

Trustees' Report for the year ended 24 June 2010

Reference and administrative details

Charter

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

Constituent parts

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

Council

The Council is the governing body of the College and the elected members of Council are its trustees. Council consists of 24 elected surgical fellows and two dental surgery fellows elected by the Board of the Faculty of Dental Surgery. In addition, a number of invited members representing specific interests, including the Dean of the Faculty of General Dental Practice (UK), attend Council meetings. The elected members of Council throughout the year to 24 June 2010 were:

President: **Mr J Black**

Vice-Presidents: **Mr W Thomas**
Mr R Collins

Professor A Mundy	Mr I McDermott	Miss S Boddy
Professor D Neal	Professor N Williams	Professor D Willmot
Mr D O'Riordan	Professor J Stanley	Mr S Cannon
Mr D Jones	Professor M Horrocks	Professor D Alderson
Professor I Taylor	Mr D Ward	Mr C Milford
Mr B Rees	Mr R Greateorex	Professor J Shepherd
Mr C Chilton	Mr J Getty	Miss C Marx
Professor A Narula	Mr M Parker	

In July 2010 Mr J Black was re-elected President and Mr R Collins was re-elected as Vice-President. Professor J Stanley was elected second Vice-President. Professor G McGrouther, Mr M Bircher, Mr I Eardly, Mr P Lamont, and Professor C Lavy were admitted to the

Council. Professor A Mundy, Mr D Jones, Mr B Rees, Mr C Chilton, and Mr I McDermott were demitted.

The principal officers employed by the College were

Chief Executive	Mr A Bennett
Advisor to the President	Mr C Duncan
Communications	Dr A Cook
Professional Standards and Regulation	Mrs K Smith
Education	Prof M Larvin
Examinations	Mr A Woodthorpe
Research	Mr M Coomer
Internal Services	Mrs J Weller
Finance	Ms A da Silva
Development	Mr J Fountain
Registrar of the Faculty of Dental Surgery	Mr J Vandridge Ames
Registrar of the Faculty of General Dental Practice (UK)	Mr I Pocock

Professional advisors

Bankers

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

Auditors

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

Bircham Dyson Bell Eversheds	50 Broadway, London SW1H 0BL One Wood Street, London EC2V 7WS
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Investment managers

Newton Investment Management Ltd	160 Queen Victoria Street, London EC4V 4LA
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Structure, governance and management

Council is responsible for the overall direction of the College and delegates the direction of specific functions to individual members of Council. Trustees, when elected by postal ballot by fellows and members of the College, are given an induction course on the College and ongoing training on their responsibilities and other matters as required. The College management is organised into directorates based on the College's activities. The chief executive is responsible for the overall management of the College and delegates management of specific functions to directors, each of whom is responsible for supporting the departments in their directorates under the guidance of the responsible member of Council. Directorates, their functions and roles, and Council members involved during the year, were as follows:

DIRECTORATE		COUNCIL MEMBER RESPONSIBLE
Finance	Overall divisional responsibility	Professor A Narula
	Accounting and financial control	Professor A Narula
	Investment management	Mr J Getty
Internal Services	Overall divisional responsibility	Mr J Getty
	Accommodation, facilities, staff policies and procedures and health and safety	Mr J Getty
	Information systems	Professor D Wilmot
	Library and Information Services	Mr D Jones
	Museums and Special Collections	Mr D Jones
Professional Affairs	Overall divisional responsibility	Mr R Collins
	Professional standards	Mr R Greateorex
	Regional policy – training	Professor J Stanley
	Regional policy – professional support	Professor D Alderson and Professor I Taylor
	Education	Professor M Horrocks
	Quality assurance and inspection	Mr C Milford
	Research	Professor N Williams
Communications, Dental Faculties and Presidential	Examinations and assessment	Mr M Parker
	Overall divisional responsibility	Mr W Thomas
	PR and communications	Mr W Thomas
	Policy	Professor A Mundy
	Publications	Mr W Thomas
	Patient Liaison Group	Mr R Greateorex

DIRECTORATE		COUNCIL MEMBER RESPONSIBLE
	Faculty of Dental Surgery	Professor D Willmot
	Faculty of General Dental Practice (UK)	Mr R Ladwa

The Faculty of Dental Surgery and the Faculty of General Dental Practice (UK) report to Council and have their own committee structure. Each Faculty has a Dean's committee concerned with day-to-day management. The Faculty of General Dental Practice (UK) has 21 regional divisions that manage their own affairs under the direction of the Faculty; their results are included in these financial statements.

Council and the boards of the two dental faculties are elected by the subscribing fellows and members. The numbers for each category are as follows:

		2009–10	2008–09	2007–08	2006–07
SURGEONS	UK	8,108	8,048	8,376	7,969
	Overseas	1,940	1,829	1,799	1,477
FACULTY OF DENTAL SURGERY	UK	2,844	2,547	2,604	2,472
	Overseas	394	404	478	415
		13,286	12,828	13,257	12,333
FACULTY OF GENERAL DENTAL PRACTICE (UK)		4,525	4,780	3,890	3,392

Objectives and aims

The Royal College of Surgeons of England was established for the study and promotion of the art and science of surgery.

Mission statement

The Royal College of Surgeons of England is committed to enabling surgeons to achieve and maintain the highest standards of surgical practice and patient care.

Core values

We will:

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

A summary of the College's strategic aims

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

Public benefit

The Royal College of Surgeons of England delivers public benefit through its 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 are committed to enabling surgeons to achieve and maintain the highest standards of surgical practice and patient care. We have approximately 18,000 members and we provide strong leadership and support for surgeons in all matters relating to their surgical practice, throughout their surgical careers.

The trustees confirm that they have had due regard to the guidance issued by the Charity Commission on public benefit and further confirm that the activities of the College are carried out for public benefit. Our work is based on a number of the charitable purposes defined under the Charities Act 2006, chiefly the advancement of education, the advancement of health or the saving of lives, and the advancement of the arts, culture, heritage or science. We engage directly with the public through the Hunterian Museum, broadcast media and our publications and journals, such as the *Annals* and *Bulletin*. In addition to this direct engagement, the College also delivers public benefit indirectly through the training and support given to surgeons, enabling them to provide high quality care to patients. The next section outlines key activities in 2009–2010.

Activities and achievements

The College's role is to maintain the highest standards of surgical practice and patient care. The College carries out many diverse activities to achieve this, some of which are discussed below. More detailed information can be found in our [Annual Report](#).

The College was given the responsibility of setting standards for surgeons as part of the forthcoming system of revalidation for doctors to be introduced by the General Medical

Council (GMC) in 2011. We worked with the surgical specialty associations to develop surgery-specific standards, based on a common template for all doctors, covering areas such as leading the theatre team; using the World Health Organization's *Surgical Safety Checklist* and taking part in national audits such as the central cardiac audit database. The standards were approved by the GMC in January 2010 and we released guidance to support surgeons involved in piloting revalidation in June 2010. The College has also developed an online portfolio to help surgeons collect the information they need to present for revalidation. Surgeons can upload documents that demonstrate how they have met the standards and also make notes on what they have learnt from different meetings and events. A trial online portfolio was launched in November 2009 and surgeons are providing their feedback.

The College has supported over 140 hospitals in maintaining and improving surgical standards and patient care through the Invited Review Mechanism (IRM). The IRM is designed to support local review procedures by providing independent advice and expertise to help trusts determine if there is a cause for concern about the performance of a surgeon or surgical unit and make recommendations for improvement where necessary. Through the IRM we also provide independent guidance to support trusts in deciding how to structure their services for the future.

The College is the leading provider of postgraduate surgical education in the UK. It has developed one of the most advanced specialised teaching facilities in the world. Our facilities are an important national resource from which to pilot, quality-assure and deliver innovation in education. The Wolfson Surgical Skills Centre is the largest cadaveric dissection workshop in the UK, enabling surgeons to develop their practical knowledge of surgical anatomy and undertake skills-based training. The Education Centre offers a range of courses for surgeons and the wider surgical team from foundation to consultant level and across the surgical specialties. Courses are developed by appointed surgical tutors in conjunction with specialty associations and support the curricula for surgical trainees and consultants' continuing professional development. Additionally, courses are offered on a regional basis. In 2009–2010 we held 597 courses with 8,735 participants in the College and ran 181 courses with 464 participants overseas.

Over the past year, the Joint Committee on Surgical Training (JCST) developed a 'good practice toolkit' providing tools, models and techniques to assist those responsible for the selection of surgical trainees. It also conducted a survey of all surgical trainees at the end of their surgical placements. This asked trainees to evaluate and comment on the quality of their placements against JCST training standards and their engagement with the curriculum. The findings were reported to, and acted on, by the schools of surgery – the bodies responsible for training placements. The findings were also considered by the specialist advisory committees, who oversee the quality of training in individual surgical specialties.

Future plans

In 2010–11 the College will continue to support trusts to deal with performance issues through the IRM and also continue to collaborate with the National Patient Safety Agency and Care Quality Commission on the development of the surgical service. The Education Department will continue to develop courses to support new procedures and technology and also courses to support patient safety.

Financial review

For a full understanding of the financial activities of the College it is necessary to review the Consolidated Statement of Financial Activities and Consolidated Balance Sheet (pages [36](#) and [37](#)).

The aggregate deficit of £0.8 million shown on the Consolidated Statement of Financial Activities, before investment losses, consists of a neutral result on unrestricted funds, a deficit of £0.7 million on restricted funds and a deficit of £0.1 million on endowed funds.

The neutral result on unrestricted funds was due to a combination of factors. There was an increase in examinations and subscriptions income while the cost of running the organisation remained static due to cost-saving initiatives. The additional income enabled all the College's expenditure to be funded and achieve the neutral result.

The deficit on restricted funds of £0.7 million (before transfers) comprises a net decrease in grants held of £1.2 million and an increase of £0.5 million in trust fund balances used for funding educational, research and museum project developments. The decrease in grants comprises a net decrease in other grants of £1.8 million due to research, educational and other project funding received in previous years being utilised during the current financial year coupled with a net Eagle Project refurbishment programme increase of £0.6 million. The increase of £0.5 million in trust fund balances is due to additional research funds being received.

Endowed funds decreased by £0.1 million (before transfers) consisting of investment portfolio management fees charged against the capital value of the fund.

When the aggregate deficit of £0.8 million in the Consolidated Statement of Financial Activities is amalgamated with the increase of £7.9 million in the capital value of the College's investment portfolio, an overall increase in net worth of £7.1 million is the outcome for the year. The capital value of the College's investment portfolio has benefited from favourable economic conditions at the close of the financial year.

Income

Overall income of £27.0 million (2009: £27.2 million) was 1% or £0.2 million lower than the previous year. Under the Charities Statement of Recommended Practice (SORP) 2005, income is required to be reported under three categories: *Incoming resources from generated funds* of £9.8 million (2009: £11.4million), *Incoming resources from charitable activities* of £17.2 million (2009: £15.4 million), and *Other incoming resources* of £0.0 million (2009: £0.4million).

- The value of donations and gifts received was significantly lower than in the previous year, mostly in restricted funds. This is mainly due to donations received for education and research projects being lower than in the previous year.
- Legacies are unpredictable and were considerably higher than in the previous year.
- Grant income decreased due to reduced project funding being received as the College no longer runs the National Collaborative Centre for Acute Care.
- Residential and conference income decreased only slightly due to fewer conferences being held.
- Investment income levels were lower than in the previous year for unrestricted and restricted funds due to the impact of the adverse economic climate on dividends.
- Course income has increased marginally due to a higher number of courses being organised in the Education Department and dental faculties and also due to an increase in the trainee fee for using the Intercollegiate Surgical Curriculum Programme.
- Examination income grew substantially due to increases in surgical and dental faculties' income as a result of a higher number of candidates than in the previous year.
- Subscription income shows an increase due to a rise in the level of subscription in all areas and an increased number of surgical and Faculty of Dental Surgery subscribers, despite a decrease in the number of Faculty of General Dental Practice (UK) subscribers.
- Rents, charges and sales income was in line with the previous year.
- Other income relates to the surplus on sale of a property in the previous financial year.

Expenditure

Expenditure of £27.8 million (2009: £26.8million) was incurred during the year on all activities and reflected a 3.7% or £1.0 million increase on the previous year. Under SORP 2005, expenditure is required to be reported under three categories: *Cost of generating funds* of £2.9 million (2009: £3.1 million), *Charitable expenditure* of £24.2 million (2009: £23.0million), and *Governance* costs of £0.7 million (2009: £0.7 million).

The *Cost of generating funds* category has decreased due to savings in residential and conference costs.

Charitable expenditure includes the majority of categories:

- The level of education and course expenditure was higher than in the previous year due to one-off rationalisation costs following a review as well as increased overhead and depreciation costs following the completion of the new Eagle Project facilities.
- Expenditure on standards, regulation and examinations has increased due to the higher costs of running the dental faculties' examinations.
- The level of research expenditure has increased significantly due to new post-CCT (Certificate of Completion of Training) transplant fellowships being awarded.
- Clinical Effectiveness Unit and other funded-project expenditure has decreased due to the College no longer running the National Collaborative Centre for Acute Care.
- Expenditure on museum and library services has remained static.
- Expenditure on communications and publishing has increased due to the College tri-annual overseas trip and also a new marketing initiative.
- Other professional activities have decreased due to cost savings across all areas of activity.

Governance costs decreased due to staff savings.

Total capital expenditure for the year was £2.3 million of which £0.4 million has been spent in selectively improving general facilities while capital expenditure of £1.5 million has been incurred on the Eagle Project and £0.4 million on other information systems projects.

The College's grant-making policy is that surgical research fellowships awarded by the College are only eligible to surgical trainees who are members of the College (hold the MRCS) and who have entered their period of specialty training (specialist registrars). The overriding objective of the surgical research project must be to improve care of surgical patients and the projects should be based on the principles of translational research, ie research examining a specific clinical problem.

Subsidiary company

Hunter Trading Limited is a wholly owned subsidiary of the College that markets conference and residential facilities not required for the College's own use. A surplus of £0.1 million was achieved in 2010 (2009: £0.2 million) as conference income decreased while costs remained static. Its activities are consolidated in these financial statements (see note 10).

Investment policy and performance

The upturn of world markets has resulted in gains of £3.8 million in unrestricted funds with the portfolio being valued at £24.3 million at year end. The restricted and endowed funds portfolios were valued at £30.1 million at year end and have benefited from gains of £4.2 million in the year.

The general funds investment objective is to maximise total returns after generating income of £840k. The Common Investment Fund and other funds investment strategy is to provide income of £1.12 million and thereafter provide a balance between capital growth and income. The College does not invest directly in tobacco stocks. The investment objectives were met for the general, common investment and other funds. The investment performance was satisfactory in the current economic conditions.

The investment powers of the College detailed in the ordinances attached to the 1992 charter have now been widened by the Trustee Act 2000.

Reserves policy

The College's expenditure is more predictable while its income is of a more variable and uncertain nature. The College therefore considers it necessary to hold reserves. The College holds reserves in the form of capital designated funds to provide a continuous flow of income to help support the cost of charitable activities. The balance of this fund approximates 9–12 months of unrestricted operational expenditure. The College's reserves policy is that the capital designated fund should not fall below nine months of unrestricted operational expenditure. The balance of the College's designated funds is represented by tangible fixed assets that are not readily converted into cash. Additional working reserves are held for operational purposes. The College considers that its reserves are at an acceptable level in the short-term and the trustees will continue to monitor its reserves stringently.

Resources

The overall increase in resources during the year was approximately £7.1 million which, when amalgamated with existing funds, results in a net worth of £70.0 million. Of this, £26.6 million represents endowed funds' assets, where only the income, not the capital, can be spent on purposes specified by the donors, while a further £13.9 million is restricted in how it can be used as it consists of project grants and trust balances.

The unrestricted funds of £29.5 million include designated funds of £7.7 million equating to the unrestricted fixed assets used by the College in its activities, a capital designated fund of £17.0 million, which is invested to produce income to support the College's charitable activities and working reserves for the College and its two dental faculties of £4.8 million.

The Balance Sheet (page [37](#)) outlines the main asset and liability categories aggregating to the net worth of the College, while the Cashflow Statement (page [38](#)) tabulates the impact of operating and investment activities on cash and bank resources.

Overall this has been a good year for the financial position of the College due to its investment gains. However, the College continues to face a number of uncertainties and therefore continued professional and prudent management of resources is essential if the College is to maintain financial equilibrium and so be in a position to react positively to future challenges.

Risk management

Council acknowledge their responsibility for ensuring adequate levels of risk management and internal control. This is supported by the strategic plan and a four-year business plan for the College. A risk register is in place and is regularly reviewed. The main risks identified are investment performance and generating sufficient levels of income; these risks have been ameliorated by diversified portfolios and continuous review. Internal financial controls fulfil the Charity Commission guidelines in all material respects and are enhanced by strong budgetary and management accounting procedures.

Custodian trustee

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

At 22 September 2010, the value of the Sir Ratanji Dalal Research Scholarship Fund endowed fund was £0.6 million (2009: £0.6million) and its unrestricted fund was £0.09 million (2009: £0.06 million). The trustees of this fund are the President of The Royal College of Surgeons of England and the President of The Royal College of Physicians, who are jointly responsible for the safeguarding of its assets. Annual financial statements are prepared and presented to the trustees of this fund.

At 24 June 2010, the value of The Colledge Family Memorial Fellowship endowed fund was £2.2 million (2009: £1.5 million) and its unrestricted fund was £0.06 million (2009: £0.02 million). The trustees of this fund are Ms S Shapiro, Professor A Narula and The Royal College of Surgeons of England, who are jointly responsible for the safeguarding of its assets. Annual financial statements are prepared and presented to the trustees of this fund.

Statement of Trustees' Responsibilities

The trustees are responsible for preparing the Trustees' Report 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 resources for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and the group will continue to operate.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and the group and enable them to ensure that the financial statements comply with the Charities Act 1993. 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.

Signed on behalf of the elected members of Council

Mr J Black President

Professor A Narula Treasurer

1 December 2010

Independent auditor's report

To the trustees of The Royal College of Surgeons of England

We have audited the group and parent charity financial statements of The Royal College of Surgeons of England for the year ended 24 June 2010 which comprises the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 44 of the Charities Act 1993. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Trustees' Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Foreword from the President, Introduction from the Chief Executive, About the College, Promoting High Standards of Patient Care, Leading the Profession, Supporting Surgeons through Education and Training, Surgical Research and New Techniques, The National College, The College Museums, The Dental Faculties, Funding Partnerships and the Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the group and the parent charity's affairs as at 24 June 2010 and of the group's incoming resources and application of resources in the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993.

Crowe Clark Whitehill LLP

Chartered Accountants and Statutory Auditor
London

1 December 2010

Consolidated Statement of Financial Activities for the year ended 24 June 2010

	NOTES	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWED FUNDS £000s	TOTALS 2010 £000s	TOTALS 2009 £000s
Incoming resources						
Incoming resources from generated funds:						
Voluntary income:						
Donations and gifts		77	1,819	-	1,896	2,968
Legacies		878	519	-	1,397	835
Grants		-	1,607	-	1,607	2,320
Activities for generating funds:						
Residential, conference and other		2,744	-	-	2,744	2,837
Investment income		1,020	1,155	-	2,175	2,435
Incoming resources from charitable activities:						
Courses		5,566	497	-	6,063	5,879
Examinations		4,271	-	-	4,271	3,186
Subscriptions		4,421	-	-	4,421	4,027
Rents, charges, sales		997	1,425	-	2,422	2,346
Other incoming resources:						
Surplus on sale of property		-	-	-	-	354
Total incoming resources		19,974	7,022	-	26,996	27,187
Resources expended	2					
Cost of generating funds:						
Fundraising costs for raising voluntary income		319	-	-	319	325
Investment management fees		51	92	100	243	216
Residential, conference and other trading costs		2,376	-	-	2,376	2,572
		2,746	92	100	2,938	3,113
Charitable expenditure:						
Education and courses		6,150	1,270	-	7,420	7,004
Standards, regulation and examinations		5,695	1,631	-	7,326	6,726
Research grants	3	5	2,825	-	2,830	1,837
Clinical Effectiveness Unit and other projects		29	973	-	1,002	1,518
Museums and library		1,399	663	-	2,062	2,133
Communications and publications		1,621	202	-	1,823	1,662
Other professional activities		1,682	80	-	1,762	2,127
		16,581	7,644	-	24,225	23,007
Governance		647	-	-	647	693
Total resources expended		19,974	7,736	100	27,810	26,813
Changes in resources before transfers		-	(714)	(100)	(814)	374
Transfer between endowed and restricted funds	11	-	301	(301)	-	-
Changes in resources before other recognised gains and losses		-	(413)	(401)	(814)	374
Net gain / (loss) on investments	10	3,790	184	3,983	7,957	(11,886)
Surplus on sale of investment property		-	-	-	-	69
Net movement in resources in the year		3,790	(229)	3,582	7,143	(11,443)
Brought forward 25 June 2009		25,694	14,162	23,003	62,859	74,302
Balance carried forward 24 June 2010		29,484	13,933	26,585	70,002	62,859

All activities are continuing activities. The notes to the financial statements are on pages [39](#) to [48](#).

Consolidated Balance Sheet as at 24 June 2010

	NOTES	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWED FUNDS £000s	TOTALS 2010 £000s	TOTALS 2009 £000s
Fixed assets						
Tangible fixed assets	5	7,632	7,335	-	14,967	14,341
Investments	10	24,262	3,791	26,303	54,356	47,008
		31,894	11,126	26,303	69,323	61,349
Current assets						
Stock		132	-	-	132	154
Debtors	6	2,781	264	-	3,045	3,675
Cash and short-term deposits	7	3,517	2,543	282	6,342	6,323
		6,430	2,807	282	9,519	10,152
Current liabilities						
Creditors: amounts falling due within one year	8	(8,725)	-	-	(8,725)	(8,452)
Net current (liabilities) / assets		(2,295)	2,807	282	794	1,700
Long-term Liabilities						
Creditors: amounts falling due after more than one year	8	(115)	-	-	(115)	(190)
Net assets		29,484	13,933	26,585	70,002	62,859
Funds						
Permanent endowment and other restricted funds	11	-	13,933	26,585	40,518	37,165
Unrestricted funds:	12					
Designated funds		24,632	-	-	24,632	21,484
Working reserves		4,852	-	-	4,852	4,210
		29,484	13,933	26,585	70,002	62,859

The notes on pages [39 to 48](#) form part of these financial statements.

The parent charity only Balance Sheet is identical to the Consolidated Balance Sheet presented above except that debtors and creditors amounts falling due within one year, and subtotals for current assets and current liabilities are higher by £75,000 (2009: £205,000).

Approved on behalf of the elected members of Council and authorised for issue on
1 December 2010.

Mr J Black President

Professor A Narula Treasurer

Consolidated Cashflow Statement for the year ended 24 June 2010

	NOTES	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWED FUNDS £000s	TOTALS 2010 £000s	TOTALS 2009 £000s
Net cash inflow / (outflow) from operating activities	a	1,714	155	(100)	1,769	1,441
Net cash (outflow) / inflow from capital expenditure and financial investment	b	(1,571)	(280)	101	(1,750)	(1,483)
		143	(125)	1	19	(42)
Management of liquid resources	c	(356)	14	-	(342)	(40)
(Decrease) / increase in cash in year	d	(213)	(111)	1	(323)	(82)
a) Reconciliation of changes in resources to net inflow from operating activities						
Net (outgoing) / incoming resources before revaluations		-	(714)	(100)	(814)	374
Depreciation		863	870	-	1,733	1,455
(Profit) on disposal of fixed assets		-	-	-	-	(352)
Decrease / (increase) in stocks		22	-	-	22	(44)
Decrease / (increase) in debtors		631	(1)	-	630	(211)
Increase in creditors		198	-	-	198	219
Net cash inflow / (outflow) from operating activities		1,714	155	(100)	1,769	1,441
b) Capital expenditure and financial investment						
Payments to acquire tangible fixed assets		(1,012)	(1,347)	-	(2,359)	(2,455)
Receipts from sales of fixed assets		-	-	-	-	378
Purchase of investments		(7,785)	(920)	(8,886)	(17,591)	(15,918)
Receipts from sales of current investments		-	-	-	-	1,768
Receipts from sales of fixed asset investments		8,385	527	9,288	18,200	14,744
Transfer between funds		-	301	(301)	-	-
Change in amounts due between funds		(1,159)	1,159	-	-	-
Net cash (outflow) / inflow from capital expenditure and financial investment		(1,571)	(280)	101	(1,750)	(1,483)
c) Management of liquid resources						
Increase / (decrease) in short term deposits		356	(14)	-	342	40
d) Reconciliation of net cash flow to movements in net funds						
(Decrease) / increase in cash in year		(213)	(111)	1	(323)	(82)
Increase / (decrease) in short term deposits		356	(14)	-	342	40
Movement in net funds in year		143	(125)	1	19	(42)
Net funds at 24 June 2009		3,374	2,668	281	6,323	6,365
Net funds at 24 June 2010		3,517	2,543	282	6,342	6,323

Notes to the Financial Statements for the year ended 24 June 2010

1 Accounting policies

(a) The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Charities Act, applicable Accounting Standards and the principles of the Statement of Recommended Practice for Accounting and Reporting by Charities 2005 (SORP 2005). All activities derive from the continuing business of the College.

(b) Incoming resources are included in the financial statements as follows: donations, gifts and legacies when they are capable of measurement and become receivable, grants as they become receivable, courses, tuition and examination fees in the period to which they relate, less provisions for doubtful debts, subscriptions on an accruals basis, and investment income as it becomes receivable and is stated together with any relevant tax credit.

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

(d) Voluntary services donated by Council members and other fellows are not accounted for, as it would not be possible to place a value on them.

(e) Resources expended comprise expenditure, including staff costs, directly attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of the resources. Overheads relating to the building and all its services are charged to departments and faculties based upon the area occupied. Those relating to finance, information technology and personnel costs are charged to departments on the basis of their financial activity, level of computer support and numbers of employees, respectively. These are detailed in note 2. All overheads in relation to grant-funded projects are charged, where appropriate, on the basis of their activity.

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

(g) Tangible fixed assets are capitalised where the amount expended is equal to or greater than £1,000 and the College obtains long-term benefit from the expenditure. Heritage assets, which include museum collections, have not been capitalised as the cost of valuation would be disproportionate to the benefit of the resultant information. These mainly comprise the numerous specimens and artefacts collected by John Hunter in the 1700s and presented to the College in 1799, plus historic books related to surgery and medicine. Freehold land and buildings are shown in the Balance Sheet at historic cost. Capital projects which are not complete at the year end are shown as *Construction in Progress*.

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

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

Freehold buildings are not depreciated as the College has a policy of maintaining them in such a condition that their value, taken as a whole, is not impaired by the passage of time. The Council is of the opinion that any provision would not be material for depreciation and that the buildings are worth at least their book value. No depreciation is charged on *Construction in Progress* expenditure.

(i) Investments are included at market value. Additions are recorded at cost. Disposals during the year are recorded at opening market value, or cost if purchased during the year. Gains or losses on disposal, as well as the change in investment values during the year on continued holdings are shown in the Consolidated Statement of Financial Activities. The activities of the Common Investment Fund, a subsidiary charity of the College, and which acts as an investment pool for most of the College's trust funds' assets, are incorporated in these financial statements.

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

(k) Retirement pensions and related benefits are charged to the Consolidated Statement of Financial Activities as contributions fall due. Further details are given in note 13.

(l) Unrestricted funds are available for use at the discretion of the College Council in furtherance of the general charitable objectives of the College.

(m) Designated funds arise from the policy of earmarking those of its unrestricted funds which are not available for general activities. Those represented by fixed assets cannot be utilised unless the assets were to be realised. The reserves placed in the designated capital are required to produce income in future years to fund the core activities of the College.

(n) Endowed and restricted funds are gifts or other grants which can only be applied for a purpose specified by the donor or grantor. All the endowed funds are permanent endowments where the donor has specified that the capital of the gift cannot be expended and that only the income arising from the capital may be used for the purpose named by the donor. None of these funds are available to meet the general costs of the College. Investment management charges are charged to the capital of the endowed funds.

(o) **Custodian trustee funds** are managed by the College on behalf of other charities and are not included in the financial statements.

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

(q) **Hunter Trading Ltd** consolidated accounts include the activities, assets and liabilities of the College's wholly owned subsidiary, Hunter Trading Ltd. Were a balance sheet to be prepared excluding Hunter Trading Ltd., the College's debtors and creditors would increase by £75,000 (2009: £205,000).

2 Resources expended

		DIRECT COSTS £000s	GRANTS MADE £000s	ALLOCATED SUPPORT COSTS £000s	TOTAL 2010 £000s	TOTAL 2009 £000s
Cost of generating funds						
Fundraising costs		278	-	41	319	325
Investment management fees		243	-	-	243	216
Residential, conference & other trading costs		1,328	-	1,048	2,376	2,572
		1,849	-	1,089	2,938	3,113
Charitable expenditure						
Education and courses		6,605	-	815	7,420	7,004
Standards, regulation and examinations		6,567	-	759	7,326	6,726
Research grants		176	2,551	103	2,830	1,837
Clinical Effectiveness Unit and other projects		869	-	133	1,002	1,518
Museums and library		1,412	-	650	2,062	2,133
Communications and publications		1,651	-	172	1,823	1,662
Other professional activities		1,193	-	569	1,762	2,127
		18,473	2,551	3,201	24,225	23,007
Governance		570	-	77	647	693
Total		20,892	2,551	4,367	27,810	26,813
Support costs and basis of allocation						
Premises and utilities	Floor area occupied			2,341		2,527
Human resources	Number of staff employed			347		305
Finance services	Budgeted expenditure			509		575
IT and systems support	Equipment and support provided			1,170		876
				4,367		4,283

3 Research grants

Purpose of grant	2010		2009	
	NUMBER AWARDED	TOTAL AMOUNT £000s	NUMBER AWARDED	TOTAL AMOUNT £000s
Research fellowships:				
Liabilities at start of year		(798)		(675)
Paid in year		2,661		1,241
Liabilities at end of year		570		798
Charge for year	72	2,433	49	1,364
Other research projects				
Liabilities at start of year		(399)		(360)
Paid in year		175		112
Liabilities at end of year		295		399
Charge for year	3	71	3	151
Scholarships	14	15	16	15
Travel	9	32	15	26
Total	98	2,551	83	1,556
Administration of research fellowships and other research projects		279		281
Research expenditure shown on Statement of Financial Activities		2,830		1,837

Further details of the research fellowships awarded and other research projects are available in the Research Report, published annually.

Financial details of the individual grants made are available from the Finance Department of The Royal College of Surgeons of England.

During the year, grants of £238,000 (2009: £423,000) were awarded for individuals at institutions with which members of Council are connected. These members of Council did not participate in the decisions to award the respective grants.

4 Staff and other expenditure

	2010	2009
Number of staff employed by the College at 24 June	290	291
	£000s	£000s
Staff costs in year to 24 June:		
Gross pay	8,908	9,125
Employer's statutory contributions	792	872
Employer's pension contributions	978	946
Total staff costs	10,678	10,943

At 24 June the number of employees receiving salaries in the following bands was as follows:

	2010	2009
£60,000 to £70,000	5	5
£70,001 to £80,000	5	4
£80,001 to £90,000	1	2
£100,001 to £110,000	1	1
£120,001 to £130,000	1	1

12 (2009: 12) of these employees are members of the USS pension scheme, while 1 (2009: 1) is a member of the NHS pension scheme.

	2010 £000s	2009 £000s
Included in Governance costs are:		
Auditors' remuneration – Audit fees – The Royal College of Surgeons of England	38	36
Auditors' remuneration – Audit fees – Hunter Trading Ltd	3	2

5 Tangible fixed assets

	FREEHOLD PROPERTIES £000s	FURNITURE, FITTINGS AND VEHICLES £000s	PLANT AND REFURBISHMENT £000s	COMPUTER EQUIPMENT £000s	CONSTRUCTION IN PROGRESS £000s	TOTALS £000s
Cost						
Balance 25 June 2009	3,352	679	19,430	2,047	927	26,435
Reclassification of assets	-	-	2,250	280	(2,530)	-
Additions	-	240	71	92	1,956	2,359
Balance 24 June 2010	3,352	919	21,751	2,419	353	28,794
Accumulated depreciation						
Balance 25 June 2009	-	562	10,103	1,429	-	12,094
Charge for year	-	65	1,376	292	-	1,733
Balance 24 June 2010	-	627	11,479	1,721	-	13,827
Net book values						
at 24 June 2010	3,352	292	10,272	698	353	14,967
at 24 June 2009	3,352	117	9,327	618	927	14,341

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWED FUNDS £000s	TOTALS 2010 £000s	TOTALS 2009 £000s
6 Debtors					
Taxation recoverable	6	1	-	7	19
Other debtors	2,685	263	-	2,948	3,558
Prepayments	90	-	-	90	98
	2,781	264	-	3,045	3,675
7 Cash and short-term deposits					
Cash in hand	16	-	-	16	13
Current and instant access accounts	1,314	2,543	282	4,139	4,465
Short-term deposit accounts	2,187	-	-	2,187	1,845
	3,517	2,543	282	6,342	6,323
8 Creditors					
Amounts falling due within one year					
Other creditors	5,496	-	-	5,496	4,476
Taxation and social security	88	-	-	88	347
Deferred income	3,141	-	-	3,141	3,629
	8,725	-	-	8,725	8,452
Amounts falling due after more than one year					
Other creditors	115	-	-	115	190
	115	-	-	115	190
9 Deferred income					
Balance brought forward	3,629	-	-	3,629	3,146
Income arising during the year	19,486	7,022	-	26,508	27,670
Released to Statement of Financial Activities	(19,974)	(7,022)	-	(26,996)	(27,187)
Balance carried forward	3,141	-	-	3,141	3,629

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWED FUNDS £000s	TOTALS 2010 £000s	TOTALS 2009 £000s
10 Investments					
Quoted securities at market value	22,590	1,641	25,862	50,093	41,766
Deposits with Newton Investment Management	2,023	29	441	2,493	3,592
Investment property at market value	1,770	-	-	1,770	1,650
Transfer of investments between funds	(2,121)	2,121	-	-	-
Market value	24,262	3,791	26,303	54,356	47,008
Movement in year					
Market value at 24 June 2009	19,913	4,373	22,722	47,008	57,720
Additions at cost	7,785	920	8,886	17,591	15,918
Disposals at sale price	(8,385)	(527)	(9,288)	(18,200)	(14,744)
Change in transfer of investments between funds	1,159	(1,159)	-	-	-
Net gain / (loss) on investments in year	3,790	184	3,983	7,957	(11,886)
Market value at 24 June 2010	24,262	3,791	26,303	54,356	47,008
Cost at 24 June 2010	20,012	1,473	22,183	43,668	44,359
Unrealised gain at 24 June 2010	4,250	2,318	4,120	10,688	2,649
Realised gains / (losses) on historic cost in year	374	12	183	569	(2,700)

At the year end, the market value of UK investments was £43,843,000 (2009: £40,243,000) and overseas investments was £10,513,000 (2009: £6,765,000).

As detailed in Note 1(i), the Common Investment Fund is incorporated into these financial statements.

Investment in subsidiary

Hunter Trading Limited – the College holds the entire issued £1 share capital of Hunter Trading Limited, which markets conference and residential facilities not required for the College's own use.

The results and financial position of Hunter Trading Limited have been consolidated in these financial statements on a line-by-line basis. Its income for the year was £1,738,000 (2009: £1,856,000), its expenditure was £1,663,000 (2009: £1,651,000), and the profit before tax of £75,000 (2009: £205,000) has been transferred to the College under a profit-shedding covenant. The net assets of Hunter Trading Limited were £1 (2009: £1).

11 Permanent endowments and other restricted funds

	PERMANENT ENDOWMENT FUNDS				RESTRICTED FUNDS			
	BALANCE 2009 £000s	INCREASES £000s	DECREASES £000s	BALANCE 2010 £000s	BALANCE 2009 £000s	INCREASES £000s	DECREASES £000s	BALANCE 2010 £000s
Dental Science Research Fund	1,686	300	8	1,978	472	73	318	227
Rank Chair Physics in Surgery	1,603	286	8	1,881	(312)	77	28	(263)
RCSE Cancer Research Fund	2,949	527	14	3,462	(53)	138	27	58
RCSE Biochemical Research Fund	627	112	3	736	69	30	74	25
Darlow Fellowship Fund	81	13	-	94	41	4	4	41
RCSE Research Fund	6,129	1,095	29	7,195	246	320	129	437
RCSE Education Fund	4,398	726	414	4,710	143	187	157	173
RCSE Museum Fund	12	2	-	14	84	15	17	82
Groves Bequest for Museum	350	62	2	410	4	18	-	22
M-W Johnson for Hunterian	625	132	3	754	315	26	66	275
George Qvist for Hunterian	350	64	2	412	3	17	17	3
Shrimpton Fund	-	-	-	-	-	28	-	28
RCSE Library Fund	1,375	246	6	1,615	8	65	63	10
RCSE Prize Fund	97	17	-	114	106	20	1	125
Preiskel Fund	-	-	-	-	18	2	-	20
HS Morton Travelling Fellowship	335	61	2	394	70	39	-	109
Sims Commonwealth Travelling Fellowship	106	19	-	125	57	8	-	65
Ethicon Travelling Fellowship	-	-	-	-	132	56	-	188
RCSE Scholarship Fund	85	16	-	101	34	12	16	30
Witt Fund	182	-	-	182	3	-	-	3
Modi Fund	-	-	-	-	349	138	60	427
Rishworth Fund for Annals	84	15	-	99	1	4	4	1
John Kinross Fund	137	25	1	161	111	6	-	117
Presidents Finch Fund	1,393	293	6	1,680	81	65	155	(9)
Blond McIndoe Fund	-	-	-	-	448	101	149	400
Faculty of Dental Surgery								
Commemoration Fund	111	20	1	130	1	6	6	1
Moser Trust	288	51	1	338	138	14	1	151

	PERMANENT ENDOWMENT FUNDS				RESTRICTED FUNDS			
	BALANCE 2009 £000s	INCREASES £000s	DECREASES £000s	BALANCE 2010 £000s	BALANCE 2009 £000s	INCREASES £000s	DECREASES £000s	BALANCE 2010 £000s
Faculty of General Dental Practice (UK)								
Research Fund	-	-	-	-	3	-	-	3
Surgical Research Fund	-	-	-	-	-	7	-	7
Cutner Legacy	-	-	-	-	-	299	94	205
Guyatt Legacy	-	-	-	-	-	166	80	86
Starritt Legacy	-	-	-	-	-	125	31	94
Clarke Legacy	-	-	-	-	-	100	19	81
Fletcher Legacy	-	-	-	-	-	70	-	70
Ethicon Research Fund	-	-	-	-	-	100	-	100
Dunhill Medical Trust	-	-	-	-	-	200	412	(212)
Far East HK Masonic Association	-	-	-	-	-	82	-	82
Curry Legacy Damage/Pain	-	-	-	-	-	302	-	302
Restricted Grants and Donations								
Cutner legacy for orthopaedics	-	-	-	-	299	-	299	-
Guyatt legacy for gastrointestinal diseases	-	-	-	-	165	-	165	-
Anatomy Project	-	-	-	-	225	-	83	142
OTTE Project	-	-	-	-	-	188	19	169
Starrit Research Fellowships	-	-	-	-	128	200	328	-
PCCT Transplant Fellowships	-	-	-	-	1,186	9	487	708
Post CCT Fellowship Project	-	-	-	-	105	28	88	45
JCST Selection Project	-	-	-	-	231	14	158	87
Hunterian Museum Project	-	-	-	-	1,392	-	259	1,133
Davies-Colley Lecture Room Project	-	-	-	-	122	-	24	98
Eagle Project	-	-	-	-	5,229	2,158	1,558	5,829
Other balances < £100,000	-	-	-	-	2,508	2,089	2,439	2,158
TOTAL	23,003	4,082	500	26,585	14,162	7,606	7,835	13,933

The negative balances on funds are caused by providing in full for notified future expenditure and will be funded from future streams of investment income.

The funds are for the purposes as described in their title.

The increases for the endowed funds are represented by increases in investment market value. There was also a total of £99,000 transferred from restricted funds (see Transfers on page 47). The decrease in endowed funds is represented by investment management charges.

There was also a further loan of £400,000 authorised by Charity Commission schemes, from the Education endowed fund to the Education restricted fund (see Transfers on page 47).

Transfers

Transfers from restricted funds to endowed funds were authorised by Charity Commission Schemes, as follows:

1. MacRae–Webb–Johnson Fund: In 2003–04 £600,000 was transferred from the MacRae–Webb–Johnson’s endowed fund to its restricted fund to support the Hunterian Museum Project. This sum is to be replaced by income arising on the MacRae–Webb–Johnson’s restricted fund at the rate of £24,000 a year for 25 years. The sixth transfer of £24,000 was made in 2009–10.

2. President’s Finch Fund: In 2006–07 £1,100,000 was transferred from the President’s Finch’s endowed fund to its restricted fund to support the Eagle Project. This sum is income arising on the President’s Finch’s restricted fund at the rate of £55,000 a year for 20 years. The third transfer of £55,000 was made during 2009–10.

3. Education Fund: In 2008–09 £400,000 was transferred from the Education endowed fund to its restricted fund to support the Eagle Project. This sum is to be replaced by income arising on the Education restricted fund at the rate of £20,000 a year for 20 years. The second transfer of £20,000 was made during 2009–10. In 2009–10 an additional £400,000 was transferred from the Education Fund to further support the Eagle Project. This sum is to be replaced by income arising on the Education restricted fund at the rate of £16,000 a year for 25 years. The first payment will occur in 2010/11.

12 Unrestricted funds

	2010 £000s	2009 £000s
Designated funds		
Represented by tangible fixed assets	7,632	7,484
‘Capital’ designated as necessary to provide income to support the College’s charitable activities		
Brought forward	14,000	22,000
Increase/(decrease) in year	3,000	(8,000)
	17,000	14,000
Total designated funds	24,632	21,484
Working reserves – The College and faculties	4,852	4,210
Total unrestricted funds	29,484	25,694

The basis of maintaining the ‘capital’ part of the designated funds is to hold sufficient resources to generate a continuous flow of income to help support the cost of charitable activities within an overall strategy of ensuring the long-term financial viability of the College. The increase of

£3.0 million (2009: decrease £8.0 million) derives in part from the increase in the market value of unrestricted funds investments in the year to provide an amount approximately equivalent to 9–12 months of operational expenditure.

Working reserves are funds held for operational purposes of the College and its two dental faculties. Approximately £382,000 (2009: £372,000) of the available funds is held by the divisions of the Faculty of General Dental Practice (UK).

13 Pension schemes

The three pension schemes in which the College participates are defined benefit schemes but it is not possible to identify its share of the underlying assets and liabilities as required by the Financial Reporting Standard No. 17 – Retirement Benefits. Accordingly, the College accounts for pension costs in relation to these schemes as if they were defined contribution schemes.

Of the College’s 290 employees (2009: 291), 136 (2009: 142) are members of the Universities Superannuation Scheme (USS), 49 (2009: 45) are members of the Superannuation Arrangements of the University of London (SAUL) and 5 (2009: 5) are members of the NHS Pension Scheme. All three are defined benefit schemes, externally funded and managed by independent trustees. They are contracted out of the State Earnings-Related Pension Scheme.

USS: The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions, and the assumed rates of mortality.

It was assumed that the valuation rate of interest would be 6.4% per annum, salary increases would be 4.3% per annum and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members’ mortality	PA92 MC YoB tables – rated down 1 year
Female members’ mortality	PA92 MC YoB tables – no age rating

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme’s technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2010 the actuary has estimated that the funding level under the new scheme-specific funding regime had fallen from 103% to 91%. Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund’s actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

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

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The level of contribution due by the College in the year was 16% of pensionable salaries (effective from 1 October 2009). The College’s total pension cost for this scheme in the year to 24 June 2010 was £809,569 (2009: £768,882).

SAUL: SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out on 31 March 2008 using the projected unit credit method. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method – projected unit	Past service	Future service
Investment return on liabilities:		
before retirement	6.9% pa	7.0% pa
after retirement	4.8% pa	5.0% pa
Salary growth (excludes promotion increases)	4.85% pa	4.85% pa
Pension increases	3.35% pa	3.35% pa

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL’s assets was £1,266 million representing 100% of the liability for benefits after allowing for expected future increases in salaries. Based on the strength of the employer covenant and the trustee’s

long-term investment strategy, the trustees and the employers agreed to maintain employer and member contributions at 13% of salaries and 6% of salaries respectively following the valuation.

The next formal actuarial valuation is due at 31 March 2011 when the above rates will be reviewed.

The level of contribution due by the College in the year was 13% of pensionable salaries. The College’s total pension provision for this scheme in the year to 24 June 2010 was £135,573 (2009: £136,040).

NHS: The College’s total pension cost in respect of the NHS Pension Scheme in the year to 24 June 2010 was £31,792 (2009: £40,858). The level of contribution due by the College in the year was 14%.

14 Transactions with trustees

No trustees receive any fees or honoraria.

Members of Council claim travelling, subsistence and accommodation costs in respect of Council or committee meetings or for attending meetings on behalf of the College, and the total of such expenses reimbursed to all 26 trustee members of Council in the year was £85,481 (2009: £101,213 to all 26 trustee members of Council).

15 Legacy income

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

	ESTIMATED AMOUNT £000s
Notified on or before 24 June 2010	
Purpose:	
The main appeal of the College	446
For medical research and education	155