019.

Our library provides access to a wealth of e-resources. These have been heavily used throughout the year, with article downloads from electronic journals and chapter downloads from electronic books both increasing by almost 13%. We subscribed to 17 new

electronic journals during the year and in May 2019 launched a new 3D anatomy resource, the *Visible Body – Human Anatomy Atlas*, which has seen a strong take-up by members.

The library issued 66 *Specialty Updates* and conducted 93 literature searches this year. Additionally, all past issues of *Updates* were archived and made accessible via the library's catalogue, SurgiCat+. The library was also approached by the National Clinical Improvement Programme to work on a pilot project assisting with the development of a best practice resource for orthopaedics. Planning for the project is now complete and the work will commence in the next financial year.

Influence and engagement

The Commission on the Future of Surgery, chaired by RCS Council member Mr Richard Kerr, published its final report in December 2018, providing a compelling and credible vision for the future advances in medicine and technology. Drawing on the expertise of its commissioners, together with written submissions and oral evidence sessions, the report set out what the future of surgery is likely to look like for patients in five years, could look like in ten years and might be in 15–20 years.

The Commission explored the innovations that will most probably have an impact on surgical care in the UK, including minimally invasive surgery, robot-assisted surgery, genomics, augmented, mixed and virtual reality, 3D printing, nanotechnology, pharmacology and regenerative medicine, and evaluated the possible relevance, value and implications of these innovations for surgeons, trainees and patients.

The report saw significant coverage in print and broadcast media and was welcomed by the Secretary of State for Health and Social Care (Matt Hancock MP), NHS England, the General Medical Council (GMC), the health technology industry and other royal colleges. In light of the report's publication and previous comments from the Commission's Chair, the government announced that it would phase out the use of fax machines by 31 March 2020, echoing calls from the Commission for improved digital infrastructure across the NHS.

Following the launch of the report, we have worked to ensure that the Commission's recommendations are adopted by relevant organisations, including health bodies across the UK nations, surgical and non-surgical royal colleges, medical schools, NHS trusts and clinical commissioners. We are currently working with other key stakeholders on the recommendations, including those involved in the long-term monitoring of new devices and techniques, the strategic rollout of surgical robotics systems and other innovations, with patients and their understanding of new treatments and procedures, and ensuring surgeons are in a position to evaluate and embrace change.

A subcommittee of the RCS Council, chaired by Mr Kerr, has been established to help guide the Commission's ongoing implementational activity.

Other issues championed this year

Waiting times

We have continued to raise concerns about the long waiting times for non-urgent surgery and the lack of a plan to clear the backlog of patients waiting for elective treatment. NHS England has been reviewing the access standards for elective care and the President is a member of the clinical oversight group. Looking ahead, we will be striving to ensure that any new access standards do not adversely affect patients' access to timely and effective surgical care.

Independent sector standards

We published position papers on 'Surgical training in the independent sector' and 'Assuring standards in the independent sector',

the latter of which was endorsed by the Academy of Medical Royal Colleges. Following discussions with the Healthcare Quality Improvement Partnership (HQIP) about progressing independent sector involvement in clinical audits, they are now working towards submitting data to the breast cancer and ophthalmology audits. The President has provided oral evidence to the inquiry into the actions of rogue surgeon Ian Paterson, and we continue to work closely with the inquiry team led by the Lord Bishop of Norwich (Graham James).

Medical devices regulation

Following our concerns about the regulation of medical devices, the government is now giving firmer commitments to establishing a register of devices and implants and will roll-out the Scan4Safety initiative more widely across the NHS. The government's announcement came on the back of a House of Lords debate on medical devices, which saw eight peers from across the House set out the RCS's position in detail. Peers reiterated the RCS's position that all new surgical procedures and devices should be registered, with related data collected in the appropriate national audits, before they are routinely offered to patients. Several peers, including Lord O'Shaughnessy and the Earl of Dundee, also highlighted the RCS's support for the Scan4Safety initiative. We continue to work closely with the Department of Health and Social Care, NHS England and HQIP to take these much-needed reforms further forward.

Perioperative care

We collaborated with the Royal College of Anaesthetists in establishing a cross-specialty Centre for Perioperative Care. This will facilitate and encourage cross-organisational and new ways of working to enhance and improve the perioperative care of patients. The importance of perioperative care was highlighted in the report of the Commission on the Future of Surgery and has been a key element of stakeholder engagement work in this regard.

Cosmetic surgery regulation

We have worked closely with NHS and parliamentary stakeholders to improve regulation across the cosmetic and medical aesthetics industry. In May 2019, we briefed a number of MPs in advance of a debate on the medical aesthetics industry, with two of our positions (relating to regulation of dermal fillers and the development of a register of those delivering non-surgical procedures) being given commitments by the then-Minister Jackie Doyle-Price MP.

We also worked closely with the GMC around credentialing for cosmetic surgeons and welcomed the announcement from the GMC's Council that cosmetic surgery will be one of the five GMC-regulated credentials to be developed in 2019–20.

Our global engagement

Our international development work has continued apace. We have established an important partnership with Medical Aid for Palestinians to improve core surgical training in Gaza. We undertook two training visits to Dar Al-Shifa Hospital this year. These activities created a structure for the transfer of training skills from RCS trainers to senior Gaza surgeons, establishing a local-based faculty capable of leading the basic surgical skills and core surgical laparoscopic skills training in Gaza, targeting junior surgeons and intern doctors. In total, a cohort of 24 local faculty was established.

In March 2019, we provided training in basic surgical skills and core skills for laparoscopic surgery to participants in Jaffna, Sri Lanka. The RCS also partnered with the Christian Medical College in Vellore, India, to develop and deliver a course aimed at strengthening local capacity in the treatment and management of critical paediatric surgical conditions in district hospitals in India. The course was supported by the government of Bangalore and 25 participants were trained.

Our International Surgical Training Programme (ISTP) is the third-largest medical training initiative in the UK, providing a route for high-quality international medical graduates from outside of the UK, the European Union, the European Economic Area and

Switzerland to obtain registration with the GMC and undertake training in UK hospital posts for a maximum of two years. In 2018–19, we accepted 91 international medical graduates on to the programme, of whom 66 (72.5%) were matched and placed in 49 NHS trusts. In addition, 48 overseas doctors were sponsored by the RCS to the GMC register. As part of the programme's development and expansion, a national network of 12 ISTP Clinical Leads were appointed covering the surgical specialties. These leads will act as key points of contact on training matters relating to ISTP surgeons, as well as working to identify and eliminate any barriers faced by international medical graduates.

Training and assessing surgeons

We are a leading national and international centre for surgical and dental assessment. We delivered 8,161 individual examinations this year, consisting of 5,509 surgical and 2,652 dental exams. We strive to provide access to our assessments both in the UK and further afield, with 16 qualifications being delivered in 59 centres globally. The MRCS examination continues to be popular and we have seen growth of over 20% in MRCS Part A candidate numbers compared with the previous year.

The Joint Committee for Surgical Training (JCST), which we host on behalf of all four surgical colleges in the UK and Ireland, recommended 595 UK and Irish trainees for certification, enrolled 693 new specialty trainees and evaluated 225 Certificate of Eligibility for Specialist Registration (CESR) applications and reviews on behalf of the GMC during the 2018–19 financial year.

We continued our work with Health Education England on the Improving Surgical Training pilot in partnership with our sister surgical Colleges in Edinburgh, Glasgow and Ireland, together with NHS Education for Scotland and Health Education and Improvement Wales. The pilot, which will be subject to an independent evaluation in 2021, trials improvements in the quality of training, creating a better balance between service and training for trainees, professionalising the role of trainers and making better use of simulation. It also provides the ideal opportunity to develop the concept of the 'modern firm', where multidisciplinary teams provide junior doctors with the support they require in a positive and collaborative environment.

Promoting public and professional engagement

We continue to provide an extensive outreach programme of public talks and events, schools and family workshops, attracting over 700 people. We have worked with a wide range of partners this year to deliver this successful programme. Our partners include the London Metropolitan Archives, King's College London, Museum of Life Sciences, London Museums of Health and Medicine Group, the Old Operating Theatre Museum, the Centre for the Cell, Queen Mary University of London, the Royal College of Physicians and the Royal College of Anaesthetists.

We also ran tutored weekend revision workshops, using our anatomy collections, for MRCS examination candidates, attracting 140 surgeons in training. We continue to provide access for research purposes to the museum's collections at the Natural History Museum, Constantine's fine art specialists and at our present Nuffield location.

Loans of objects, specimens and paintings from RCS Museums and Special Collections were made to the British Library for James Cook: The Voyages; the Wellcome Collection for Teeth; Tate Britain for Aftermath: Art in the Wake of World War One; the Science Museum for Wounded: Conflict, Casualties and Care; the Royal College of Physicians for Ceaseless Motion: William Harvey's Experiments in Circulation and the Royal Academy for The Anatomy Professor: Doctors, Death and Dining at the Royal Academy.

In September, Arts Council England renewed the Hunterian Museum Provisional Accreditation, subject to annual review, until the reopening of the museum.

The Library's collection of digitised historical tracts and pamphlets (over 21,500 of 31,500) has been imported into Portfolio and has been made available via SurgiCat+, increasing discoverability of this collection. This collection has also been made freely available through the Internet Archive (part of the UK Medical Heritage Library) and JISC Historical Texts.

Twenty-four online blog posts have been created and published, as well as other social media posts aimed at both members and the general public. The two most popular posts published during the year were *'Phossy jaw' and the matchgirls: a nineteenth-century industrial disease* (1,818 page views) and *Sake Dean Mahomed and the benefits of shampooing* (1,024 page views). Some 171 new *Plarr's Lives of the Fellows* biographies were also added during the year, bringing the total number of biographies available on our website to 9,636.

Loans of materials from RCS Library and Archives were made to the Library and Museum of Freemasonry for 'William Perfect – Enlightenment Mason, Medic and Man of Letters' and the MK Gallery in Milton Keynes for the forthcoming exhibition 'George Stubbs: All Done from Nature'.

Our Library and Archives staff delivered talks and presentations at a variety of organisations and events, including London History Day at the London Metropolitan Archives, and events at the British Library and the Chartered Institute of Library and Information Professionals.

Fundraising

We receive significant charitable funds every year from our donors and supporters. These funds support, year on year, an impressive range of projects and activities in pursuit of our charitable objects. This last year has been another strong year for fundraising. Funds raised in the year for surgical research, education, the library, museums and archives and for the redevelopment of our headquarters reached more than £2.75m. We extend our thanks to our donors and supporters and to those who have remembered us in their wills with these gifts totalling £202k this year.

Moving forward with dentistry

The Faculty of Dental Surgery has continued to press government to improve older people's oral health. We worked with Andrew Selous MP to secure parliamentary debate that took place in February 2019 – the first time the issue had been discussed in the House of Commons. It gave opportunity to raise several of our policy recommendations with ministers, including improved access to dental services for care home residents. Ministers also said that they would ask NHS Digital to include older people's dental attendance figures in future editions of *NHS Dental Statistics for England*.

The Faculty's campaign to tackle child tooth decay remains a priority. This year, we responded to government-published public consultations informing new restrictions on promotions and advertising of high-sugar products. The Faculty also wrote to the Secretary of State for Education calling for oral health to be added to the new health education curriculum, and this became official government policy in June 2019. We continue to call for supervised toothbrushing schemes in English nurseries and primary schools and welcomed its inclusion in the government's Prevention Green Paper in summer 2019.

The Faculty published two major position statements during the year. The warning of the health risks of oral piercings and extreme body modification procedures, such as tongue splitting, achieved widespread media coverage. The second, covered by the *BMJ*, highlighted links between oral health and several wider conditions, recommending that oral health professionals play a larger role in preventive public health work.

The Faculty continues to be a leading provider of dental education nationally and internationally, supporting as many as 6,000 dentists and other members of the dental team worldwide. We offer a wide spectrum of courses and training programmes from general professional training for dentists and allied professions to specialist training and continuing education – including courses for examination preparation, core continuing professional development, specialist masterclasses, hands-on workshops, professional development, diploma courses and blended modular learning programmes.

In collaboration with NHS Education England, we continue to develop a route to blended learning via the highly successful

interactive online educational package e-Den. E-Den is a great example of translating evidence into practice, providing evidence-based training and education for the whole dental team. The year has seen further expansion to over 33,000 registered users and continued increase in international audiences.

Significant progress has been made establishing specialist and academic partnerships. Collaborations now exist with the British Society of Dental and Maxillofacial Radiology, British Association of Oral Surgeons, Advisory Committee for Community Dentistry, British Orthodontic Society, British Society for Paediatric Dermatology, Great Ormond Street Hospital and Health Education England.

The *FDJ* (Faculty Dental Journal) provides expert opinion and commentary, continuing to inform, challenge and inspire its readers. The journal has attracted contributors from the UK and worldwide and is now available in print and digital media at major institutions around the world.

The Faculty of General Dental Practice (UK) (FGDP(UK)) is the professional home for primary care dentistry. The Faculty plans to become a separate body in the future and is working towards that goal while continuing to serve members and the wider dental profession.

Standards in Dentistry is the flagship publication from the Faculty and a completely revised second edition was published in September 2018 to reflect the contemporary clinical, organisational and dento-legal contexts in which dentistry is practised, as well as changes in the evidence base since the first edition was published in 2006. Complimentary copies of the book were sent to all members of the Faculty and an online version is made freely available online.

In January 2019, the Faculty launched its Member Register, providing members with their own profile page online, which sets out their commitment to professionalism. The Member Register is referenced frequently, from the evidence of web traffic, and is planned to be built on to enhance its value to members. The Faculty's Student Membership scheme was extended to all dental students, having formerly been offered only to those in the later stages of their training, following evidence of the interest and demand for support and guidance from FGDP(UK) from those entering their degree.

In a changing market for dental qualifications, we saw a decline in take-up of our established Diploma courses over the year, prompting careful thought about the place of these qualifications in the market. FGDP(UK) is committed to setting the standards in training, and it is important to get that message across when easier and cheaper courses are available. Concerted efforts in 2019 have started to yield results, securing a future for our programmes in primary care oral surgery, restorative and aesthetic dentistry, and implant dentistry, and providing skills training of the highest quality.

The Faculty made the first award of its Faculty Medal in March 2019, to Shelagh Farrell, a past Vice Dean and long-serving Board member who has committed herself to improving dentistry from the start of the Faculty's existence. The Faculty Medal is intended as a very special honour, rarely given, and Shelagh has proven a worthy first recipient.

Developing the RCS

It is two years since we moved into our temporary accommodation in the Nuffield building. We are now focused on preparing for our return to the new Barry building, which is planned for early 2021. We have reviewed the programme structure so that management and delivery remain well focused.

Design and development of a new Hunterian Museum has progressed well this year. The Developed Design (Royal Institute of British Architects stage 3) was approved by the Project Steering Group in April 2019 and the Hunterian Collection Trustees approved a grant from the Macrae Webb Johnson fund towards the Museum design cost.

Completion of the redevelopment is scheduled for late 2020. The demolition of the old Barry building was completed and the

construction of the frame of the new building commenced in May 2019. A ‘topping out’ ceremony is planned for January 2020 to mark the installation of the last beam atop the building frame. Further information can be found at: www.rcseng.ac.uk/transform.

Our RCS-wide change programme, Doing Things Differently, has been in place now for three years. The programme has continued its focus on delivering operational efficiencies and business development through the pursuit of consolidation of services, process improvement and organisational alignment to business strategies. This work has been supported by regular assessments of changes implemented and regular engagement with senior managers and our staff representative group. The programme has at its heart the aim of putting the RCS on a financially sustainable footing for the longer term and delivering a first-class service to our fellows and members.

Our plans for the future

Our emerging five-year plan aims to review and refresh the place of the RCS, taking on the challenges of a digital age, global economies, professional specialisation, workforce diversity, better involved and informed patients, and changing attitudes to work. Redevelopment of our London home is symbolic of this change, together with ambitious plans to update what we offer and the way we work to ensure that we remain sustainable for the long term.

We are committed to a continuing process of transformation into a modern, sustainable and forward-thinking college that embraces our heritage and reflects a professional approach to our work within a landmark building.

Financial review

Overall, we have seen only a modest increase of £30k this year in our funds, leaving total funds managed more or less unchanged at £136.7m. The gain on investments of £672k is also significantly down on 2018, producing a net expenditure position of £642k before this gain. This compares to a £48.9m surplus in 2018.

Last year's results were boosted by the substantial profit arising from the sale of a long lease over the Nuffield property. If we discount this exceptional prior year gain, related property transactions and the FRS102 pension accounting adjustment, this year's results reveal a continuing underlying improvement in the operating position. The table below shows the impact of these adjustments and an underlying operating surplus of £2.6m (2018: £2.3m).

Underlying position	2019 £000	2018 £000	Change £000
Net income/(expenditure) before investment gains	(642)	48,871	(49,513)
Adjust for: Profit on disposal of long lease	–	(51,824)	51,824
Net income/(expenditure) before investment gain and lease disposal	(642)	(2,953)	2,311
Operating lease and leasehold depreciation	2,587	1,940	647
Loss on disposal of fixed assets	0	3,570	(3,570)
FRS102 pension liability change	688	(276)	964
Underlying net income/(expenditure)	2,633	2,281	352

The delivery of this underlying surplus of £2.6m, up £0.35m on 2018, demonstrates the success of the measures that RCS has taken to improve operational efficiency and to sustain cash levels during this transformative but financially challenging period of the redevelopment of our estate.

While the 2018 results were impacted by a one-off benefit and charges resulting from the start of construction works and the sale of the long lease, the fixed asset and lease charges arising from the temporary accommodation arrangements that we have entered into will continue to impact our results and our unrestricted funds until the end of the financial year 2020–21.

Both underlying income and expenditure levels are down on 2018, as shown in the table below. This is broadly attributable to a lower level of income activity incurred in respect of restricted and endowed funds and lower levels of expenditure across both unrestricted and restricted funds. This has resulted in an improvement to the underlying unrestricted surplus but a deficit position in respect of restricted activity.

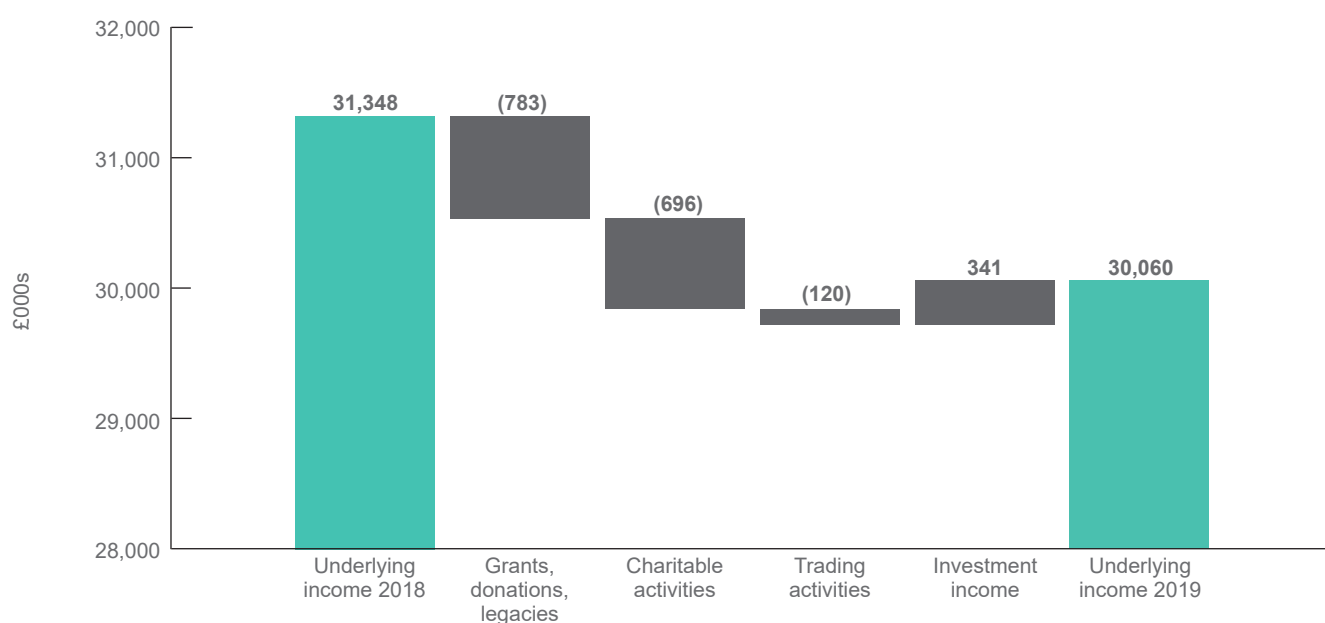
	2019 £000	2018 £000	Change £000
Underlying income	30,060	31,318	(1,258) (4%)
Underlying expenditure	27,427	29,037	(1,610) (6%)
Net income	2,633	2,281	352
Net contribution as percentage of income	9%	7%	
Unrestricted funds	2,825	2,141	684
Restricted and endowed funds	(192)	140	(332)
Underlying position by source of funds	2,633	2,281	352

A £0.95m or 4.5% fall in the market value of our unrestricted investment portfolio, which has a higher UK stock market exposure, has further reduced unrestricted funds, which end £1.4m down at £92.7m. This contrasts with a 4% gain in value in respect of the combined restricted and endowed investment portfolio, helping to raise restricted and endowed funds to £44m by the end of the year.

Underlying income

Income is down 4% to £30m, a decrease of £1.3m on the previous year. 2018 had benefitted from a number of one-off contributions, including two substantial legacies, a significant grant from Health Education England for improving surgical training and income arising in respect of the capital development works. However, income from our core charitable activities is up 6% in 2019. Examination fee income rose 9%, reflecting continued growth in both UK and overseas markets. Course income rose 5% and subscriptions were also 5% up on 2018 reflecting growth in the Medical Training Initiative programme this year.

Change in underlying income from 2018



Grants, donations and legacies represent 18% of income (2018: 20%). Charitable activities represent 72% of income this year (2018: 72%). Investment income has risen to £2.7m (2018: £2.3m) reflecting slightly higher investment portfolio yields together with interest earned on short-term cash deposits.

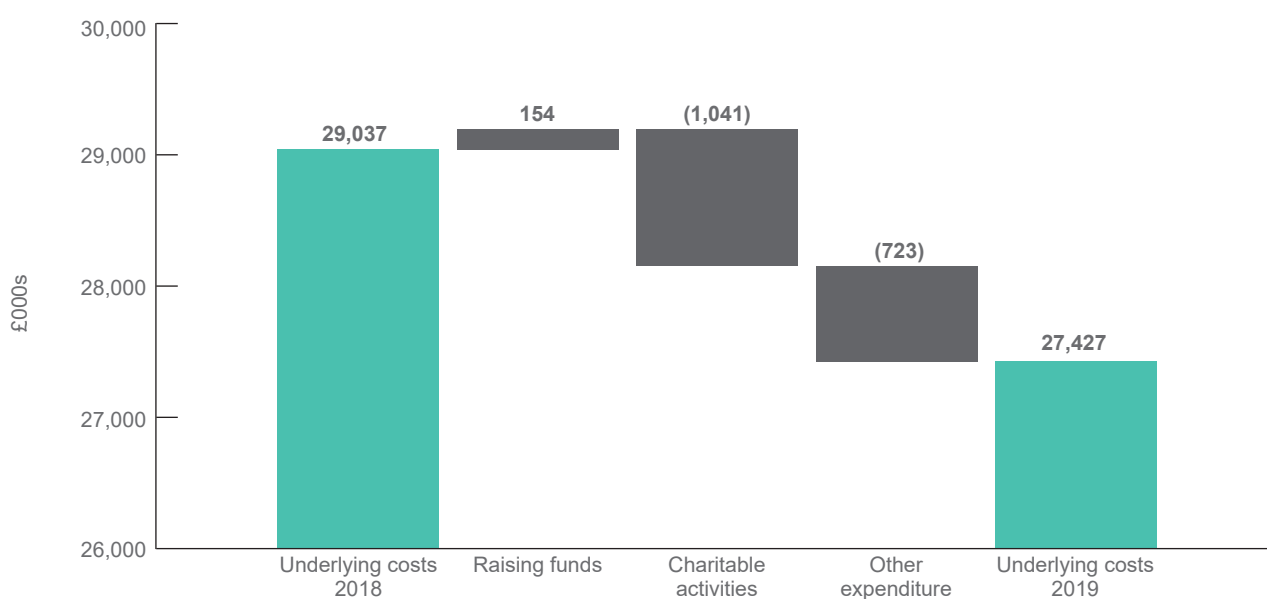
Underlying expenditure

Underlying expenditure has fallen £1.6m to £27.4m this year. Unrestricted expenditure is £1m down on 2018. The success of the programme to reshape our operations continues to deliver further cost benefit in this year and 2018 included one-off transformation and restructuring costs which raised charges for that year. Support costs have remained broadly unchanged at £5.9m.

Much of our programme of professional activity as outlined in the Trustees Report is supported by our restricted and endowed funds. Total expenditure against these funds reached £6.6m this year, down £0.6m on 2018. Our programme of research and clinical

effectiveness projects has delivered just over £4m of activity this year (2018: £4.8m), the reduction largely due to a lower number of research awards made this year, 71 awards in total, down from 92 in 2018 with 34 one year research fellowships awarded.

Change in underlying expenditure from 2018



Net assets

Net assets have remained broadly unchanged at £136.7m. Net unrealised gains on our externally managed investment portfolios amounted to just £0.4m; there was no change to the value of investment property. Capital additions totalled £15.4m (note 9), compared with £15m in 2018. Cash holdings have decreased by £10m and current liabilities have increased by £2m, leading to a reduction in the current ratio to 3.4 (2018: 5.1).

Hunter Trading Ltd

The RCS financial statements consolidate the results and financial position of its wholly owned subsidiary, Hunter Trading Limited (note 15). The company ceased marketing of conference and residential facilities at the end of 2016–17 to allow RCS to prepare its Nuffield property for accommodation of its operations. The company is continuing to trade but at a significantly reduced level, mainly online museum sales, delivering a profit of £9k for this year (2018: £2k).

Financial outlook

RCS is now over halfway through the capital development works, with completion scheduled for November 2020. Demolition of the Dance Barry was completed in November 2018 and construction work has progressed throughout the year. The cost of this major redevelopment has been financed to date through the sale of a long lease over the Nuffield property, the additional cash generated through the organisational transformation programme set up in June 2016 to bring about operational efficiency improvements, as well as new fundraising initiatives.

This next year will see the construction works ramp up significantly and RCS will enter into a loan financing arrangement to secure the timely completion of the construction project and the creation of a modern, integrated and technologically intelligent space that will support delivery of the RCS vision and mission. RCS will continue to pursue its transformation agenda and develop business initiatives to strengthen our finances, create investment capacity for professional priorities and support the longer-term financing strategy to repay the debt in a managed way and over an acceptable timeframe without compromising on the delivery of the vision.

Following a lengthy period of uncertainty, the results of the 2017 Universities Superannuation Scheme (USS) pension scheme valuation were finally published in January 2019. The required increases to the employer contribution rates have begun to be implemented and we have provided in these accounts for the increase in the RCS pension liability as a result. These increases have been built into the 2019–20 RCS financial plan, which aims to deliver an improved surplus. However, the USS trustee agreed to carry out a further valuation as at 31 March 2018 to address a number of critical issues raised in a report by a Joint Expert Panel commissioned as part of the 2017 consultation process. It is noted that this valuation may result in further amendments to contribution rates and the current pension liability.

Reserves policy

RCS reserves comprise unrestricted funds, restricted and endowed funds. The restricted and endowed funds result from grants, donations and legacies, which can only be applied for a purpose specified by the donor or grantor and are not available for general purposes. RCS aims to carry out the activities and projects supported by these funds on a timely basis in accordance with the purposes and conditions specified. Restricted and endowed funds totalled £44m at 30 June 2019 (notes 17 and 18).

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

Fixed assets fund

The fixed assets fund comprises the funds invested in fixed assets that the trustees consider essential in enabling RCS to implement effectively its operational strategy. The fund represents the net book value of the RCS unrestricted tangible fixed assets. RCS held £39.1m in its fixed assets fund at 30 June 2019 (2018: £25.3m). The fund includes now £34.2m of assets in the course of construction in respect of the new RCS London headquarters.

Designated funds

Designated funds are funds that the trustees have earmarked for specific purposes. Since 2014 and prior to this year, a total of £72.8m of general funds has been designated to be held for specific purposes, with £70.7m of funds set aside for the redevelopment of the RCS London headquarters and £2m of funds earmarked to support the digital and information technology transformation agenda. As at 30 June 2019, £40.6m of these funds has been expended. A total of £32.2m of designated funds remains at 30 June 2019 with £31.8m relating to the capital development project, and £0.4m in respect of the digital transformation programme.

General funds

In accordance with Charity Commission guidance, the trustees set a target range for the level of free reserves, or general funds, that the RCS should maintain to ensure its financial security and funding of its business plan. Free reserves or general funds are defined as total unrestricted funds less fixed assets and designated funds. The trustees determine that a prudent target range for

the RCS's free reserves is between 75% and 100% (ie between nine and twelve months) of gross annual unrestricted operational expenditure. This equates to a target range of £18.1m to £24.1m for 2018–19.

This range is set taking into account the following:

- » the risk of fluctuating income and expenditure levels;
- » the risk of an unexpected need for funds;
- » the need to provide working capital for the RCS's current operational and future development activities;
- » the fact that the RCS's resources expended had regularly exceeded its incoming resources prior to the 2013–14 financial year;
- » the funding shortfalls in the USS and Superannuation Arrangements of the University of London (SAUL) defined benefit pension schemes and the future increases in employer contributions to eliminate these shortfalls.

RCS General Funds stand at £19.4m at 30 June 2019, 4% down on the prior year (2018: £20.35m). This represents 81% (2018: 86%) of unrestricted operating expenditure and is within the target range.

Fundraising

RCS receives significant charitable funds every year from its donors and supporters. These funds support year on year an impressive range of projects and activities in pursuit of RCS charitable objects and in 2017, RCS embarked upon a major new fundraising campaign in support of its Dance Barry redevelopment taking place over the next few years.

RCS aims to raise funds in accordance with best practice and in an open, legal and fair manner, and has effective systems in place to monitor and maintain these standards and ensure communications with supporters are undertaken in a considered and balanced manner.

RCS is registered with the Fundraising Regulator and undertakes its fundraising activities with reference to the Code of Fundraising Practice. This year it reviewed and updated its data protection processes to ensure full compliance with the General Data Processing Regulation (2018). RCS does not engage commercial partners or volunteers to raise funds on its behalf. Complaints and concerns raised are taken seriously and responded to promptly and handled in accordance with the RCS complaints procedures, which are available on the website.

Investment policy

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

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

The unrestricted portfolio aims to deliver a long-term total return in line with market indices with an annual income target yield of 4%. The restricted and endowed portfolio aims to deliver a long-term total return of CPI plus 4% with a target yield of 3% this year.

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

Investment performance

The Finance and Investment Committee oversees all matters pertaining to financial planning and performance, including investment management, and advises and reports on a regular basis to the Board of Trustees on the performance of the RCS investment portfolios and the appointed fund managers.

Both portfolios delivered strong income performances this year, with £1m generated from the unrestricted investment portfolio (2018: £1.09m) and £1.2m from the endowed and restricted portfolio (2018: £1.1m). The unrestricted investment portfolio, however, suffered falls in value during the first half of the year following turmoil in the UK stock market from which it has not fully recovered. Although the restricted and endowed portfolio saw some falls in the year, it succeeded in delivering a 3.9% return net of fees.

Total return accounting

The RCS adopted total return accounting for its permanently endowed funds in 2014–15. A base date of 24 June 1992 was approved for determining the permanent capital value of the endowed funds, based upon the market value of the permanent endowments at that date, plus the original value of any subsequent additions. The value of these investments was frozen and classified as frozen permanent capital and the remaining value of the investments was classified as unapplied total return.

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

A total of £1.67m was applied in the year and, together with investment management fees of £164k, the total applied from the endowed funds was £1.83m. This represents an application of 5% in the year which is 0.5% above the target rate range. However, the cumulative total applied since the adoption of total return accounting remains below the cumulative maximum target level for this same period.

Key management personnel

Key management personnel are defined as members of the Executive Team and Directors as set out on page 28 of the Trustees Report.

The Remuneration and Nominations Committee has responsibility for approving salaries and conditions of service at Director level and above. The Committee receives recommendations from the Head of HR based on a detailed market review benchmarked to similar organisations carried out biannually, as well as through the annual performance appraisal process. Based on this advice, the Committee makes recommendations to the Board on the remuneration and benefits of the CEO and other senior post-holders.

Details of remuneration for the year ended 30 June 2019 are set out in note 8 of the financial statements.

Risk management

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

to provide reasonable assurance that mitigating actions are adequate.

Key areas of risk are identified in line with the RCS strategic plan. Risks and the controls in place to manage them are assessed in terms of financial and reputational impact and their status assessed both before and after mitigating actions. Risks are recorded on the risk register. The management and monitoring of these risks are assigned to key management personnel and related business area. Key areas of risk are reviewed by the Audit and Risk Committee and by executive management on a regular basis. The RCS works with its internal audit provider as part of its objective to ensure risk management and internal control systems remain effective and adequate.

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

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

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

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

Going concern

The trustees have reviewed the financial position, the level of cash and reserves, the long-term projections and the systems of financial control and risk management in place. The trustees have determined that loan finance is required to ensure that the redevelopment plans are completed in accordance with the planned timescale. The trustees have approved an initial short-term credit facility arrangement, and this will be in place in November 2019. This facility will be replaced by a long-term financing arrangement in due course. The trustees fully support management's drive to deliver operational efficiencies and to raise funds for the development project in order to minimise the loan amount required. They are satisfied that the RCS is in a position to manage successfully its operational and financial risks. The trustees consider that it is reasonable to expect that the RCS has adequate resources to continue in operational existence for the foreseeable future and therefore support the going concern basis in preparing the annual accounts.

Corporate trustee responsibilities

The RCS is a corporate trustee of the Colledge Family Memorial Fellowship Trust. This trust holds investments and assets in its own name and its activities are entirely separate from those of the RCS.

Colledge Family Memorial Fellowship Trust

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

The value of the Colledge Family Memorial Fellowship Trust endowed fund at 30 June 2019 is £2.8m (2018: £2.95m) and its restricted fund is £101k (£2018: £113k).

Other trustee responsibilities

The Sir Ratanji Dalal Research Scholarship Fund

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

The value of the Sir Ratanji Dalal Research Scholarship endowed fund was £0.8m at 30 June 2019 (2018: £0.8m) and its restricted fund was £80k (2018: £50k). The financial statements are audited by Crowe U.K. LLP.

Funding partnerships

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

We are grateful to our many supporters, whose donations and encouragement are crucial as the demands on our 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

Association of Breast Surgery	Golden Bottle Trust
Association of Coloproctology of Great Britain and Ireland	Heartburn Cancer UK
Association of Upper Gastrointestinal Surgeons	Honourable Society of Knights of the Round Table
Ballinger Charitable Trust	Huggard Charitable Trust
Blond McIndoe Research Foundation	Joseph Strong Frazer Trust
Bowel Cancer UK	Lord Leonard and Lady Estelle Wolfson Foundation
Bowel Disease Research Foundation	Mary Kinross Charitable Trust
Breast Cancer Now	Miss Leela Kapila OBE FRCS
British Association of Plastic, Reconstructive and Aesthetic Surgeons	Mistra Trust
British Medical Association	Moondance Foundation
British Society for Surgery of the Hand	Mr Leon J Grant
Brock Webb Trust	Orthopaedic Research UK
Bryan Guinness Charitable Trust	Ostrich Charity
Cadogan Charity	Pancreatic Cancer Research Fund
Edwin George Robinson Charitable Trust	Pancreatic Cancer UK
Enid Linder Foundation	Rosetrees Trust
ENT UK	Shears Foundation
Frances and Augustus Newman Foundation	Society for Cardiothoracic Surgery in Great Britain and Ireland
Freemasons' Fund for Surgical Research	Swann-Morton Foundation
GD Herbert Charitable Trust	Vascular Society for Great Britain and Ireland
George Drexler Foundation	Worshipful Company of Barbers
Gilbert and Eileen Edgar Foundation	Worshipful Company of Needle makers
GM Morrison Charitable Trust	Wyndham Charitable Trust

Corporate support

Apoqlar	Lohmann & Rauscher
B Braun Medical	Medical Defence Union
Chase de Vere	Mölnlycke Health Care
Draeger Medical UK	New Media Ghost
Edwards Lifesciences	Octopus Wealth
Eido Healthcare	Open Medical
EMD Services	Rociale
Ethicon UK	Smith and Nephew Healthcare
Fundamental VR	Stryker
Guardian Surgical	Surgical Process Institute
Health Online	Thomas Tunnock
Karl Storz Endoscopy (UK)	TruCorp
L F D Group	Zimmer Biomet
Limbs and Things	

Endowed and restricted funds

Alban Barros D'Sa Scholarship Fund
Arthritis Research Trust Fund
Blond McIndoe Fund
Doctor Shapurji H Modi Memorial ENT Fund
Fellows Fellowship Fund
Harold Bridges Bequest

Henry Lumley Charitable Trust
Margaret Witt Scholarship Fund
Philip and Lydia Cutner Fund
Preiskel Family Fund
Sorab (Soli) Jamshed Lam Research Fund
Vandervelle Research Fund

Legacies

The late Mrs JA Brooker for general charitable purposes
The late Mr CC Darwent for general charitable purposes
The late Mr JM Jackson for general charitable purposes
The late Mr AA Jefferson for general charitable purposes
The late Mrs DMS Loudan for general charitable purposes

The late Mr AR Mowlem for general charitable purposes
The late Mr MA Pugh for general charitable purposes
The late Miss SM Salmon for general charitable purposes
The late Mr SD Singh for general charitable purposes
The late Mr CC Boot for the Arthritis Research Fund

Structure, governance and management

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 RCS are regulated by its founding and subsequent charters and ordinances. The most recent of these charters was granted in April 2015, and prior to that in March 1992. The RCS is a charity, with the registered number 212808.

Constituent parts

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

Trustees

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

Officers

President	Professor D Alderson
Vice-Presidents	Mr I Eardley (to 12 July 2018)
	Ms S Hill
	Professor N Mortensen
	Professor C Shearman (from 12 July 2018)

Deans of the Faculties

Faculty of Dental Surgery	Professor M Escudier
Faculty of General Dental Practice (UK)	Mr I Mills

Elected Trustees

Mr J Abercrombie
Mr P Kay
Miss F Myint

Lay Trustees

Mr P Davé (from 16 August 2019)
Mr M Hussey
Sir Amyas Morse
Mr J Robinson (to 24 July 2019)
Mr D Whitney

Members of Council

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

Elected surgical and dental fellows

Mr J Abercrombie	Mr P Lamont
Mr S Ahmed	Miss V Lees
Professor D Alderson	Mrs S McNally
Mr W Allum	Professor N Mortensen
Professor F Bhatti (from 12 July 2018)	Mr T Mitchell
Mr M Bircher	Miss F Myint
Professor T Briggs	Mr A Nanu (from 11 July 2019)
Mr S Chadwick (to 11 July 2019)	Mr P O'Flynn
Professor M Escudier	Miss V Pegna (from 11 July 2019)
Miss H Fernandes	Professor S Porter (from 11 July 2019)
Professor P Friend (from 12 July 2018)	Professor T Rockall
Miss S Hill	Professor N Standfield
Mr P Kay	Mr T Terry
Mr R Kerr	Miss S Vig

Surgical specialty association members

Mr G Cooper (to 12 July 2018)	Mr R Page (from 12 July 2018)
Mr S Dover (from 11 July 2019)	Mr N Phillips
Mr J Glass (from 11 July 2019)	Professor P Sagar (from 11 July 2019)
Mr T Goodacre	Professor C Shearman
Mr D Jones (to 11 July 2019)	Professor J Skinner (from 11 July 2019)
Mr N Markham (to 11 July 2019)	Mr P Spraggs (from 11 July 2019)
Mr I Martin (to 11 July 2019)	Mr R Stewart (to 12 July 2018)
Mr A Nanu (to 11 July 2019)	Mr A Swift (to 11 July 2019)
Mr E Nicholls (from 12 July 2018)	

Governance

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

All trustees and Council members are given an induction course on the RCS and continuing training on their responsibilities and other matters as required.

The trustees are aware of the Charity Governance Code published in 2017, which sets out the principles and recommended practice for good governance within the sector. The trustees are committed to maintaining high standards of governance and are satisfied that the RCS applies the principles of the code within its current governance arrangements. The RCS's compliance with the Code will be reviewed on an annual basis.

The committees of the RCS Board are:

Committee	Chair
Audit and Risk Committee	Mr P Davé (from 16 August 2019)
	Mr C Graham (to 15 August 2019)
Finance and Investment Committee	Sir A Morse
Remuneration and Nominations Committee	Mr D Whitney (from 24 July 2019)
	Mr J Robinson (to 24 July 2019)
Project 2020 Committee	Professor C Shearman

The committees of the RCS Council are:

Committee	Council member
Learning and Assessment	
Overall responsibility	Professor C Shearman (from 11 July 2019)
	Mr I Eardley (to 12 July 2018)
Learning	Mr T Mitchell (from 11 July 2019)
Dental and Surgical Examinations	Miss F Myint
Libraries, Museums and Archives	Mr I Eardley
Quality Assurance	Professor P O'Flynn
Research and Quality	
Overall responsibility	Professor N Mortensen
Quality Improvement	Mr J Abercrombie
Research Fellowships and Lectureships	Mr T Rockall
Standards	Mr P Lamont
Global Committee	
Overall responsibility	Ms S Hill
Global Resources and Development	Mr T Mitchell (from 11 July 2019)
Global Policy and Advocacy	Mr T Goodacre (from 11 July 2019)
Global Surgery Programmes	Professor V Lees
Membership Development	
Overall responsibility	Professor M Escudier
Annals and Bulletin Editorial	Professor N Mortensen
Commission on the Future of Surgery	Mr R Kerr
Regional and Devolved Nations	Ms S Hill

The Faculty of Dental Surgery reports to Council and forms part of the business of the RCS Board of Trustees. The Faculty of General Dental Practice (UK) reports to the RCS Board of Trustees. Each faculty has its own committee structure and has a Dean to chair the boards of each of their respective faculties. The results of both dental faculties are included in the RCS financial statements.

The RCS Board delegates to the Chief Executive responsibility for the day-to-day management of the RCS and the Chief Executive delegates management of specific functions to Executive Directors, each of whom is responsible for a portfolio of directorates.

Subscribing fellows and members elect the Council and the boards of the two dental faculties.

RCS fellows and members as at 30 June 2019

	2019	2018
Commonalty of surgeons		
UK	13,295	13,385
Overseas	5,031	4,894
Affiliates	1,910	1,537
Total	20,236	19,816
Faculty of Dental Surgery		
UK	2,719	2,807
Overseas	677	669
Total	3,396	3,476
Faculty of General Dental Practice (UK)		
UK	2,300	2,287
Overseas	40	39
Affiliates	160	173
Total	2,500	2,499
Joint members of FDS and FGDP (UK)		
UK	458	548
Overseas	33	25
Total	491	573
Joint members of FDS and FDGP(UK) (MJDF)		
UK	882	1,113
Overseas	217	63
Total	1,099	1,176
Total fellows and members		
UK	21,724	21,850
Overseas	5,998	5,690
Total	27,722	27,540

Management

Principal managers employed by the RCS during 2018–19

Chief Executive	Mr A Reed
Deputy Chief Executive	Mrs J Weller
Executive Director (Resources)	Ms J Porritt
Executive Director (Learning and Quality)	Mr S Hills
Executive Director (External Affairs)	Mr S Edwards (to 31 July 2018)
Director of Finance	Ms C Hibbs
Director of Engagement	Ms L Davies
Director of Learning	Ms L Goldring
Director of Membership	Ms N Rowe (from 1 May 2019)
Director of Professional and Clinical Standards	Ms K Smith
Director of Research	Mr M Coomer
Registrar of the Faculty of Dental Surgery	Mr J Vandridge Ames (to 3 January 2019)
Registrar of the Faculty of Dental Surgery	Ms H Johnstone (from 26 April 2019)
Director of the Faculty of General Dental Practice (UK)	Mr S Thornton-Wood

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 U.K. LLP has indicated its willingness to be reappointed as the company's auditor for the coming year.

Signed on behalf of the members of the Board of Trustees on 31 October 2019.



Professor D Alderson
President of Council
Chair of the Board of Trustees



Ms S Hill
Vice President of Council
Member of the Board of Trustees

Independent auditor's report

to the members of The Royal College of Surgeons of England

Opinion

We have audited the financial statements of The Royal College of Surgeons of England for the year ended 30 June 2019, which comprise the consolidated statement of financial activities, the parent and consolidated balance sheets, the consolidated cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FR102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- » give a true and fair view of the state of the group's and of the parent charity's affairs as at 30 June 2019 and of the group's incoming resources and application of resources, including its income and expenditure 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which the International Standards on Auditing (UK) require us to report to you where:

- » the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- » the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- » the information given in the financial statements is inconsistent in any material respect with the trustees' report; 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.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 29, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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.



Crowe U.K. LLP
Statutory Auditor
London
15 November 2019

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Consolidated statement of financial activities

for the year ended 30 June 2019

	Notes	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	Totals £000	2018 (restated) £000
Income from						
Grants, donations and legacies	5a	180	5,180	–	5,360	6,143
Charitable activities	5b	21,727	9	–	21,736	22,432
Trading activities	5c	274	14	–	288	408
Investment income	5d	1,466	139	1,071	2,676	2,335
Profit on disposal of long lease	5e	–	–	–	–	51,824
Total income		23,647	5,342	1,071	30,060	83,142
Expenditure on						
Raising funds	6a	366	183	164	713	559
Charitable activities	6b	20,286	6,220	–	26,506	27,547
Other expenditure	6c	3,445	38	–	3,483	6,165
Total expenditure		24,097	6,441	164	30,702	34,271
Net income/(expenditure) before investment gains/(losses)		(450)	(1,099)	907	(642)	48,871
Net gains/(losses) on investments	11	(947)	66	1,553	672	2,567
Net income/(expenditure)		(1,397)	(1,033)	2,460	30	51,438
Application of total return	18	–	1,669	(1,669)	–	–
Net movements in funds for the year		(1,397)	636	791	30	51,438
Balance brought forward at 1 July	19	94,057	6,997	35,608	136,662	85,224
Balances carried forward at 30 June	19	92,660	7,633	36,399	136,692	136,662

The notes to the financial statements are on pages 37–70.

Consolidated balance sheet

as at 30 June 2019

	Notes	2019		2018 (restated)	
		Group £000	RCS £000	Group £000	RCS £000
Fixed assets					
Tangible fixed assets	9	39,115	39,115	25,339	25,339
Intangible fixed assets	9	995	995	1,418	1,418
Investments	11	63,685	63,685	63,278	63,278
Total fixed assets		103,795	103,795	90,035	90,035
Current assets					
Stock		44	44	98	98
Debtors	12	5,737	5,737	6,300	6,300
Cash and short-term deposits		43,874	43,874	54,244	54,244
Total current assets		49,655	49,655	60,642	60,642
Creditors: amounts falling due within 1 year	13	(14,791)	(14,791)	(12,779)	(12,781)
Net current assets		34,864	34,864	47,863	47,861
Long-term liabilities					
Creditors: amounts falling due after more than 1 year	13	(51)	(51)	(78)	(78)
Defined benefit pension liability	20	(1,916)	(1,916)	(1,158)	(1,158)
Total long-term liabilities		(1,967)	(1,967)	(1,236)	(1,236)
Net assets		136,692	136,692	136,662	136,660
Funds					
Fixed asset funds	9	39,115	39,115	25,339	25,339
Capital development fund		31,825	31,825	46,785	46,785
Other designated funds		358	358	453	453
Pension reserve	20	1,916	1,916	1,228	1,228
General funds		19,446	19,446	20,252	20,250
Total unrestricted funds	16	92,660	92,660	94,057	94,055
Restricted funds	17	7,633	7,633	6,997	6,997
Endowed funds	18	36,399	36,399	35,608	35,608
Total funds		136,692	136,692	136,662	136,660

The notes on pages 37–70 form part of these financial statements. The balance sheet of the parent charity is identical to the group balance sheet presented except that 2018 group creditors due within one year are higher by £2k. The parent charity surplus for the year is £30k (2018: £51.4m surplus).

Approved on behalf of the members of the Board of Trustees and authorised for issue on 31 October 2019.



Professor D Alderson
President of Council
Chair of the Board of Trustees



Ms S Hill
Vice President of Council
Member of the Board of Trustees

Consolidated cash flow statement

as at 30 June 2019

		Total funds	
		2019	2018 (restated)
		£000	£000
Net cash provided by/(used in) operating activities	A	2,066	(386)
Cash flows from investing activities:			
Dividends, interest and rents from investments		2,676	2,335
Proceeds from the sale of property		–	51,824
Purchase of property, plant and equipment		(15,377)	(14,998)
Proceeds from sale of investments		6,847	10,725
Purchase of investments		(6,582)	(10,474)
Net cash provided by/(used in) investing activities		(12,436)	39,412
Cash flows from financing activities:			
Repayments of borrowing		–	–
Cash inflows from new borrowing		–	–
Receipt of endowment		–	–
Net cash provided by/(used in) financing activities		–	–
Change in cash and cash equivalents in reporting period		(10,370)	39,026
Cash and cash equivalents at beginning of reporting period	B	54,244	15,218
Change in cash and cash equivalents due to exchange rate movements		–	–
Cash and cash equivalents at end of reporting period	B	43,874	54,244
A. Reconciliation of cash flows from operating activities			
Net income for reporting period (as per statement of financial activities)		30	51,438
Adjust for: profit on disposal of long lease		–	(51,824)
Net income/(expenditure) from operating activities		30	(386)
Adjustments for:			
Depreciation charges		2,024	1,784
(Gains)/losses on investments		(672)	(2,567)
Dividends, interest and rents from investments		(2,676)	(2,335)
Loss/(profit) on sale of fixed assets		–	4,976
(Increase)/decrease in stocks		54	22
(Increase)/decrease in debtors		563	(991)
Increase/(decrease) in creditors		2,743	(889)
Net cash provided by/(used in) operating activities		2,066	(386)
B. Analysis of cash and cash equivalents			
Current and short-term deposits		43,874	54,244
Total cash and cash equivalents		43,874	54,244

The notes on pages 37–70 form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2019

1. Charity information

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

2. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed investments, and in accordance with the Statement of Recommended Practice (SORP): 'Accounting and Reporting by Charities (2015) preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102)', effective from 1 January 2015, and the Charities Act 2011. The RCS constitutes a public benefit entity as defined by FRS102.

The financial statements consolidate on a line by line basis the financial statements of the Royal College of Surgeons of England and of its subsidiary undertaking, Hunter Trading Ltd (company number: 3110552), for the financial year ended 30 June 2019. Intergroup transactions are eliminated on consolidation. Hunter Trading Ltd is a private limited company incorporated in England and Wales.

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

Prior year restatement of accounts

The method by which membership subscription income is recognised and the debtor and creditor positions are identified has been reassessed in 2018–19 giving rise to a net reduction in prior year reserves of £99k. The relevant statement of financial activities (SoFA) and balance sheet entries for the prior year have been adjusted as follows:

Statement of financial activities	Original	Restated	Change
2017–18	£000	£000	£000
Income from:			
Charitable activities			
Subscriptions (note 5)	8,952	8,853	(99)
Total income	83,241	83,142	(99)
Net income before gains	48,970	48,871	(99)
Net movement in funds	51,537	51,438	(99)
Funds carried forward	136,761	136,662	(99)

Balance sheet	Original	Restated	Change
2017–18	£000	£000	£000
Membership debtors	–	1,859	1,859
Other debtors	899	146	(753)
Net change in debtors (note 12)			1,106
Membership income in advance	–	(3,776)	(3,776)
Deferred income	(5,177)	(2,606)	2,571
Net change in creditors less than 1 year (note 13)			(1,205)
Change in net assets			(99)
Unrestricted funds	94,156	94,057	(99)

3. Critical accounting judgements and key sources of estimation uncertainty

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

The treatment of pensions is considered a key area of critical accounting judgement and estimation uncertainty in respect of the financial statements to 30 June 2019. The judgement and estimation are disclosed in detail under accounting policy 4.10 (Post-employment benefits) and Note 20 (Pension liabilities and charges).

4. Principal accounting policies

4.1. Income

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

- 4.1.1 Course and examination fees are recognised in the financial statements in the period in which the relevant course and examination takes place.
- 4.1.2 Membership subscription fees are accounted for on an accruals basis.
- 4.1.3 Grant income (revenue and capital) is accounted for on a receivables basis.
- 4.1.4 General and specific donations are credited in full in the year of receipt.
- 4.1.5 Legacy income is recognised when notified, provided that the amount is measurable and receipt is probable.
- 4.1.6 Investment income is credited on a receivables basis.
- 4.1.7 Other income is accounted for on an accruals basis and recognised in the financial statements to the extent that the contract or service is completed.

4.2. Expenditure

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

Expenditure in respect of charitable activities has been recategorised this year to reflect more closely those areas of activity that support the delivery of our strategic priorities and the 2018 comparatives have been similarly restated.

- 4.2.1 Employee costs include the net movement in year on the provision for annual leave accrued by employees in respect of services rendered as required by FRS102.
- 4.2.2 Support costs are allocated to activities on a basis consistent with the use of these resources: building services costs are charged to departments and faculties based upon area occupied, portering and cleaning services, finance, IT and human resources costs are allocated based on the number of full-time equivalent staff.
- 4.2.3 Governance costs comprise those costs incurred in relation to the overall strategic management of the RCS and the costs of compliance with statutory requirements and under FRS102 are disclosed as part of support costs and allocated to other professional activities.
- 4.2.4 Overheads in relation to grant-funded projects are charged, where appropriate, on the basis of their activity.
- 4.2.5 Grants payable are charged in full in the period in which the recipients are notified of their award.
- 4.2.6 Fundraising costs comprise the costs incurred in encouraging others to make voluntary contributions to the RCS and its activities.

4.3. Taxation

The RCS is a registered charity incorporated by Royal Charter and as such is exempt from taxation on its income and gains to the extent that they are applied for its charitable purposes.

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

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

4.4. Tangible and intangible fixed assets

4.4.1 Tangible fixed assets

Freehold land and buildings are stated in the balance sheet at historic cost and are not depreciated. The RCS has a policy of maintaining them in such a condition that their value, taken as a whole, is not impaired by the passage of time, any provision for depreciation would not be material, and the buildings are worth at least their book value. Capital projects which are not completed at the year-end are shown as 'Assets in the course of construction' and are not depreciated. All other fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Fixed assets are reviewed for impairment on an annual basis.

- i. Refurbishments and plant are capitalised and depreciated over 10 years.
- ii. Leasehold improvement costs carried out in respect of the Nuffield property to provide suitable accommodation for RCS staff during its capital development project are capitalised and depreciated over the term of the operating lease.
- iii. Expenditure on equipment, furniture and fixtures and fittings less than £1k is written off to the income and expenditure account in full in the year of acquisition.
- iv. Expenditure on equipment, furniture and fixtures and fittings greater than £1k is capitalised and depreciated from the date of acquisition of the asset over an expected useful life of 4 years.

4.4.2 Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any impairment losses. Software development costs are recognised as an intangible fixed asset where these create an identifiable software asset from which future economic benefit will be derived. Any enhancements to existing software assets that result in additional functionality and therefore enhance the value of the asset to the business are also capitalised. Amortisation is charged so as to allocate the cost of the assets over their estimated useful lives using the straight-line method. The amortisation rate used is 25% per annum.

4.5. Fixed asset investments

Fixed asset investments are stated at market value at the balance sheet date. These investments include cash held by the investment managers intended for investment or held as part of the portfolio. The statement of financial activities includes the net unrealised gains and losses arising on revaluation and the realised gains and losses arising from disposals in the year. Investment property is stated at market value and valuations are carried out in accordance with the Valuation – Global Standards 2017 of the Royal Institution of Chartered Surveyors. Market value represents the estimated amount for which the property should exchange at the valuation date between a willing buyer and seller in an arm's length transaction.

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

4.6. *Heritage assets*

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

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

The museum and library closed in June 2017 ahead of the redevelopment of the estate and the collections were stored in appropriate secure facilities.

No value has been attributed to these heritage assets in the balance sheet on the grounds that the trustees consider there is no reliable method of establishing historic cost information for these artefacts and that the costs of valuation would be disproportionate to the benefit of the resultant information. No heritage assets have been purchased or disposed of by the RCS in the last five years. The RCS received some donated heritage assets in this accounting period but none is deemed to have an individual value greater than £1k.

4.7. *Stock*

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

4.8. *Cash and cash equivalents*

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

4.9. *Financial instruments*

A financial instrument is broadly defined as a contract that gives rise to a financial asset in one entity and a financial liability in another entity. These financial assets and liabilities are recognised when the RCS becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are classified according to the substance of the contractual arrangements entered into. The RCS has financial instruments that fall into the category of basic financial instruments as defined under Section 11 of FRS102. FRS102 requires disclosure of the measurement bases of these instruments.

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

4.10. *Post-employment benefits*

The RCS contributes to four pension schemes on behalf of its employees: the Universities Superannuation Scheme (USS), a multi-employer externally funded hybrid scheme providing defined benefits and defined contribution benefits, the Superannuation Arrangements of the University of London (SAUL), a multi-employer externally funded defined benefit scheme, the NHS Pension Scheme, a statutory unfunded multi-employer defined benefit public sector scheme, and Standard Life, a defined contribution scheme set up for employees in 2014. The USS scheme changed from a defined benefit only scheme to a hybrid pension scheme with effect from 1 October 2016, providing defined benefits (for all members), as well as defined contribution benefits.

The trustees of the RCS are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme whereby the participating entities are not under common control and the schemes represent industry-wide schemes. Where the employer has entered into an agreement with a multi-employer scheme that determines how the employer will fund a scheme's deficit, FRS102 requires that the employer recognises the liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the income and expenditure account.

The assets of the USS and SAUL multi-employer schemes are held in separate trustee-administered funds. Given the mutual nature of these schemes, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The RCS is therefore exposed to actuarial risks associated with other entities' employees and is unable to identify the RCS share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis. The RCS is therefore required under Section 28 of FRS102 'Employee benefits' to account for these schemes as if they were defined contribution schemes. The amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

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

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

4.11. Other provisions for liabilities

Provisions are recognised when the RCS has a present obligation (legal or constructive) as a result of a past event, it is probable that the RCS will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle this obligation at the end of the reporting period.

4.12. Operating leases

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

4.13. Funds

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

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

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

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

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

5. Income

	Unrestricted funds	Restricted funds	Endowed funds	Totals	2018 (restated)
	£000	£000	£000	£000	£000
Income from:					

5a. Grants, donations and legacies

Donations	30	739		769	2,194
Grants	12	4,311	–	4,323	3,117
Legacies	138	130	–	268	832
Total	180	5,180	–	5,360	6,143

Major legacies or gifts notified but not included in the financial statements, as they do not meet the income recognition criteria of entitlement, probability of receipt and measurement at the balance sheet date amount to £140k (2018: £200k).

5b. Charitable activities

Courses	4,181	–	–	4,181	3,993
Examinations	6,102	–	–	6,102	5,573
Subscriptions	9,250	9	–	9,259	8,853
Quality and standards income	1,009	–	–	1,009	1,510
Other charitable income	1,185	–	–	1,185	2,503
Total	21,727	9	–	21,736	22,432

5c. Trading activities

Income from charitable trading	241	14	–	255	386
Income from taxable trading	33	–	–	33	22
Total	274	14	–	288	408

5d. Investment income

Investment property income	145	–	–	145	146
Investment portfolio income	1,076	139	1,071	2,286	2,108
Interest received	245	–	–	245	81
Total	1,466	139	1,071	2,676	2,335

5e. Other income

Profit on disposal of long lease	–	–	–	–	51,824
Total	–	–	–	–	51,824

Income total	23,647	5,342	1,071	30,060	83,142
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6. Expenditure

	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	Totals £000	2018 (restated) £000
Expenditure on:					
<i>6a. Raising funds</i>					
Fundraising costs	205	176	–	381	285
Investment management costs	161	7	164	332	274
Total	366	183	164	713	559
<i>6b. Charitable activities</i>					
Quality and standards	1,336	2,450	–	3,786	4,131
Career and professional development	4,972	745	–	5,717	5,658
Influence and engagement	1,708	54	–	1,762	1,658
Research and fellowships (note 7)	–	2,517	–	2,517	2,989
Training and assessing surgeons	4,349	92	–	4,441	3,989
Promoting public and professional engagement	2,172	238	–	2,410	2,979
Faculty of Dental Surgery	2,129	100	–	2,229	2,467
Faculty of General Dental Practice	3,620	24	–	3,644	3,676
Other charitable activities	–	–	–	–	–
Total	20,286	6,220	–	26,506	27,547
<i>6c. Other expenditure</i>					
Leasehold improvements depreciation	1,243	–	–	1,243	932
Nuffield operating lease	1,344	–	–	1,344	1,008
Disposal of fixed assets	–	–	–	–	3,570
Other expenditure	858	38	–	896	655
Total	3,445	38	–	3,483	6,165
Expenditure total	24,097	6,441	164	30,702	34,271

Nuffield operating lease

The RCS entered into a leaseback arrangement to 30 June 2021 following the sale of a long lease over its Nuffield property in 2017. The leaseback represents a rent-free period asset that has been valued using an average market rent for similar space and location. It is considered prudent at this time to assume that the RCS may occupy the property for the full term of the lease agreement and therefore the rent-free period asset is unwound over this period, representing 45 months in total. The charge for 2018–19 is £1.344m (2018: £1.01m)

Allocated support costs

Support costs comprise building and facilities services, finance and IT services, human resources and governance costs. These costs are allocated to activities on a basis consistent with the use of these resources. The allocation method and cost of each support service is summarised below.

Support services	Allocation basis	2019 £000	2018 £000
Building services	Space occupied	644	1,057
Facilities services	Full-time equivalent staff	913	1,102
Human resources	Full-time equivalent staff	343	350
Finance services	Full-time equivalent staff	1,438	1,101
IT services	Full-time equivalent staff	2,042	1,809
Governance costs	Other professional activities	522	496
Total support costs		5,902	5,915

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

Auditors' remuneration	2019 £000	2018 £000
Auditor fees – parent charity	47	42
Auditor fees – Hunter Trading Ltd	4	4
Auditors' non-audit fees	17	32
Total	68	78

Support costs allocation

Expenditure on:	Direct costs £000	Grants made £000	Support costs £000	2019 £000	2018 £000
Raising funds					
Fundraising costs	301	–	80	381	285
Investment management fees	332	–	–	332	274
Total	633	–	80	713	559
Charitable activities					
Career and professional development	4,446	–	1,271	5,717	5,658
Training and assessing surgeons	3,325	–	1,116	4,441	3,989
Quality and standards	2,957	–	829	3,786	4,131
Research and fellowships (note 7)	426	1,978	113	2,517	2,989
Promoting public and professional engagement	1,632	–	778	2,410	2,979
Faculty of Dental Surgery	1,775	–	454	2,229	2,467
Influence and engagement	998	–	764	1,762	1,658
Faculty of General Dental Practice	3,147	–	497	3,644	3,676
Other charitable activities	–	–	–	–	–
Total	18,706	1,978	5,822	26,506	27,547
Total expenditure	19,339	1,978	5,902	27,219	28,106

7. Research grants

Research grants expenditure	2019 £000	2018 £000
Research fellowships	1,944	2,360
Travelling fellowships and other projects	34	47
Surgical trial units	151	187
Administration	388	395
Total expenditure	2,517	2,989

Research fellowships		
Liabilities at the start of the year	(2,025)	(2,011)
Paid in the year	2,224	2,346
Liabilities at the end of the year	1,745	2,025
Charge for the year	1,944	2,360

Awards	Number	Number
Research awards	71	92
Travel awards	15	14
Total	86	106

Research awards include:		
1-year fellowships	34	40
2-year fellowships	–	2
3-year fellowships	–	1
Dental fellowships	4	6

Grants totalling £926k were awarded to individuals at institutions with which members of Council are connected (2018: £557k). These members of Council did not participate in the decisions to award the respective grants.

Surgical research fellowships awarded by the RCS are only eligible to surgical trainees who are members of the RCS (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 (ie research examining a specific clinical problem). Details of the research fellowships awarded and other research projects undertaken are available in the annual research report published by RCS Research.

8. Employee information

	2019	2018
	£000	£000
Salaries and wages	8,907	10,342
Social security costs	948	1,084
Pension costs	1,984	1,181
Total	11,839	12,607

Salaries and wages include nil redundancy and termination payments arising from restructuring activities during the year (2018: £491k).

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

	2019	2018
	Number	Number
Centre for Evidence in Transplantation	–	2
Clinical Effectiveness Unit	13	14
Communications	36	41
Dental and Surgical Examinations	18	15
Development	6	3
Learning	20	22
Executive Office	5	7
Faculty of Dental Surgery	9	11
Faculty of General Dental Practice (UK)	15	21
Global Affairs	4	1
Joint Committee on Surgical Training	17	18
Library and Museum	22	22
Professional and Clinical Standards	16	18
Project Transform	3	4
Research	5	5
Support Services	38	47
Total	227	251

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

£60,000–70,000	7	5
£70,001–80,000	5	6
£80,001–90,000	3	2
£90,001–100,000	1	2
£100,001–110,000	2	3
£110,001–120,000	1	–
£120,001–130,000	–	–
£130,001–140,000	–	–
£140,001–150,000	–	–
£150,001–160,000	1	1

RCS key management personnel are set out on page 28 of the Trustees Report. Total employee benefits received in the year by the RCS's key management personnel amounted to £1.383m (2018: £1.531m).

No trustees received any remuneration for services as members of the Board of Trustees in the current and preceding years.

9. Fixed assets (group and charity)

Tangible fixed assets

	Freehold properties	Furniture, fittings and vehicles	Refurbishment and plant	Leasehold improvements	Computer equipment	Assets in course of construction	2019
	£000	£000	£000	£000	£000	£000	£000
Costs at 1 July 2018	1,945	337	–	4,661	771	19,278	26,992
Additions during the year	–	27	–	79	203	14,959	15,268
Disposals during the year	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–
At 30 June 2019	1,945	364	–	4,740	974	34,237	42,260
Depreciation at 1 July 2018	–	(327)	–	(932)	(394)	–	(1,653)
Charge for the year	–	(26)	–	(1,251)	(215)	–	(1,492)
Disposals during the year	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–
At 30 June 2019	–	(353)	–	(2,183)	(609)	–	(3,145)
Net book value 2018	1,945	10	–	3,729	377	19,278	25,339
Net book value 2019	1,945	11	–	2,557	365	34,237	39,115

Intangible fixed assets

	Computer software £000	Assets in course of construction £000	2019 £000
Costs at 1 July 2018	2,340	58	2,398
Additions during the year	43	66	109
Disposals during the year	–	–	–
Transfers	–	–	–
At 30 June 2019	2,383	124	2,507
Depreciation at 1 July 2018	(980)	–	(980)
Charge for the year	(532)	–	(532)
Disposals during the year	–	–	–
Transfers	–	–	–
At 30 June 2019	(1,512)	–	(1,512)
Net book value 2018	1,360	58	1,418
Net book value 2019	871	124	995

Assets in the course of construction represents expenditure incurred in respect of the redevelopment of the RCS London Headquarters (£34.2m) and the digital transformation agenda (£124k).

The freehold property cost of £1.95m represents the cost of land associated with the Dance Barry, which is being redeveloped. Demolition work in respect of the Dance Barry property was completed in October 2018.

The sale of a 155-year lease in October 2017 over the Nuffield property gave rise to a disposal of land and building. No value was attached to the reversionary interest in the lease as management considers a valuation to be problematic given the length of the lease and unlikely to be of material value.

The lease agreement gives the RCS the right to remain in the Nuffield property until 30 June 2021. The agreement provides for a lease to the RCS at a peppercorn rent up to 31 May 2020, with rental charges becoming payable totalling £3m for extended occupation to 30 June 2021 (see note 23).

Leasehold improvements totalling £4.74m represent the costs incurred to provide suitable accommodation for RCS staff within the leased Nuffield property during the period of redevelopment.

10. Heritage assets

Heritage assets can be acquired by gift, bequest, exchange or purchase on the open market.

The RCS's heritage assets comprise the designated collections held by the College Library, Museum and Archives. The museum and library closed in June 2017 ahead of the redevelopment of the estate and the collections are now stored in appropriate secure facilities and with partner organisations across a number of locations for the period of the redevelopment.

Most archive and library material can be accessed via a research service based at the London Metropolitan Archives and research access to the museum collections is available on request. All enquiry and online services continue to be available and are detailed on the RCS website. Preservation and conservation costs continue to be incurred. No heritage assets were capitalised during the year as none exceeded the capitalisation threshold of £1k.

The Hunterian Museum represents a world-class surgical heritage resource which seeks to tell the story of surgeons and surgery over the last three centuries. The main collection is the Hunterian Collection, which comprises of approximately 3,700 anatomical specimens and artefacts. These were collected by John Hunter in the 1700s and presented to the RCS in 1799.

The College Museum Collection holds approximately 3,500 objects associated with surgical and dental research and training since 1800, including anatomy and pathology specimens that are over 100 years old. The Historical Surgical Instruments Collection comprises of approximately 9,000 surgical instruments.

The Special Collections include fine and decorative art, including portraits and furniture with over 5,300 objects in this collection.

The library collections became a designated collection under the Designation Scheme of the Arts Council England in 2013. They comprise an estimated 115,000 books and pamphlets dating from the 15th century, as well as an important collection of rare journals dating from the 17th century onwards.

The 20th-century collections focus on surgery, dentistry, anatomy, physiology and pathology, while the subjects in the earlier collections reflect the evolution of medicine and surgery. Natural history and other scientific subjects are represented in the library collections, reflecting the work of 19th-century College museum curators responsible for the Hunterian Museum. Further information on all of these collections is available on the RCS website: rcseng.ac.uk.

11. Investments

	Portfolio £000	Property £000	2019 £000	2018 £000
Investments:				
Quoted securities at market value	59,774	–	59,774	59,658
Deposits with investment managers	696	–	696	405
Investment properties at market value	–	3,215	3,215	3,215
Market value at 30 June 2019	60,470	3,215	63,685	63,278
Movements in the year:				
Market value at 1 July	60,063	3,215	63,278	60,962
Additions	6,582	–	6,582	10,474
Disposals	(6,847)	–	(6,847)	(10,725)
Net gain/(loss) during the year	672	–	672	2,567
Market value at 30 June	60,470	3,215	63,685	63,278
Costs at 30 June 2019	51,525	336	51,861	52,025
Portfolio UK investments			37,517	37,980
Portfolio overseas investments			22,953	22,083
Portfolio market value at 30 June 2019			60,470	60,063

As part of the overall management of funds, the investment managers of the restricted and endowed investment portfolio have entered into commitments to purchase various currencies under forward rate contracts at 30 June 2019. Maturity dates were 19 September 2019. These forward contracts are included within total investments at a market value of £65,476 at 30 June 2019 (2018: –£54,463).

A full valuation of the RCS's investment properties at 50 Lincoln's Inn Fields was carried out as at 30 June 2018 by Gerald Eve and the value of these assets increased to £3.215m. There has been limited change in the commercial market for properties of this nature during this financial period and therefore the carrying value of these assets remains unchanged.

12. Debtors

	2019		2018 (restated)	
	Group	RCS	Group	RCS
	£000	£000	£000	£000
Trade debtors	1,791	1,791	1,214	1,214
Membership debtors	1,698	1,698	1,859	1,859
Accrued income	975	975	1,192	1,192
Prepayments	719	719	1,889	1,889
Other debtors including taxation	554	554	146	146
Total	5,737	5,737	6,300	6,300

13. Creditors

13a. Amounts falling due within one year

	2019		2018 (restated)	
	Group £000	RCS £000	Group £000	RCS £000
Accruals	5,185	5,185	3,012	3,012
Membership income in advance	3,651	3,651	3,776	3,776
Deferred income	2,891	2,891	2,606	2,606
Research grants payable	1,694	1,694	2,025	2,025
Trade creditors	715	715	899	899
Other creditors	396	396	159	159
Taxation and social security	259	259	232	232
Defined benefit pension liability	–	–	70	70
Amounts owed to group undertakings	–	–	–	2
Total	14,791	14,791	12,779	12,781

13b. Amounts falling due after one year

Research grants payable	51	51	78	78
Defined benefit pension liability	1,916	1,916	1,158	1,158
Total	1,967	1,967	1,236	1,236

13c. Analysis of deferred income

Brought forward at 1 July	2,606	2,606	2,821	2,821
Received during the year	2,891	2,891	2,606	2,606
Released as income during the year	(2,606)	(2,606)	(2,821)	(2,821)
Carried forward at 30 June	2,891	2,891	2,606	2,606

Deferred income comprises education course fees and examination fees.

14. Financial instruments

	2019	2018
	£000	£000
Financial assets measured at amortised cost	48,644	58,628
Financial assets measured at fair value	60,470	60,063
Financial liabilities measured at amortised cost	(7,990)	(6,173)

15. Hunter Trading Limited

Profit and loss account	2019	2018	Balance sheet	2019	2018
	£000	£000		£000	£000
Income	32	22			
Expenditure	23	20	Debtors	9	2
Profit before tax	9	2	Creditors: due within 1 year	(9)	
Profits gifted to the RCS	(9)	–			
Results for the year	–	2	Net assets	–	2

RCS holds the entire issued £1 share capital of Hunter Trading Limited. Residential and conference trading ceased in 2017 ahead of the capital re-development programme but a small level of trading activity remains.

16. Unrestricted funds

	2019	2018 (restated)
	£000	£000
Fixed assets fund	39,115	25,339
Capital development fund	31,825	46,785
Other designated funds	358	453
Pension reserve	1,916	1,228
General funds	19,446	20,252
Total	92,660	94,057

Unrestricted reserves have decreased by £1.4m in the year. General funds have declined by £0.84m, reflecting the impact on the operating position of the loss on investments in year and also lease and fixed asset charges.

A further £15m has been drawn down against the capital development fund this year, leaving £31.8m in the fund as at 30 June 2019. The associated costs have been capitalised and disclosed as assets in the course of construction under tangible fixed assets. The designated fund is reduced to reflect the expenditure to date and the costs are matched by the fixed assets fund.

The trustees designated £1.4m in 2015 to support the digital transformation agenda, of which £1.01m has been used to date and the remaining fund is shown under 'Other designated funds'.

The RCS reserves include a pension reserve of £1.9m to fund the FRS102 USS pension deficit liability (see note 20).

17. Restricted funds

	2018 (restated)	Income	Expenditure	Gains/(losses)	Transfers	2019
	£000	£000	£000	£000	£000	£000
Trust funds	1,945	1,343	(748)	66	–	2,606
Other restricted funds	5,052	3,999	(4,024)	–	–	5,027
Total restricted funds	6,997	5,342	(4,772)	66	–	7,633

The RCS has 27 trust funds and their position is set out below.

Research trust funds:						
Moondance Foundation	–	1,000	(252)	–	–	748
Surgical Research Fund	324	35	(102)	14	–	271
Mr Sorab J Lam Legacy	271	8	(84)	12	–	207
Ethicon Travelling Fellowship	177	5	(4)	8	–	186
The Arthritis Research Trust	165	4	(35)	7	–	141
Saven Research and Development Fund	–	125	(15)	–	7	117
Modi Fund	167	5	(58)	7	–	121
Blond McIndoe (Joint Fund with Education)	89	3	(1)	4	–	95
RCSE Fellows Fellowship Fund	70	40	(30)	–	–	80
Miss Carol Rummey Legacy	81	–	(2)	–	–	79
Preiskel Fund	57	5	(4)	2	–	60
Dunhill Medical Trust	83	–	(33)	–	–	50
Maureen A Blandy Legacy	–	50	–	–	–	50
Phyllis A George Legacy	–	50	–	–	–	50
Fletcher Legacy	32	–	–	–	–	32
Cutner Legacy	25	–	(5)	–	–	20
Curry Legacy Damage/Pain	10	5	–	–	–	15
H Speight Discretionary Trust	21	–	(8)	–	–	13
Rex and Jean Lawrie Overseas Fund	14	–	(9)	–	–	5
Ethicon Research Fund	1	–	–	–	–	1
Shrimpton Fund	1	–	–	–	–	1
Sir R E Kelly Fellowship Fund Legacy	50	–	(50)	–	–	–
DBP Surgical Trust Fund	7	–	–	–	(7)	–
Clarke Legacy	4	–	(4)	–	–	–
Education and training trust funds:						
E&T Haddock Legacy	141	4	(51)	6	–	100
Faculty of Dental Surgery funds:						
J W McLean Fund	152	4	(1)	6	–	161
Faculty of General Dental Practice (UK) funds:						
Research Fund (FGDP(UK))	3	–	–	–	–	3
Total trust funds	1,945	1,343	(748)	66	–	2,606

Other restricted funds:						
2020 Fundraising	2,749	332	–	–	–	3,081
eDEN (eLearning for Dentistry)	113	131	(9)	–	–	235
National Vascular Registry	203	322	(340)	–	–	185
FDS-NAC	173	9	(21)	–	–	161
Improving Surgical Training	144	292	(289)	–	–	147
PCCT Transplant Fellowships	205	–	(71)	–	–	134
National Prostate Cancer Audit	89	284	(245)	–	–	128
Other balances less than £100,000	1,376	2,629	(3,049)	–	–	956
Total other funds	5,052	3,999	(4,024)	–	–	5,027
Total restricted funds	6,997	5,342	(4,772)	66	–	7,633

18. Endowed funds

	Unapplied Total Return £000	Permanent Capital £000	Total Endowment £000
Endowed Funds at 1 July 2018	20,657	14,951	35,608
Investment Income	1,071	–	1,071
Investment Gains	1,553	–	1,553
Total Income and Gains	2,624	–	2,624
Application of total return	(1,669)	–	(1,669)
Investment Management Fees	(164)	–	(164)
Total application and fees	(1,833)	–	(1,833)
Net movement in year	791	–	791
Total Endowed Funds	21,448	14,951	36,399

RCS has 22 endowed funds and the 2018–19 position is set out below by fund:

Fund name	Unapplied total return 2018 £000	Investment income £000	Investment gains £000	Applied total return 2019 £000	Investment fees £000	Unapplied total return 2019 £000	Permanent capital £000	2019 total £000
RCSE Research Fund	4,959	264	383	(481)	(40)	5,085	3,784	8,869
RCSE Education Fund	4,085	192	278	(372)	(29)	4,154	2,262	6,416
RCSE Cancer Research Fund	2,758	137	198	(203)	(21)	2,869	1,756	4,625
Presidents Finch Fund	737	86	125	(58)	(13)	877	2,108	2,985
Dental Science Research Fund	1,411	71	102	(92)	(11)	1,481	1,016	2,497
Rank Chair Physics in Surgery	1,304	68	99	(144)	(10)	1,317	955	2,272
RCSE Library Fund	1,159	60	87	(92)	(9)	1,205	833	2,038
M-W Johnson for Hunterian	793	37	53	(57)	(6)	820	425	1,245
RCSE Biochemical Research Fund	667	31	46	(50)	(5)	689	374	1,063
Moser Trust (FDS)	386	17	24	(2)	(3)	422	173	595
HS Morton Travelling Fellowship	347	17	24	(50)	(3)	335	200	535
Groves Bequest for Museum	358	16	23	(22)	(2)	373	161	534
George Qvist for Hunterian	294	15	22	(22)	(2)	307	209	516
John Kinross Fund	304	12	18	(1)	(2)	331	104	435
RCSE Prize Fund	277	10	15	(1)	(2)	299	61	360
Sims Commonwealth Travel Fellowship	172	8	11	(1)	(1)	189	106	295
Witt Fund	82	7	11	(1)	(1)	98	182	280
Commemoration Fund (FDS)	144	6	9	(1)	(1)	157	66	223
RCSE Scholarship Fund	137	5	8	(11)	(1)	138	51	189
Darlow Fellowship Fund	84	5	6	(2)	(1)	92	67	159
Rishworth Fund for Annals	101	4	6	(1)	(1)	109	50	159
RCSE Museum Fund	98	3	5	(5)	–	101	8	109
Total Endowed Funds	20,657	1,071	1,553	(1,669)	(164)	21,448	14,951	36,399

Nine of the 22 funds have closing balances greater than £1m, amounting to £32m of the £36.4m of funds at 30 June 2019. A brief description of their purposes is provided below.

Fund name	Purpose of fund
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.
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,
Dental Science Research Fund	To promote research into improving dental treatment and dental health.
President's 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.
Rank Chair Physics in Surgery	To support research work.
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.
MacRae Webb-Johnson for Hunterian	To support museum projects.
RCSE Biochemical Research Fund	To further biochemical research by such means as the Trustees shall from time to time see fit.

The remaining 13 funds with balances of less than £1m, and amounting to £4.4m, are summarised under the following categories:

Research funds	Faculty of Dental Surgery funds	Museum Funds	Travelling fellowship funds	Other funds
Darlow Fellowship Fund	Commemoration Fund	RCSE Museum Fund	HS Morton Travelling Fellowship	Rishworth Fund for Annals
Scholarship and Prize Funds	Moser Trust	RCSE Scholarship fund	SIMS Commonwealth Travelling Fellowship	John Kinross Fund
RCSE Prize Fund		Groves Bequest for Museum		
Witt Fund		George Qvist for Hunterian		

19. Analysis of net assets between funds

	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	2019 £000
As at 30 June 2019:				
Tangible fixed assets	39,115	–	–	39,115
Intangible fixed assets	995	–	–	995
Investments	25,493	2,002	36,190	63,685
Current assets	41,296	8,041	318	49,655
Current liabilities	(12,272)	(2,410)	(109)	(14,791)
Liabilities after 1 year	(1,967)	–	–	(1,967)
Total funds	92,660	7,633	36,399	136,692

	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	2018 (restated) £000
As at 30 June 2018:				
Tangible fixed assets	25,339	–	–	25,339
Intangible fixed assets	1,418	–	–	1,418
Investments	26,535	1,500	35,243	63,278
Current assets	52,563	7,674	405	60,642
Current liabilities	(10,640)	(2,099)	(40)	(12,779)
Liabilities after 1 year	(1,158)	(78)	–	(1,236)
Total funds	94,057	6,997	35,608	136,662

20. Pension liabilities and charges

	2019	2018
	£000	£000
USS defined pension liability	1,916	1,228
Liabilities less than 1 year	0	70
Liabilities greater than 1 year	1,916	1,158
Summary of pension scheme charges to Statement of financial activities:		
USS	1,460	663
SAUL	421	394
Standard Life	74	85
NHS	29	39
Total	1,984	1,181
Charge in respect of USS scheme to Statement of financial activities:		
Employer contributions	772	881
Contributions allocated to deficit provision	(64)	(103)
Change in contributions from past expectations	719	(154)
Total pension contribution cost	1,427	624
Interest payable	33	39
Total pension charge	1,460	663
Charges in respect of SAUL scheme to Statement of financial activities:		
Employer contributions	421	452
Release of liability provision	0	(58)
Total pension charge	421	394
Scheme employee members		
	Numbers	Numbers
USS	80	92
SAUL	82	89
Standard Life	31	31
NHS	4	6
Total RCS employees in a pension scheme	197	218
Total RCS employees at 30 June	227	251

The RCS participates in two multi-employer defined benefit pension schemes, USS and SAUL. The SAUL scheme reported a technical provisions surplus at the latest triennial valuation of 31 March 2017. However, the USS scheme reported a funding shortfall deficit at 31 March 2017.

In accordance with Section 28 of the FRS102 reporting standard, the RCS is required to recognise its share of the liability for the contributions payable under any deficit recovery agreement in existence at the date of approving the financial statements and the resulting expense in the income and expenditure account. The calculated share of the defined pension scheme liability and charge

to the statement of financial activities are allocated fully to unrestricted funds on the basis that the conditions pertaining to the use of the RCS's restricted funds preclude charges of this nature.

Assumptions used to calculate the RCS share of USS pension liability

The liability has been recalculated using the USS financial model provided with reference to a deficit recovery period of 15 years from 2019 to 2034.

Calculation assumptions	2019	2018
Discount rate	2.25%	2.72%
Projected salary inflation:		
2019	n/a	2.5%
2020–2031	2.0%	2.0%
2032–2034	2.0%	n/a

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

USS 2017 valuation

The latest formal actuarial valuation as required by the Pensions Act 2004 was carried out as at 31 March 2017 and the results were published in January 2019. These show a scheme shortfall of £7.5bn with scheme assets sufficient to cover 89% of its technical provisions liabilities.

The scheme's actuary has determined that scheme contribution rates should increase from 26% of salaries (employer 18%, employee 8%) to 35.6% of salaries (employer 24.2%, employee 11.4%). This increase is being phased in over the period 1 April 2019 to 1 April 2020.

A deficit recovery plan has been put in place as part of the 2017 valuation, which requires a 5% contribution payment from salaries over the period 1 April 2020 to 30 June 2034. The 2019 defined benefit liability provision reflects this plan.

As at 31 March	2019	2018
Liability provision assumptions		
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

The new contribution rates provide the following:

- » the employer cost of future accrual for the defined benefit arrangement;
- » 5% contribution towards the defined benefit past service deficit;
- » 0.4% contribution towards certain administrative expenses and Pension Protection Fund levies;
- » employer contributions towards defined contribution benefits.

The past service contributions are expected to remove the deficit by 30 June 2034 based upon the assumptions set out in the recovery plan.

There has been considerable debate and discussion with participating employers and employee representatives over the 2017 valuation and the required increases in contribution rates. Over the course of 2018, the two USS stakeholders on the Joint Negotiating Committee, Universities UK and the University and College Union, appointed a Joint Expert Panel to review the 2017 valuation and this resulted in a number of recommendations being made. However, as the statutory deadline for completing the 2017 valuation had already passed by this point, it was concluded that the most appropriate way for the USS trustee to address such fundamental recommendations properly was to embark on a new valuation as at 31 March 2018. This further actuarial valuation has now been completed and on 13 September 2019 the contribution rates required of members and employers under the 2018 valuation were confirmed.

This 2018 valuation requires payment of 2% of salaries over the period 1 April 2020 to 30 September 2021, and then 6% from 1 October 2021 until 31 March 2028. This is considered a non-adjusting post balance sheet event for the purposes of the 2018–19 Accounts. As the 2018 deficit contribution model used to estimate the RCS liability is not available yet from the USS, an estimate of these changes in contributions cannot be made at this stage.

SAUL 2017 valuation

The 2017 actuarial valuation funding principles were agreed by the Trustee and employers in June 2018. These will be reviewed at the next formal valuation in 2020. The 2017 valuation confirmed that the scheme was fully funded on its technical provisions basis at 31 March 2017 and that the deficit at the 2014 valuation has therefore been eliminated.

Supplementary scheme disclosures

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

USS

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regimen introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion.

The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Scheme summary position at 31 March	2019	2018
	£bn	£bn
Scheme assets	60.0	63.6
Scheme liabilities	67.5	63.6
FRS102 scheme deficit	(7.5)	(8.4)
FRS102 funding level	89%	88%

2017 valuation assumptions

Financial assumptions

Pension increases (CPI)	Term-dependent rates in line with difference between fixed interests and index-linked yield curves, less than 1.3%
Discount rate (forward years)	
Years 1–10	CPI – 0.53% reducing linearly to CPI – 1.32%
Years 11–20	CPI + 2.56% reducing linearly to CPI + 1.7% by year 21
Years 21+	CPI + 1.7%

Demographic assumptions

Mortality base table		
Pre-retirement (males)	71% of AMC00 (duration 0)	
Pre-retirement (females)	112% of AFC00 (duration 0)	
Post-retirement (males)	96.5% of SAPS S1NMA 'light'	
Post-retirement (females)	101.3% of RFV00	
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and long-term improvement rate of 1.8% per annum for males and 1.6% per annum for females	
Life expectancies on retirement at age 65	2019	2018
Males currently aged 65 years	24.6	24.5
Females currently aged 65 years	26.1	26.0
Males currently aged 45 years	26.6	26.5
Females currently aged 45 years	27.9	27.8

SAUL

The Superannuation Arrangements of the University of London (SAUL) is a centralised defined benefit scheme within the United Kingdom for the non-academic staff of over 50 colleges and institutions with links to higher education.

The SAUL final salary section closed at 31 March 2016 and from 1 April 2016 all Members now build up pension benefits on a career average revalued earnings (CARE) basis.

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

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the 'technical provisions'). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from members' accrued pension rights to be met. The funding method and assumptions do not completely remove the risk that the technical provisions could be insufficient to provide benefits in the future.

The 2017 actuarial valuation showed that the market value of SAUL's assets was £3,205m, representing 102% of the liabilities for benefits accrued up to 31 March 2017 and that the scheme therefore reported a surplus of £56m. The contribution strain increased

to 6.7% from 2.6% at the 2014 valuation. The Trustee and the employers agreed that no changes were required to benefits or contributions. The employers' contribution rate remains at 16% of CARE salaries. The Trustee considers that the scheme surplus is sufficient to meet the contribution strain over the next period.

Other pension schemes

RCS pays a contribution rate of 9% into the Standard Life defined contribution scheme and a contribution rate of 14% into the NHS Pension Scheme. No contributions in respect of these schemes were outstanding at the balance sheet date.

21. Transactions with trustees

No trustees receive any fees or honoraria for services. Trustees claim travelling, subsistence and accommodation costs in carrying out their College responsibilities and attending relevant meetings. The total expenses reimbursed to the trustees holding office during the 2018–19 year amounted to £84k (2018: £78k). This represented reimbursement to nine trustees (2018: seven) and includes sessional payments made totalling £60k (2018: £52k).

Donations totalling £6k were received from trustees during the current period (2018: £nil).

One of the RCS's trustees is Chief Executive of a company that provided professional services to the RCS in respect of the capital development programme in the prior year to the value of £36k but none in the current year. There were no other related party transactions in the period.

22. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £41.95m in respect of the design and build contract entered into in September 2017 to redevelop the estate (2018: £52.64m).

23. Operating leases

Payments due:	2019			2018		
	Nuffield lease	Furniture, fittings & vehicles	Total	Nuffield lease	Furniture, fittings & vehicles	Total
	£000	£000	£000	£000	£000	£000
Within 1 year	1,000	11	1,011	–	2	2
Between 1 & 2 years	2,000	2	2,002	1,000	–	1,000
Between 2 & 5 years	–	–	–	2,000	–	2,000
Total	3,000	13	3,013	3,000	2	3,002

These represent the future minimum payments that the RCS is committed to make under operating leases.

The Nuffield lease agreement is explained under note 6 (Expenditure) and note 9 (Fixed assets).

24. Restricted funds 2018 for comparison

The RCS has 25 trust funds and their position is set out below.

	2017 £000	Increase £000	Decrease £000	2018 £000
Trust funds	2,406	285	(746)	1,945
Grants and donations	4,894	6,068	(5,910)	5,052
Total restricted funds	7,300	6,353	(6,656)	6,997
Research trust funds:				
Surgical Research Fund	368	37	(81)	324
Mr Sorab J Lam Legacy	340	14	(83)	271
Ethicon Travelling Fellowship	183	9	(15)	177
Modi Fund	340	12	(185)	167
The Arthritis Research Fund	40	170	(45)	165
Blond McIndoe (Joint Fund with Education)	146	–	(57)	89
Dunhill Medical Trust	80	5	(2)	83
Miss Carol Rummey Legacy	133	–	(52)	81
RCSE Fellows Fellowship Fund	144	10	(84)	70
Preiskel Fund	57	4	(4)	57
Sir R E Kelly Fellowship Fund Legacy	50	–	–	50
Fletcher Legacy	74	–	(42)	32
Cutner Legacy	32	–	(7)	25
H Speight Discretionary Trust	92	–	(71)	21
Rex and Jean Lawrie Overseas Fund	21	–	(7)	14
Curry Legacy Damage/Pain	10	–	–	10
DBP Surgical Trust Fund	10	–	(3)	7
Clarke Legacy	4	–	–	4
Ethicon Research Fund	1	–	–	1
Shrimpton Fund	3	–	(2)	1
Denker Legacy	1	–	(1)	–
Black Legacy	2	–	(2)	–
Education and training trust funds:				
E&T Haddock Legacy	125	17	(1)	141
Faculty of Dental Surgery funds:				
J W McLean Fund	147	7	(2)	152
Faculty of General Dental Practice (UK) funds:				
Research Fund (FGDP (UK))	3	–	–	3
Total trust funds	2,406	285	(746)	1,945
Grants and donations:				
2020 Fundraising	1,036	1,713	–	2,749
PCCT Transplant Fellowships	292	–	(87)	205

National Vascular Registry	59	407	(263)	203
FDS-NAC	152	49	(28)	173
Improving Surgical Training	–	567	(423)	144
eLearning for Healthcare	137	25	(41)	121
Other balances less than £100,000	3,218	3,307	(5,068)	1,457
Total grants and donations	4,894	6,068	(5,910)	5,052
Total restricted funds	7,300	6,353	(6,656)	6,997

25. Endowed funds 2018 for comparison

	Unapplied total return	Permanent capital	Total endowment
	£000	£000	£000
Endowed funds at 1 July 2017	20,468	14,951	35,419
Investment income	982	–	982
Investment gains	746	–	746
Total income and gains	1,728		1,728
Application of total return	(1,376)	–	(1,376)
Investment management fees	(163)	–	(163)
Total application and fees	(1,539)		(1,539)
Net movement in year	189	–	189
Total endowed funds	20,657	14,951	35,608

Endowed funds position

The RCS has 22 endowed funds and the 2017–18 position is set out below by fund:

Fund name	Unapplied total return 2017	Income and gains	Applied total return 2018	Investment fees	Unapplied total return 2018	Permanent capital	2018 total
	£000	£000	£000	£000	£000	£000	£000
RCSE Research Fund	4,998	427	(426)	(40)	4,959	3,784	8,743
RCSE Education Fund	4,150	310	(346)	(29)	4,085	2,262	6,347
RCSE Cancer Research Fund	2,738	216	(175)	(21)	2,758	1,756	4,514
President's Finch Fund	621	132	(3)	(13)	737	2,108	2,845
Dental Science Research Fund	1,341	117	(36)	(11)	1,411	1,016	2,427
Rank Chair of Physics in Surgery	1,332	112	(128)	(12)	1,304	955	2,259
RCSE Library Fund	1,159	97	(88)	(9)	1,159	833	1,992
MacRae Webb-Johnson Fund for Hunterian	808	61	(70)	(6)	793	425	1,218
RCSE Biochemical Research Fund	613	61	(3)	(4)	667	374	1,041
HS Morton Travelling Fellowship	367	27	(44)	(3)	347	200	547
Moser Trust (FDS)	364	25	(1)	(2)	386	173	559
Groves Bequest for Museum	356	25	(21)	(2)	358	161	519
George Qvist Fund for Hunterian	293	24	(21)	(2)	294	209	503
John Kinross Fund	289	18	(1)	(2)	304	104	408

RCSE Prize Fund	264	15	(1)	(1)	277	61	338
Sims Commonwealth Travelling Fellowship	162	12	(1)	(1)	172	106	278
Witt Fund	72	12	(1)	(1)	82	182	264
Commemoration Fund (FDS)	136	10	(1)	(1)	144	66	210
RCSE Scholarship Fund	131	8	(1)	(1)	137	51	188
Darlow Fellowship Fund	80	7	(2)	(1)	84	67	151
Rishworth Fund for the Annals	96	7	(1)	(1)	101	50	151
RCSE Museum Fund	98	5	(5)	–	98	8	106
Total endowed funds	20,468	1,728	(1,376)	(163)	20,657	14,951	35,608

26. Statement of financial activities for the year ended 30 June 2018 for comparison

	Notes	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	Totals £000
Income from:					
Grants, donations and legacies	5a	715	5,414	14	6,143
Charitable activities	5b	21,829	702	–	22,531
Trading activities	5c	323	85	–	408
Investment income	5d	1,240	127	968	2,335
Profit on disposal of long lease	5e	51,824	–	–	51,824
Total income		75,931	6,328	982	83,241
Expenditure on:					
Raising funds	6a	290	106	163	559
Charitable activities	6b	20,758	6,789	–	27,547
Other expenditure	6c	5,028	1,137	–	6,165
Total expenditure		26,076	8,032	163	34,271
Net income/(expenditure) before investment gains/(losses)		49,855	(1,704)	819	48,970
Net gains/(losses) on investments	11	1,796	25	746	2,567
Net income/(expenditure)		51,651	(1,679)	1,565	51,537
Application of total return	20	–	1,376	(1,376)	–
Net movement in funds for year		51,651	(303)	189	51,537
Balances brought forward at 1 July	17	42,505	7,300	35,419	85,224
Balances carried forward at 30 June	17	94,156	6,997	35,608	136,761

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