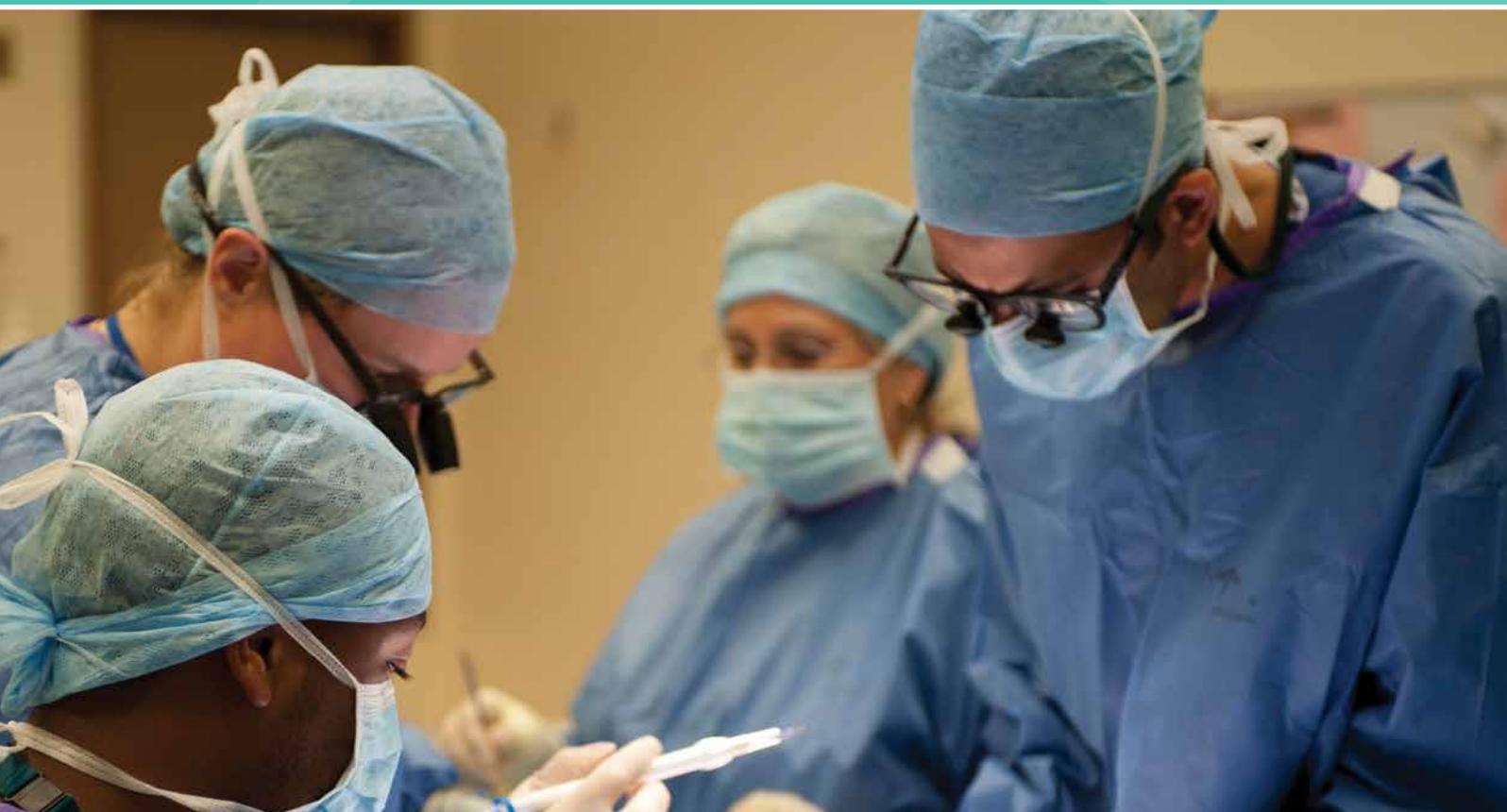




Royal College
of Surgeons

ADVANCING SURGICAL CARE



Annual report and accounts

for the year ended 30 June 2015

Contents

President's Foreword.....	4
Chief Executive's Introduction	5
Reference and Administrative Details.....	6
Funding Partnerships	8
Structure, Governance and Management	10
Report of the Trustees	13
Independent Auditor's Report.....	24
Consolidated Statement of Financial Activities.....	25
Consolidated Balance Sheet	26
Consolidated Cash Flow Statement	27
Notes to the Financial Statements.....	28

President's Foreword

I am pleased to present my first year annual report as President, a report that focuses on the theme of advancing surgical care. In reviewing the past year I have been delighted to reflect on the effort from everyone involved with delivering some notable successes.

We highlight in this report the wide range of activities we have undertaken and how we achieve these by setting standards, working with government, training and assessing surgeons, supporting research and speaking in the media and other public and professional forums.

I would like to highlight three areas where real progress was made in the past year.

Firstly, the publication of a complete update to our core guidance to the profession, *Good Surgical Practice*. The guide outlines the skills, values and attitudes that underpin the surgical profession and its update underlines our commitment to supporting surgeons in improving standards of patient care.

Secondly, we acted to raise our concerns about access to surgery. We produced an influential report that highlighted widespread variation in the policies of commissioning groups for four common surgical procedures carried out on the NHS and compared those policies with evidence-based guidance from the College, the surgical specialty associations and NICE. We were able to represent the interest of patients through our voice in the media and in Parliament.

Thirdly, we defined our strategic professional priorities for the period 2015–19. These are 'Advancing standards and reducing variability of patient outcomes', 'Attracting, educating, developing and supporting high quality surgeons' and 'Influencing and shaping future health policy and practice to advance standards of surgical care'. These were the conclusion of extensive consultation with our members and key stakeholders.

The coming year will bring many further changes as we implement our professional priorities and look at the future shape of the College. I would like to thank the support of the College staff, trustees, council members and the many others in surgery who assist us so ably and help us continue to deliver excellent surgical care for the benefit of patients.

Miss Clare Marx

President

The Royal College of Surgeons of England

Chief Executive's Introduction

This report documents the activities of The Royal College of Surgeons of England and presents our financial statements for the year ended 30 June 2015. I am very grateful to Richard Scanlon who was Chief Executive of the College for almost the whole of the financial year, having left the College in mid-June 2015.

In early April 2015 we finalised our new governance arrangements when we received approval of changes to our Royal Charter and Ordinances from the Privy Council. The changes allowed us to create a College Board of Trustees, including lay members, responsible for all operational aspects of the College's business. The Council remains responsible for professional policy and membership issues. These changes will be vitally important to our future decision making and financial stability.

The College has continued to focus on business processes and efficiencies, implementing better IT systems for a number of support services, and allowing our staff to focus on delivering a first class service to our fellows and members. During the year we also put in place a team with the right skills and expertise to look at the redevelopment of our London building to meet the future needs of the College.

It is pleasing to report that the College has achieved an operating surplus on its unrestricted activities for the second year after several years of losses. This, together with a £2.6m gain on investments, has added £3.9m in total to the College's unrestricted funds. The College's restricted funds reduced by a net £0.85m to £9.8m in the year, reflecting an increase in the level of activities undertaken this year in the context of our policy of ensuring that funds received for specific purposes are expended on a timely basis. The surplus will allow the College to invest in delivering work that can benefit patients across the UK, through support for surgeons.

Finally, I would like to thank members, staff and supporters for their continued commitment to the College and I look forward to working with them.

Mr Andrew Reed

Chief Executive

The Royal College of Surgeons of England

Reference and Administrative Details

Charter

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

The College is a charity with registered number 212808.

Constituent Parts

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

Trustees

Until 9 April 2015, the Council was the governing body of the College and the elected members of Council were its trustees. From 9 April 2015, when our new Charter came into effect, the College Board of Trustees was formed. The Board of Trustees 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. The board had been operating as a shadow group, the Temporary College Board, since July 2014, with delegated authority for operational and financial matters.

Officers

President:	Miss C Marx
Vice-Presidents:	Mr D Ward
	Professor M Parker (elected 10 April 2014, resigned as Vice President 1 October 2014, remaining on Council)
	Mr S Cannon (appointed as Vice President 13 November 2014)

Deans of the Faculties

FDS Dean:	Professor N Hunt
FGDP Dean:	Dr M Horton (appointed 6 June 2015)
	Dr T Ferguson (demitted 6 June 2015)

Elected Trustees (from 9th April 2015)

Mr I Eardley
Mr R Kerr
Mr P Lamont

Lay Trustees (from 9th April 2015)

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

Members of Council (trustees until 9 April 2015)

Council consisted of 24 elected surgical fellows 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 College. In addition, during the year a number of invited members representing specific interests attended Council meetings. As well as the officers listed above, the members were:

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

Principal Advisers

Bankers

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

Auditor

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

Solicitors

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

Investment Managers

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

Registered Office

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

Funding Partnerships

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

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

Foundations, Charitable Trusts, Associations and Individuals

Arts Council of England	Gilbert & Eileen Edgar Foundation
Association of Breast Surgery	Golden Bottle Trust
Association of Coloproctology of Great Britain and Ireland	Hon Society of Knights of the Round Table Benevolent Fund
Association of Upper Gastrointestinal Surgeons	Huggard Charitable Trust
Ballinger Charitable Trust	John R Murray Charitable Trust
Breakthrough Breast Cancer	Joseph Strong Frazer Trust
Breast Cancer Campaign	Limbless Association
British Association of Endocrine and Thyroid Surgeons	Lord Leonard and Lady Estelle Wolfson Foundation
British Association of Plastic, Reconstructive and Aesthetic Surgeons	Mary Kinross Charitable Trust
British Society for Surgery of the Hand	Henry Lumley Charitable Trust
Brock Webb Trust	Mr Keith Whitmore
Cardy Beaver Foundation	Mr Leon J Grant
Clothworker's Foundation	Mrs Josephine Lumley
Company of Actuaries Charitable Trust Fund	Needlemakers' Company
Dinwoodie Charitable Company	Orthopaedic Research UK
Dunhill Medical Trust	Rosetrees Charitable Trust
Edwin George Robinson Charitable Trust	Royal College of Anaesthetists
EF & MG Hall Charitable Trust	Saving Faces
Enid Linder Foundation	Shears Foundation
Frances and Augustus Newman Foundation	Strauss Charitable Trust
Freemasons Fund for Surgical Research	Swann-Morton Foundation
G D Herbert Charitable Trust	Urology Foundation
G M Morrison Charitable Trust	Wellington Hospital
George Drexler Foundation	Worshipful Company of Barbers
Get A-Head Charitable Trust	Wyndham Charitable Trust

Corporate Support

Acelity
 Allergan Limited
 B Braun Medical
 Biomet UK Healthcare
 Carefusion
 Eido Healthcare
 Ethicon UK
 L F D Group
 Medical Defence Union
 Medical Protection Society
 Medtronic

Mentor
 Neilmed Pharmaceuticals
 Porges
 Richard Wolf UK
 Simendo B.V.
 Smith and Nephew Healthcare
 Teleflex Medical UK
 THD Limited
 Thomas Tunnock
 Wesleyan Assurance Society
 W L Gore and Associates (UK)

Endowed and Restricted Funds

Blond McIndoe Fund
 Carol Rummey Research Fund
 Doctor Shapurji H Modi Memorial ENT Fund
 Fellows Fellowship Fund
 Guyatt Fund - Sir Alan Parks Research Fellowship
 Gwendoline Shrimpton Research Fund
 Harold Bridges Bequest
 Harry S Morton Fund
 Hong Kong Freemasons' Fund for Surgical Research
 Margaret Witt Scholarship Fund

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

Legacies

The late Mrs I J G Haddock for education and training
 The late J F Cowlin for general charitable purposes
 The late Mr A R Mowlem for general charitable purposes
 The late Mr J Chamberlain for general charitable purposes
 The late Mrs B M Pullin for general charitable purposes
 The late Mrs B F M Condon for general charitable purposes

The late Ms C Brown for general charitable purposes
 The late Ms J M Mann for general charitable purposes
 The late Sir D I Williams for general charitable purposes
 The late Ms C A Stephens for surgical research
 The late Miss M H Cameron for research into cancer
 The late Miss E H F Black for research into cancer and heart disease

Structure, Governance and Management

Until our new charter took effect on 9 April, Council was responsible for the overall direction of the College and delegated the direction of specific functions to individual members of Council. From 9 April 2015, the College Board of Trustees took on responsibility for overall direction of the College, but continued to delegate all substantive matters relating to professional and public policy to the Council, and continued to allow it to further delegate its powers.

Trustees and Council members are given an induction course on the College and ongoing training on their responsibilities and other matters as required. Council members directly responsible to Council for the following areas, as at 30 June 2015, were:

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

Prior to the new charter coming into effect in April 2015, as of July 2014 the Council delegated to the Temporary College Board responsibility for operational aspects of the College's business in anticipation of formal governance changes. The Temporary College Board was responsible for effective and efficient delivery of the College's operational plans and functions, including all financial matters, in line with charity law and best practice.

The members of the Temporary College Board then formed the College Board of Trustees from 9 April 2015, taking on these responsibilities.

Board committees were formed when the Temporary College Board was formed. These committees are advisory only to the Board.

COMMITTEE**CHAIR****Audit and Risk Committee**

Mr R Napier

Investment Committee

Mr S Cannon

Remuneration and Nominations Committee

Mr J Robinson

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

The College Board delegates to the Chief Executive responsibility for the day-to-day management of the College and he delegates management of specific functions to directors, each of whom is responsible for a directorate.

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

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

		2015	2014
Commonalty of Surgeons	UK	12,604	12,269
	Overseas	4,589	4,493
	Total	17,193	16,762
Faculty of Dental Surgery	UK*	2,804	2,774
	Overseas	547	543
	Total	3,351	3,317
Faculty of General Dental Practice (UK)	UK*	2,573	2,463
	Overseas	21	15
	Total	2,594	2,478
Joint Members of FDS and FGDP (UK) (MJDF)	UK	1,818	1,826
	Overseas	77	76
	Total	1,895	1,902
Total Fellows and Members	UK	19,594	19,182
	Overseas	5,234	5,127
	Total	24,828	24,309

*Both categories include 205 (2014: 150) joint FDS and FGDP members.

Management

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

Chief Executive	Mr R Scanlon (to 26 June 2015)
Interim Chief Executive	Mrs J Weller (from 26 June 2015)
Director of Finance	Ms C Hibbs*
Director of Education	Ms F Alexander
Director of Research	Mr M Coomer
Director of Communications	Ms J Reville (to 6 February 2015)
Director of Communications	Mr S Edwards (from 16 February 2015)
Director of the Faculty of General Dental Practice (UK)	Ms F Erasmus
Development Director	Mr J Fountain
Director of Dental and Surgical Examinations	Mr S Hills
Director of International Affairs	Mr D Jackman (from 1 June 2015)
Director of Professional and Clinical Standards	Mrs K Smith
Registrar of the Faculty of Dental Surgery	Mr J Vandridge Ames
Director of Internal Services	Mrs J Weller

* Ms C Hibbs was the Interim Head of Finance from 26 May 2014 to 2 November 2014

Mr A Reed joined the College as Chief Executive on 3 September 2015.

Report of the Trustees

The trustees of the RCS are pleased to present their report for the year ended 30 June 2015.

Objects and Aims

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

Mission Statement

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

Core Values

We will:

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

Strategic Aims

We will:

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

Public Benefit

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

The trustees confirm that they have paid due regard to the guidance issued by the Charity Commission on public benefit, and further confirm that the activities of the RCS are carried out for public benefit. Our work is based on a number of the charitable purposes defined under the Charities Act 2006, chiefly the advancement of education, the advancement of health or the saving of lives, and the advancement of the arts, culture, heritage or science. We engage directly with the public through the Hunterian Museum, the media, our publications and our journals: the *Annals*, the *Bulletin* and *FDJ (Faculty Dental Journal)*.

Activities and achievements during 2014–15

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

Setting and embedding standards – *Set and embed standards of excellence in education and training, professional behaviour and service delivery for the whole surgical team in each area of surgical care. Establish a mechanism through which the College can quality assure these standards and by doing so can raise quality and reduce variability.*

During the past year the RCS has continued to focus on improving the standard, quality and safety of patient care. We published a complete update to our core standards document *Good Surgical Practice* following extensive consultation with our fellows and members, patient groups, regulators, surgical colleges, and specialty associations. The guide outlines the skills, values and attitudes that underpin the surgical profession. Specifically the document provides guidance around four core areas of: knowledge, skills and performance; safety and quality; communication, partnership, teamwork; and maintaining trust.

To support the delivery of *Good Surgical Practice* we produced additional guidance documents on surgical leadership, the high performing team and on duty of candour for both surgeons and employers. The guidance is available in a new online professionalism hub that brings together resources from the College and external organisations on professionalism. We also responded to hundreds of individual enquiries, providing tailored support and advice on all aspects of surgical careers, and numerous consultations documents from regulators and healthcare bodies.

The College worked during the year with NHS England and a number of other professional associations on the development of national standards for invasive surgical procedures. These standards aim to reduce the number of patient safety incidents related to invasive procedures and ensure that an understanding of causes and impact of never events is an integral part of the training for all medical and non-medical staff. We have continued to lead a multi-stakeholder project to improve the safety of patients undergoing cosmetic surgery and will introduce a system for the formal certification of surgeons regarded as competent to undertake cosmetic procedures in 2016.

The wider surgical team remained a focus of our work. We worked with Health Education England (HEE) to look for common themes between the surgical care practitioners and physicians associate curricula with the aim of improving training for these individuals and are undertaking an HEE funded project to gain a better understanding of the roles of all individuals involved in delivering high quality surgical care to patients. Within the College we started to pilot extending access to relevant courses to non-medical members of the surgical team.

Surgical research – *Further develop our national network for surgical research and assessment including the testing of techniques and appropriate dissemination of resulting information.*

Fellowships awarded through the RCS Research Fellowship Scheme exceeded our targets to 43 awards. New partnerships have been undertaken with The Circulation Foundation, National Joint Registry, Dinwoodie Trust and with Oxford University for GI bleeding. In the year we have surveyed our research fellows over the past 20 years of the scheme and shown that more than a third have become academics and that currently over 70% plus are undertaking PhDs.

Our surgical trials units continued to gain momentum with two further centres joining the initiative during the year. These were The National Facial and Oral Research Centre based at the Royal London Hospital and the York Trials Centre based at the University of York. We have doubled the number of patients involved in surgical research in the past year and have been working with the National Institute of Health Research (NIHR) on a surgical research funding programme.

Influencing policy to improve patient care – *Continue to establish a pivotal role for the College in the new healthcare arrangements by working with and increasing influence on all relevant external agencies. Strengthen our role in the NHS by having a more authoritative voice for surgery, championing patient safety initiatives, and extending our influence with organisations responsible for the provision and quality assurance of education and training.*

The continued push by government and its agencies on transparency, patient safety and reform of medical training has enabled the College to continue to achieve a number of successes through our media and political work. Significant progress was made with our main campaign priorities on raising the standards of surgical practice and equality of access to surgical care.

Within weeks of a new government the College had already had discussions with the new ministers and others within government. We published our *Priorities for a New Government* document, which sets out the areas where central government can support high-quality surgical care. We specially pressed the new government to introduce legislation so that the General Medical Council can annotate its register with a proposed new credential for cosmetic surgery. Although not in the first Queen's speech this has been noted in both the House of Commons and the House of Lords. The College also continued to enjoy good relationships with a wide range of health stakeholders including NHS England and Health Education England.

The College gained widespread national media coverage and Parliamentary time on two reports relating to access to surgery. *Is Access to Surgery a Postcode Lottery?* uncovered widespread variation in commissioning groups' referral thresholds, for orthopaedic surgery in particular. This was debated on the floor of the House of Commons. Similarly our follow-up report to *Access all Ages* highlighted the variations in older people's access to surgery by commissioning area. Both reports were examined by commissioning and patient groups across the country. Following concerns raised by the College and the local MP, a Devon commissioning group reversed their decision to restrict access to surgery for patients with a high BMI.

Good working relationships were successfully established with the health minister in Wales, who spoke at a recent RCS conference, and the new NHS Wales Chief Executive. The Welsh Assembly's Health and Social Care Committee report *Access to Medical Technologies in Wales* quoted extensively from the College's evidence. We also developed our influencing work in Northern Ireland during the year.

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

Developing the wider surgical team – Lead on the development of standards, curricula, assessment and accreditation in relation to the wider multi-professional surgical team and work out how to support them in the future.

The RCS started an ambitious programme to better understand the roles and responsibilities of the wider surgical team and to look at the impact that these roles have on patient care and opportunity for training junior doctors and surgeons. To support this work we were commissioned by Health Education England to undertake a project to understand the different models of team working and roles within the wider surgical team. This included a survey to all Foundation Year and Core/ST3 trainees to establish how trainees are currently using their time and the proportion of this that is dedicated to high value educational activities. This task analysis will be used to identify areas where time could be used more effectively by different members of the surgical team. In parallel we have started research on effective models for team working.

Within the College we started to pilot extending access to relevant courses to non-medical members of the surgical team. Work has also commenced to identify and evaluate models of potential College affiliation for non-doctors in the surgical team and establishing greater links with wider work on physician associates and their broader role in the medical team.

Developing the College – Continue to implement the recommendations of the 2013 College review. This will include: finalising and implementing governance changes; developing the College building in London; improving engagement with members and staff; finalising and delivering the College's international strategy; and a continuing focus on financial enhancements and efficiencies.

We continued to implement the recommendations of the 2013 College Review. We implemented the governance changes which underpinned those recommendations, enabling us to appoint a Trustee Board which includes both surgeons and lay members (in line with Charity Commission guidance), to ensure strong oversight of the College's activities, and ensure we can continue to focus on our aim of improving patient care. We invested in feasibility work to drive forward the redevelopment of the College in Lincoln's Inn Fields, where we intend to create a home for surgery – which will include the very best facilities for our members and fellows, and allow us to provide more opportunities for the public to engage with surgeons' work through the Hunterian Museum.

We have also focused on both membership and staff engagement – our new membership engagement office will be looking to create better communication with members by bringing key staff together; and following a survey which found that the majority of our staff were proud of the College and its work, work commenced on a People Strategy, to be delivered in 2015/16. Both of these will enhance the College's ability to deliver its professional priorities. A new International Affairs directorate has been formed, and is a key part of the College professional strategy, which is leading development of a coherent strategy that can support surgeons around the world.

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

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

Educating, training and assessing surgeons

The RCS continued developing the skills of surgeons in order to raise the standard of patient safety and clinical care. Courses were held either in our education centre in London or in regional and international centres. During 2014–15 we continued to increase the use of unembalmed, freeze-preserved cadavers, which provide more realistic tissue for simulating operations and procedures.

Over the past year, the Joint Committee on Surgical Training (JCST) has welcomed a new Chair and a new ISCP Surgical Director and has continued to implement its strategy for 2013–18. It has reviewed the structure and workings of its Specialty Advisory Committees (SACs) and introduced bespoke equality and diversity training for all SAC members. It has continued work to measure and improve the quality of surgical training via its trainee survey, quality indicators for training posts, certification and benchmarking guidelines and support for schools of surgery in their quality management activity. Another important project has been a major rebuild of the ISCP website, responding to feedback from users and due to launch in the near future at the time of writing.

Professional surgical and dental examinations continued to consolidate the RCS position as a leading national and international centre for surgical assessment. During the year we delivered 71 examination diets to 7,566 candidates (3,317 dental candidates and 4,249 surgical candidates). The examinations are held both in the UK and internationally. Over 99% of candidates endorsed the quality of the examinations service.

Promoting and preserving our surgical heritage

The Hunterian Museum marked the centenary of the outbreak of the First World War with an exhibition, *War, Art and Surgery*, in late 2014. For the first time all the facial injury pastels by surgeon–artist Henry Tonks were displayed together, with an accompanying catalogue, and a symposium on the past and present of military medicine, *‘From Hunter to Helmand’*. In the meantime, Hunterian Museum visitors in the year totalled 84,000; the Wellcome Museum of Anatomy and Pathology attracted over 5,000 trainees and students; and Museums and Archives staff assisted 1,500 researchers. The *‘Endangered Specimens, Endangered Skills’* museum conservation programme concluded (3 conservators have been trained over 4 years, and 844 specimens treated), as did the five-year programme to catalogue the RCS institutional archives.

The Library and Surgical Information Services (LSIS) team have this year continued the current awareness service (CAS), supported by panels of clinical advisers, to alert members to the published evidence in their specialties. During the year the CAS added bulletins in paediatric surgery, emergency general surgery and colorectal surgery.

Moving forward with dentistry

The Faculty of Dental Surgery published two seminal reports during the year as a result of investing in its influencing work. *The State of Children’s Oral Health* in England featured in headlines across the country, leading to the Faculty Dean being called to give evidence to the Health Select Committee on this topic. Following the general election, the Faculty also published its *Priorities for a New Government*. This received further national media coverage. Both reports have helped the Faculty to quickly establish itself as one of the leading voices on dentistry in the UK. It has also successfully lobbied to have a new national outcome indicator for children’s health: NHS and local authorities will now be measured on the number of children attending hospital for dental treatment. In the year, the Faculty’s e-learning platform, *e-Den*, continued to grow so it now comprises over 300 learning sessions and 24,000 registered users. Faculty examinations across all the dental specialties continue to set high standards of practice worldwide.

The Faculty of General Dental Practice (UK) (FGDP(UK)) finalised its strategy for 2015–2018. This outlined the Faculty’s plans to promote high-quality dental practice and patient care. As part of the strategy the Faculty embarked on its Open Standards Initiative which has made its highly respected range of standards and guidance documents for primary care dentistry freely available to the UK dental profession. During the year the Faculty responded to a number of major consultations from the

General Dental Council and the Care Quality Commission. The Primary Dental Journal (PDJ) developed its unique position within UK dental publishing. FGDP (UK) has continued to support standards of education and patient care through courses, examinations, publications and e-learning programme.

Future Plans

Over the next year we will start to work on delivering our strategic priorities for 2015–19, which were developed through an extensive internal and external consultation exercise during the year. The priorities are as follows:

Priority 1: *Advance standards and reduce the variability of patient outcomes* – We aim to improve the use and quality of existing and possible future sources of clinical data. This information will inform and drive improvements in the care delivered by surgeons. The College will take a leading role in delivering quality improvement plans and sharing best practice specific to surgery.

Priority 2: *Attract, educate, develop and support high-quality surgeons* – We will encourage and inspire students and doctors to become surgeons. We will play a central role in educating, developing and supporting surgeons throughout the whole of their careers.

Priority 3: *Influence and shape future health policy and practice to advance standards of surgical care* – We will develop a proactive and planned approach to stakeholder engagement, nationally and internationally. We will include all those involved in the delivery of healthcare including clinicians, patients, managers, politicians and commissioning organisations.

We also will take forward plans to develop the College building in London and complete the implementation of the recommendations of the College Review in 2013, including reviewing the implementation of the governance changes and embedding improved engagement with members and staff.

Financial Review

The College has reported an overall consolidated surplus on its charitable and trading activities of £247k, compared to the £547k surplus achieved in the prior year. However, taken together with the gains recorded on invested assets of £3.69m, total funds have increased by 5% or £3.94m on the prior year, with £3.87m of this attributed to the College's unrestricted funds. Unrestricted funds now stand at £39.01m, representing 48% of total funds (45% or £35.1m in 2013–14). The consolidated results for the 2014–15 financial year are summarised below.

Results for the year ended 30 June 2015	2015	2014	Change	
	£000	£000	£000	%
Voluntary Income	4,742	3,900		
Charitable Activities	19,871	18,753		
Activities to Generate Funds	7,489	7,203		
Total Income	32,102	29,856	2,246	8%
Cost of Generating Funds	4,483	4,821		
Charitable Expenditure	26,750	23,898		
Governance Costs	622	590		
Total Resources Expended	31,855	29,309	2,546	9%
Net Incoming Resources	247	547		
Net Gain on Investments	3,690	2,714		
Net Movement in Funds for the Year	3,937	3,261		
Funds Carried Forward	81,292	77,355	3,937	5%
Unrestricted Funds	39,011	35,140	3,871	11%
Restricted Funds	9,795	10,640	(845)	(8%)
Endowed Funds	32,486	31,575	911	3%
Unrestricted Funds	48%	45%		
Restricted Funds	12%	14%		
Endowed Funds	40%	41%		

The College has achieved an operating surplus on its unrestricted activities for the second successive year, amounting to £1.29m (£1.59m in 2013–14), and including a surplus on its subsidiary trading operation of £383k. This surplus represents 4.98% of total unrestricted income and falls just below the trustee's target surplus range of 5–10%. A net outflow of £1.05m in respect of activity funded from the College's restricted and endowed funds reduced the surplus to the headline figure of £247k.

Income rose to £32.1m for the year, an increase of £2.25m or 8% on the prior year with income in respect of unrestricted activities almost reaching £26m. The increase in income reflects improved performances on the prior year for the College's key revenue streams of examination fees (up 6.5%), course fees (up 6.4%), and membership subscription income (up 7%). Revenues from the College's conference activities and residential facilities continued to perform well, rising 2.9% on the prior year. These revenue streams contributed 70% of total income reported. Voluntary income rose by almost £1m to £4.74m, increasing its share of total income to 15% and investment income increased 6.2% to £2.48m, accounting for almost 8% of total income.

Expenditure reached £31.86m for 2014–15, up £2.55m and 9% on the prior year. 2014–15 saw further investment and progress made in delivering the objectives of the College's change management programme. This included the implementation of new governance arrangements, development of staff and membership engagement activities, further support for members and fellows regionally, and for the professional standards agenda, and, continued investment to deliver improved business

processes and longer term efficiencies. This additional investment has been accompanied by effective cost control and prudent management of available resources to ensure that the College continues to deliver the required level of operating surplus on its unrestricted activities and carries sufficient reserves to support and develop its charitable activities in the future. The change management programme also provided for further expenditure to progress the plans to re-develop the current estate during 2014–15.

Other increases to note include an increase of £0.93m to £3.2m in respect of research grant expenditure reflecting primarily the cost of an additional 25 research fellowships awarded in the year (see note 3). Support costs also rose by £0.55m (see note 2), but £0.36m of this is due to the inclusion of facilities cleaning services within support services costs in 2014–15. This also explains most of the decrease reported under the conference and facilities expenditure line. A new methodology to allocate support costs across the College's activities was introduced at the beginning of the 2014–15 year and this change has contributed in part to some of the increase in costs reported across all expenditure heads, and significantly so under Museums and Library. A further £0.6m of the increase reflects the impact of one-off accounting adjustments in respect of bad debt write-back and prepayments that reduced costs in the prior year (Other professional activities and Museums and Library respectively) and accruals that increased costs in this year (Education).

The College's financial statements consolidate the results and financial position of its wholly owned subsidiary, Hunter Trading Limited, that markets conference and residential facilities that are not required for the College's own use (see note 14). The company delivered an improved surplus of £383k for the year (£243k in 2013–14) reflecting the continued success in commercialising the College's space.

Net Assets

Net assets have increased by £3.94m or 5% from £77.4m to £81.29m. Net gains on investments totalled £3.69m, of which £1.84m were gains in respect of the externally managed investment portfolios, £460k was in respect of the sale of investment property that took place earlier in the year, and £1.39m was in respect of a revaluation of the College's remaining investment properties (see note 10). Both investment portfolios performed reasonably well in challenging market conditions. Capital additions totalled £1.35m (see note 5), compared with £0.5m in the previous year. The increase reflects the additional £0.5m expended to undertake the feasibility stage for the proposed redevelopment of the College's headquarters in London. While expenditure on the fabric and infrastructure of the current estate continues to be kept to a minimum pending a decision to proceed with the redevelopment of the estate, investment in IT assets continues to be prioritised. Cash and short-term deposits rose 7% or £0.5m on 2013–14 to £7.28m, boosted by the £1m property sale proceeds (see note 7). The cash balance represents 89 days' expenditure (excluding depreciation) compared to 91 days as at 30 June 2014. The College's overall current ratio stands at 1.08 for 2014–15, down from 1.2 in 2013–14.

Financial Outlook

The College's overall financial position remains positive, with unrestricted funds of £39m standing at a healthy level, but the trustees remain cognisant of the future obligation under the USS and SAUL defined benefit pension schemes that will need to be recognised in the financial statements under FRS102 from 2015–16 (refer Note 15 on Pension Schemes on p.41 of this report). It is therefore important that the College continues to develop its strategic plans and operate effective risk management processes in order to ensure that sufficient operating surpluses are achieved on its unrestricted activity on an ongoing basis and the financial health of the College is sustained and strengthened.

Details of the College's income, expenditure and financial position are provided in the financial statements from pages 25 to 43.

Reserves Policy

The College's Funds comprise unrestricted, 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 (see notes 12 and 13). The unrestricted funds are those 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 represents the net book value of the College's unrestricted tangible fixed assets. The trustees consider that these assets are essential to the implementation of the College's operational strategy and that their disposal could adversely impact on the College's ability to deliver its aims. The College held £8.2m in its fixed assets fund at 30 June 2015 (£8.0m in 2013–14).

Designated Funds

Designated funds are funds that the trustees have earmarked for specific purposes. The trustees have designated £6.4m of general funds to be held for specific purposes at 30 June 2015. £5m of funds were set aside in 2014 for the redevelopment of the RCS London headquarters planned to take place over the next 5 years and £0.5m was expended during the year on the feasibility stage. A further £1.4m of general funds were designated during 2014–15 to support the digital transformation agenda over the next few years. These funds are held as part of the College's fixed asset investments.

General Funds

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

i. Free reserves target

The trustees determine that a prudent target range for the College's free reserves is between 75% and 100% (ie between nine months and twelve months) of gross annual unrestricted expenditure. This equates to a target range of £18.5m to £24.68m for the 2014–15 year.

This range was set taking into account the following:

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

ii. General Funds at 30 June 2015

The College's general funds were £24.94m at 30 June 2015, 12% up on the prior year (£22.2m). This represents 101% (102% in 2013–14) of the 2014–15 unrestricted expenditure. Although £1.4m of general funds was designated during 2014–15 to support the digital transformation agenda, the funds have been bolstered by £2.58m of investment gains.

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

Investment Policy

The College's funds are invested with the aim of generating the annual income requirement for each fund, and maximising the total real rate of return in a risk controlled manner through the use of a diversified portfolio invested across a range of different asset classes. Diversification, risk control and capital preservation are important elements of the College's investment strategy. No direct or indirect investments in tobacco stocks are permitted. All the funds are invested in a way that gives the College access to capital within a short period of time, should this be necessary, and, subject to the endowed status of the fund where applicable.

The management of the College's restricted and endowed investments was transferred from Newton Investment Management to Sarasin & Partners in the early part of 2014–15. Cazenove Capital Management continued to manage the unrestricted investment portfolio.

Investment Performance

Both portfolios performed well over the 12 months in terms of capital growth, but performance was dampened by the stock market turmoil in the final month of the year in response to the uncertainty surrounding the Greek debt crisis and both saw a correction to their overall market value by the year end. The return net of fees on the unrestricted funds ended +2.2%, and the return on restricted and endowed funds was +3.1%. With inflation running close to zero for most of the year, both funds delivered real returns.

The investment income performance was generally good for both portfolios, with £1.4m generated from the unrestricted investment portfolio (£1.2m in 2013–14) and £1.1m from the endowed and restricted portfolio (£1.14m in 2013–14).

Total Return Accounting

The College adopted Total Return Accounting for its permanently endowed funds during the 2014–15 financial year. 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 College seeks to preserve the value of its endowments in real terms over the medium to long term. A target spending rate of between 3.5% and 4.5% of the value of the endowments is considered achievable without diminishing the value of the portfolio in real terms and represents the College's best estimate of the long term real rate of return on the endowments. This target range is kept under review to ensure that it remains appropriate.

A total of £948k was applied in the year, and together with investment management fees of £156k, the total applied from the endowed funds was £1.1m. This represents an application of 3.5% in 2014–15 and is at the lower range of the approved target spending rate.

Risk Management

The trustees acknowledge their responsibility for ensuring adequate levels of risk management and internal control. This is supported by the College's annual business plan and four-year strategic plan. A risk register is in place and is regularly reviewed. Internal financial controls fulfil the Charity Commission guidelines in all material respects and are supported by robust budgetary and management accounting processes.

Corporate Trustee Responsibilities

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

Colledge Family Memorial Fellowship Trust

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

The value of The Colledge Family Memorial Fellowship Trust endowed fund at 30 June 2015 is £2.57m (£2.52m at 30 June 2014) and its restricted fund is £25k (£74k at 30 June 2014).

EAJ Gray Will Trust

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

The value of the Trust's fund at 30 June 2015 was £0.13m (£0.1m at 30 June 2014). There is no requirement for the financial statements of the trust to be audited.

Other Trustee Responsibilities

The Sir Ratanji Dalal Research Scholarship Fund

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

The trustees approved a change in the accounting date from 22 September to 30 June and accounts have therefore been prepared for the period 23 September 2014 to 30 June 2015.

The value of the Sir Ratanji Dalal Research Scholarship endowed Fund was £0.7m at 30 June 2015 (£0.68m at 22 Sept 2014) and its restricted fund was £14k (£29k at 22 Sept 2014). The financial statements are audited by Crowe Clark Whitehill LLP.

Statement of Trustees' Responsibilities

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

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

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

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

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity and the group and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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

Signed on behalf of the members of the Board of Trustees on 9 October 2015.

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

Mr S Cannon
Vice-President of Council
Member of the Board of Trustees

Independent Auditor's Report

To the trustees of The Royal College of Surgeons of England

We have audited the financial statements of The Royal College of Surgeons of England for the year ended 30 June 2015 set out on pages 25 to 43. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the charity's trustees, as a body, in accordance with section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

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

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the affairs of the charity and the group as at 30 June 2015, and of the group's incoming resources and application of resources for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

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

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

Crowe Clark Whitehill LLP Statutory Auditor, London

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

Consolidated Statement of Financial Activities

for the year ended 30 June 2015

	NOTES	Unrestricted Funds £000	Restricted Funds £000	Endowed Funds £000	Total Funds 2015 2014 £000 £000	
INCOMING RESOURCES						
Voluntary						
Donations and gifts		63	1,568	-	1,631	1,630
Legacies		300	322	-	622	596
Grants		12	2,477	-	2,489	1,674
Charitable activities						
Courses		6,124	-	-	6,124	5,757
Examinations		4,736	-	-	4,736	4,447
Subscriptions		6,508	-	-	6,508	6,079
Charges and sales		1,815	688	-	2,503	2,470
Activities to generate funds						
Residential, conference and other		5,006	-	-	5,006	4,865
Investment income		1,409	147	927	2,483	2,338
TOTAL INCOMING RESOURCES		25,973	5,202	927	32,102	29,856
RESOURCES EXPENDED						
Cost of generating funds						
Fundraising costs		349	-	-	349	326
Residential, conference and other		3,551	235	-	3,786	4,232
Investment management fees		102	90	156	348	263
		4,002	325	156	4,483	4,821
Charitable expenditure						
Education and courses		5,436	913	-	6,349	6,083
Standards, regulation and examinations		7,976	329	-	8,305	8,027
Research grants	3	-	3,208	-	3,208	2,281
Clinical Effectiveness Unit and other projects		-	1,713	-	1,713	1,506
Museums and library		2,297	441	-	2,738	2,183
Communications and publications		1,952	18	-	1,970	1,974
Other professional activities		2,394	73	-	2,467	1,844
		20,055	6,695	-	26,750	23,898
Governance costs		622	-	-	622	590
TOTAL RESOURCES EXPENDED		24,679	7,020	156	31,855	29,309
NET INCOMING/ (OUTGOING) RESOURCES						
		1,294	(1,818)	771	247	547
Application of Total Return	13	-	948	(948)	-	-
NET INCOMING/ (OUTGOING) RESOURCES AFTER TRANSFERS		1,294	(870)	(177)	247	547
Net gains on investments	10	2,577	25	1,088	3,690	2,714
NET MOVEMENT IN FUNDS FOR THE YEAR		3,871	(845)	911	3,937	3,261
Funds brought forward at 1 July		35,140	10,640	31,575	77,355	74,094
FUNDS CARRIED FORWARD AT 30 JUNE		39,011	9,795	32,486	81,292	77,355

The notes to the financial statements are on pages 28 to 43.

Consolidated Balance Sheet

as at 30 June 2015

	NOTES	Unrestricted Funds £000	Restricted Funds £000	Endowed Funds £000	Total Funds 2015 2014 £000 £000	
Fixed assets						
Tangible fixed assets	5	8,177	2,549	-	10,726	11,346
Investments	10	34,084	3,229	32,472	69,785	64,241
		42,261	5,778	32,472	80,511	75,587
Current assets						
Stock		173	-	-	173	272
Debtors	6	4,204	1	178	4,383	4,339
Cash and short-term deposits	7	3,229	4,026	20	7,275	6,782
		7,606	4,027	198	11,831	11,393
Current liabilities						
Amounts falling due within one year:						
Other creditors and accrued expenses	8	(5,195)	(10)	(184)	(5,389)	(4,646)
Income received in advance		(5,563)	-	-	(5,563)	(4,907)
		(10,758)	(10)	(184)	(10,952)	(9,553)
Net Current Assets/ (Liabilities)		(3,152)	4,017	14	879	1,840
Long-term liabilities						
Amounts falling due after more than one year:						
Other creditors	8	(98)	-	-	(98)	(72)
NET ASSETS		39,011	9,795	32,486	81,292	77,355
Represented by:						
Unrestricted funds:						
Fixed assets fund		8,177	-	-	8,177	7,952
Designated funds		5,894	-	-	5,894	5,000
General funds		24,940	-	-	24,940	22,188
Total unrestricted funds	11	39,011	-	-	39,011	35,140
Restricted and endowed funds	12/13	-	9,795	32,486	42,281	42,215
TOTAL FUNDS		39,011	9,795	32,486	81,292	77,355

The notes on pages 28 to 43 form part of these financial statements.

The balance sheet of the parent charity is identical to the consolidated balance sheet presented above except that debtor and creditor amounts falling due within one year, and current assets and current liabilities totals are higher by £383k (2014: £243k), which represents the amount of surplus gifted from the trading subsidiary.

Approved on behalf of the members of the Board of Trustees and authorised for issue on 9 October 2015.

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

Mr S Cannon
Vice-President of Council
Member of the Board of Trustees

Consolidated Cashflow Statement

for the year ended 30 June 2015

	NOTES	Unrestricted Funds	Restricted Funds	Endowed Funds	Total Funds	
		£000	£000	£000	2015	2014
		£000	£000	£000	£000	£000
Net cash inflow/(outflow) from operating activities	(A)	3,290	(955)	1,359	3,694	2,118
Net cash outflow from capital expenditure and financial investment	(B)	(309)	(623)	(2,269)	(3,201)	(1,796)
Management of liquid resources	(C)	(20)	(6)	-	(26)	(36)
INCREASE/(DECREASE) IN CASH IN THE YEAR	(D)	2,961	(1,584)	(910)	467	286
(A) Operating activities						
Net incoming/ (outgoing) resources for the year before revaluations		1,294	(1,818)	771	247	547
Depreciation		1,122	845	-	1,967	2,070
(Increase)/ decrease in stocks		99	-	-	99	(12)
(Increase)/ decrease in debtors		(456)	8	404	(44)	(172)
(Decrease)/ increase in creditors		1,231	10	184	1,425	(315)
Net cash inflow/ (outflow) from operating activities		3,290	(955)	1,359	3,694	2,118
(B) Capital expenditure and financial investment						
Net payments to acquire tangible fixed assets		(1,347)	-	-	(1,347)	(443)
Payments to acquire investments		(5,896)	(3,258)	(40,619)	(49,773)	(40,230)
Receipts from sales of investments		6,934	1,687	39,298	47,919	38,877
Application of Total Return		-	948	(948)	-	-
Net cash outflow from capital expenditure and financial investment		(309)	(623)	(2,269)	(3,201)	(1,796)
(C) Management of liquid resources						
Increase in short term deposits		20	6	-	26	36
(D) Reconciliation of net cash flow to movements in net funds						
Increase/(decrease) in cash in the year		2,961	(1,584)	(910)	467	286
Increase in short term deposits		20	6	-	26	36
Movement in net funds during year	a	2,981	(1,578)	(910)	493	322
Net funds brought forward at 1 July		3,760	1,697	1,325	6,782	6,460
Re-stated for re-classification of funds		(3,512)	3,907	(395)	-	-
Restated Net funds brought forward at 1 July	b	248	5,604	930	6,782	6,460
Net funds carried forward at 30 June	a+b	3,229	4,026	20	7,275	6,782

Notes to the Financial Statements

for the year ended 30 June 2015

1. Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value, and in accordance with the Statement of Recommended Practice for Accounting and Reporting by Charities 2005 (SORP), applicable United Kingdom Generally Accepted Accounting Practice (GAAP) and the Charities Act. The financial statements have been prepared on a going concern basis as the trustees consider that the College has adequate resources to continue in operational existence for the foreseeable future.

Basis of Consolidation

The financial statements consolidate the financial statements of the Royal College of Surgeons of England and of its subsidiary undertaking, Hunter Trading Ltd, for the financial year ended 30 June 2015. Inter-group transactions are eliminated on consolidation.

Incoming Resources

- i. Course and examination fees are recognised in the financial statements in the period in which the relevant course and examination takes place.
- ii. Membership subscription fees are included on an accruals basis.
- iii. Grant income is included on a receivables basis.
- iv. Income from general and specific donations and legacies is credited in full in the year in which it is received.
- v. Grants or donations received in respect of fixed asset expenditure are treated as deferred capital grants and released in line with the depreciation of the fixed asset.
- vi. 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.
- vii. Investment income is credited on a receivables basis

Resources Expended

- i. All expenditure except for support costs is attributed directly to each activity undertaken
- ii. Support costs are allocated to activities on a basis consistent with the use of these resources:
 - Building services costs are charged to departments and faculties based upon area occupied.
 - Portering and Cleaning services, Finance, IT and Human Resources costs are allocated based on the number of full-time equivalent staff.
- iii. Overheads in relation to grant-funded projects are charged, where appropriate, on the basis of their activity.
- iv. Grants payable are charged in full in the period in which the recipients are notified of their award.
- v. Fundraising costs comprise the costs incurred in encouraging others to make voluntary contributions to the College and its activities
- vi. Governance costs comprise those costs incurred in relation to the overall strategic management of the College and the costs of compliance with statutory requirements.

Taxation

- i. The College is a registered corporate charity and as such is exempt from taxation on its income and gains to the extent that they are applied for its charitable purposes.
- ii. The College's wholly owned subsidiary, Hunter Trading Ltd., is liable to corporation tax, but all profits earned on its trading operations are gifted each year to the College.
- iii. The College is partially exempt for the purposes of VAT and is only able to reclaim a percentage element of VAT charged on goods and services purchased.

Tangible Fixed Assets

- i. Freehold land and buildings are stated in the balance sheet at historic cost and are not depreciated. The College has a policy of maintaining them in such a condition that their value, taken as a whole, is not impaired by the passage of time, any provision for depreciation would not be material, and the buildings are worth at least their book value.
- ii. Capital projects which are not completed at the year-end are shown as "Work in progress" and are not depreciated.
- iii. Refurbishments and plant are capitalised and depreciated over 10 years.
- iv. Expenditure on equipment, furniture and fixtures and fittings less than £1,000 is written off to the income and expenditure account in full in the year of acquisition.
- v. Expenditure on equipment, furniture and fixtures and fittings greater than £1,000 is capitalised and depreciated from the date of acquisition of the asset over an expected useful life of 4 years.
- vi. Assets acquired with the aid of specific grants are capitalised and depreciated as above and the related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Heritage Assets

- i. Individual objects, collections, specimens or structures with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture are termed heritage assets.
- ii. The College's heritage assets comprise mainly the numerous specimens and artefacts collected by John Hunter in the 1700s and presented to the College in 1799. These are held in the Hunterian Museum. The College is by law the proprietor of these specimens and the Hunterian trustees have a duty to ensure that the College maintains the specimens and does not dispose of them. The College also owns historic books related to surgery and medicine which were bequests in the 19th Century and are preserved and maintained in the library and are not to be disposed of.
- iii. No value has been attributed to the College's heritage assets in the Balance Sheet on the grounds that the trustees consider there is no reliable method of establishing historic cost information for these artefacts and that the costs of valuation would be disproportionate to the benefit of the resultant information.
- iv. No heritage assets have been purchased or disposed of by the College in the last five years.
- v. The College received some donated heritage assets in this accounting period but none are deemed to have an individual value greater than £1,000.

Investments

- i. Fixed asset investments are stated at market value in the balance sheet.
- ii. 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.

Stock

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

Pension Arrangements

- i. The College contributes to four pension schemes on behalf of its employees: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL), Standard Life and also the NHS Pension Scheme.
- ii. The USS, SAUL and the NHS Pension Schemes are multi-employer schemes. It is not possible to identify the College's share of the underlying assets and liabilities and, therefore, as required by FRS 17, the College accounts for these schemes as if they were defined contribution schemes.
- iii. The College contributes also to a defined contribution scheme with Standard Life, which was set up for employees in 2014.
- iv. The pension costs charged to the income and expenditure account represent the contributions payable for the accounting period in respect of all four schemes in accordance with FRS17.

Funds

- i. Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general charitable objectives of the College.
- ii. Designated funds are unrestricted funds that have been designated by the trustees to be applied for specific purposes in the future.
- iii. Fixed assets funds represent the net book value of the College's unrestricted tangible fixed assets which the trustees consider are essential to the implementation of the College's operational strategy and that their disposal could adversely impact on the College's ability to deliver its aims.
- iv. Restricted funds represent donations, legacies, or other grants, given to the College for specific purposes to be expended in accordance with the terms of the donation, legacy or grant.
- v. Endowed funds represent donations or legacies given to the College, the terms of which stipulate that the original capital cannot be spent. The funds are invested to generate an income and capital growth which can then be expended in accordance with the purposes stated by the donor.

2. Resources Expended

	Direct Costs	Grants Made	Allocated Support Costs	Total 2015	Total 2014
	£000	£000	£000	£000	£000
Cost of generating funds					
Fundraising costs	295	-	54	349	326
Residential, conference & other trading costs	2,610	-	1,176	3,786	4,232
Investment management fees	348	-	-	348	263
	3,253	-	1,230	4,483	4,821
Charitable expenditure					
Education and courses	5,480	-	869	6,349	6,083
Standards, regulation and examinations	7,128	-	1,177	8,305	8,027
Research grants	538	2,567	103	3,208	2,281
Clinical Effectiveness Unit and other projects	1,500	-	213	1,713	1,506
Museums and library	1,742	-	996	2,738	2,183
Communications and publications	1,676	-	294	1,970	1,974
Other professional activities	1,885	-	582	2,467	1,844
	19,949	2,567	4,234	26,750	23,898
Governance	556	-	66	622	590
Resources Expended Total	23,758	2,567	5,530	31,855	29,309

Governance costs

The following auditor's remuneration is included within governance costs:

	2015	2014
	£000	£000
Audit fees – parent charity	44	42
Audit fees - Hunter Trading Ltd	4	4
Other services	9	9
	57	55

Allocated Support Costs

Support costs total £5.53m for 2014–15 and comprise Building services, Internal services including portering and cleaning, Finance and IT services, and Human Resources. A new methodology for allocating support costs was introduced at the beginning of the 2014–15 financial year based upon space occupied and numbers of full-time equivalent staff of the College's various departments, directorates and faculties. The previous method was based on a department's expenditure as a percentage of total expenditure. The cost of cleaning services was not included in the total support costs allocated in 2013–14. Given the timing and the cost involved, it was not felt necessary to restate the comparatives for this updated allocation. The allocation method and cost of each support service is summarised below:

Support Services	Allocation Basis	2015	2014
		£000	£000
Building Services	Space occupied	1,850	1,720
Internal Services incl. portering & cleaning	Full-Time Equivalent Staff	975	621
Human Resources	Full-Time Equivalent Staff	733	515
Finance Services	Full-Time Equivalent Staff	582	674
IT services	Full-Time Equivalent Staff	1,390	1,449
		5,530	4,979

3. Research Grants

	2015	2014
	£000	£000
Total Expenditure for the year	3,208	2,281
Expenditure comprises:		
Research fellowships	2,538	1,752
Surgical Trials Units	290	144
Administration	351	310
Travelling fellowships & other projects	29	75

The total number of research fellowships awarded in 2014–15 was 65 (2013–14: 40) and 17 travel awards were given (2013–14: 13). During the year, grants of £413k (£469k in 2013–14) 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. The liabilities in respect of research fellowships at 30 June 2015 were £1,052k (2013–14: £667k).

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

4. Staff Expenditure

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

	2015	2014
	No.	No.
Finance and IT Services	30	30
Centre for Evidence in Transplantation	2	3
Clinical Effectiveness Unit	12	15
Communications	21	23
Development	4	3
Education	33	36
Dental & Surgical Examinations	21	18
Executive Office	5	5
Faculty of Dental Surgery	17	16
Faculty of General Dental Practice (UK)	25	21
Joint Committee on Surgical Training	23	22
Internal Services	62	61
International Affairs	2	2
Professional and Clinical Standards	45	41
Research	7	5
Total	309	301

The average number of staff employed during the year was 300 (2014: 280).

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

	2015	2014
	£000	£000
Salaries and wages	10,159	9,586
Social security costs	891	851
Pension costs	1,354	1,143
Total	12,404	11,580

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

	2015	2014
	No.	No.
£60,000 - £70,000	7	4
£70,001 - £80,000	9	5
£80,001 - £90,000	3	3
£90,001 - £100,000	1	2
£100,001 - £110,000	-	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	-
£130,001 - £140,000	1	1

At 30 June 2015, 20 of the above employees were members of the USS pension scheme (2014: 12) and 1 was a member of the NHS pension scheme (2014: 1). There were 2 employees in the previous year who were not members of either scheme.

5. Tangible Fixed Assets

	Freehold properties	Furniture, fittings and vehicles	Refurbishment and Plant	Computer equipment	Work in progress	2015 Total
	£000	£000	£000	£000	£000	£000
Cost:						
At 1 July 2014	3,352	1,328	25,283	3,192	65	33,220
Additions during the year	-	34	346	242	725	1,347
Disposals during the year	-	-	-	-	-	-
Transfers	-	6	10	-	(16)	-
At 30 June 2015	3,352	1,368	25,639	3,434	774	34,567
Depreciation:						
At 1 July 2014	-	1,037	17,952	2,885	-	21,874
Charge for the year	-	112	1,656	199	-	1,967
At 30 June 2015	-	1,149	19,608	3,084	-	23,841
Net Book Value:						
At 30 June 2014	3,352	291	7,331	307	65	11,346
At 30 June 2015	3,352	219	6,031	350	774	10,726

	Unrestricted funds	Restricted funds	Endowed funds	Total 2015	Total 2014
	£000	£000	£000	£000	£000

6. Debtors

Trade debtors	2,158	-	-	2,158	1,780
Prepayments	407	-	-	407	343
Other debtors including taxation	1,639	1	178	1,818	2,216
	4,204	1	178	4,383	4,339

7. Cash and Short-term Deposits

Cash in hand	7	-	-	7	7
Current and instant access accounts	3,222	4,026	20	7,268	6,775
	3,229	4,026	20	7,275	6,782

8. Creditors and Accrued Expenses

Amounts falling due within one year:

Trade creditors	1,250	-	-	1,250	875
Taxation	271	-	-	271	275
Other creditors and accruals	3,674	10	184	3,868	3,496
	5,195	10	184	5,389	4,646

Amounts falling due after more than one year:

Other creditors and accruals	98	-	-	98	72
	98	-	-	98	72

9. Income Received in Advance

	Unrestricted funds £000	Restricted funds £000	Endowed funds £000	Total 2015 £000	Total 2014 £000
Brought forward at 1 July	4,907	-	-	4,907	4,645
Received during the year	26,629	5,202	927	32,758	30,118
Taken as income during the year	(25,973)	(5,202)	(927)	(32,102)	(29,856)
Carried forward at 30 June	5,563	-	-	5,563	4,907

10. Investments

Quoted securities at market value	28,626	3,218	31,616	63,460	54,212
Deposits with Investment Managers	2,696	11	856	3,563	8,159
Investment properties at market value	2,762	-	-	2,762	1,870
Market value at 30 June	34,084	3,229	32,472	69,785	64,241

Movements in the year:

Market value at 1 July	29,033	5,540	29,668	64,241	60,174
Re-stated for re-classification of funds	3,512	(3,907)	395	-	-
Market value at 1 July restated	32,545	1,633	30,063	64,241	60,174
Additions	5,896	3,258	40,619	49,773	40,230
Disposals	(6,934)	(1,687)	(39,298)	(47,919)	(38,877)
Net gain during the year	2,577	25	1,088	3,690	2,714
Market value at 30 June	34,084	3,229	32,472	69,785	64,241
Cost at 30 June	25,335	7,287	31,203	63,825	61,925

At 30 June 2015, the market value of UK investments held was £53.3m (2014: £48.55m) and the market value of overseas investments held was £16.5m (2014: £15.69m). The College sold its investment properties in Earls Court for £1m. The carrying value of these assets at 30 June 2014 was £500k and the sale realised a net gain of £460k after fees. A full valuation of the College's remaining investment properties at 50 Lincoln's Inn Fields was carried out as at 30 June 2015 by Chestertons. The carrying value of these assets at 30 June 2014 was £1.37m. The properties were valued at £2.762m giving rise to an unrealised gain of £1.392m.

At 30 June 2015, the total market value of investments held with the College's investment managers was £67m. Between the balance sheet date of 30 June 2015 and 30 September 2015, the market value of these investments fell just over 5% (£3.45m) to £63.6m.

11. Unrestricted Funds

	2015 £000	2014 £000
Fixed assets fund	8,177	7,952
Designated funds	5,894	5,000
General funds	24,940	22,188
Total unrestricted funds	39,011	35,140

The trustees designated £5m of unrestricted funds in 2014 to support the planned redevelopment of the College's headquarters. £506k of this was utilised in the year to finance a feasibility study and the associated costs have been capitalised and disclosed as "work in progress" under tangible fixed assets. The designated fund has been reduced to reflect the expenditure in the year and the costs are now matched by the fixed assets fund. £4.494m remains available at 30 June 2015 to support the redevelopment plans. The trustees designated a further £1.4m in 2015 to support the digital transformation agenda taking place over the next few years.

12. Restricted Funds

	2014 £000	Increase £000	Decrease £000	2015 £000
Trust Funds	3,130	812	(679)	3,263
Grants and Donations	7,510	4,415	(5,393)	6,532
Total Restricted Funds	10,640	5,227	(6,072)	9,795

The College has 26 trust funds and their position is set out below by fund:

Research Trust Funds:

Modi Fund	485	16	(74)	427
Mr Sorab J Lam Legacy	497	16	(88)	425
Dunhill Medical Trust	151	211	-	362
Blond McIndoe (Joint Fund with Education)	366	12	(143)	235
Surgical Research Fund	210	74	(86)	198
Ethicon Travelling Fellowship	174	10	(10)	174
DBP Surgical Trust Fund	138	4	-	142
Miss Carol Rummey Legacy	143	4	(12)	135
RCSE Fellows Fellowship Fund	65	62	-	127
Black Legacy	-	77	-	77
Fletcher Legacy	33	41	-	74
Guyatt Legacy	63	2	-	65
The Arthritis Research Trust	202	6	(147)	61
Rex & Jean Lawrie O/S Fund	66	1	(21)	46
Preiskel Fund	42	2	(1)	43
Cutner Legacy	34	1	(1)	34
Shrimpton Fund	30	1	-	31
Starritt Legacy	26	-	(4)	22
Curry Legacy Damage/Pain	11	-	-	11
Far East HK Masonic Association	8	-	-	8
Denker Legacy	4	3	-	7
Clarke Legacy	4	-	-	4
Ethicon Research Fund	1	-	-	1

Education & Training Trust Funds:

E&T Haddock Legacy	250	262	(91)	421
--------------------	-----	-----	------	-----

Faculty of Dental Surgery Funds:

J W Mclean Fund	124	7	(1)	130
-----------------	-----	---	-----	-----

Faculty of General Dental Practice (UK) Funds:

Research Fund (FGDP(UK))	3	-	-	3
Total Trust Funds	3,130	812	(679)	3,263

	2014 £000	Increase £000	Decrease £000	2015 £000
Grants and Donations are summarised as follows:				
Grants and Donations:				
Education Centre Refurbishment	3,229	-	(696)	2,533
PCCT Transplant Fellowships	523	-	(12)	511
Cosmetic Surgery Project	73	316	(157)	232
Surgical Trials Units	238	242	(290)	190
FDS-ORE Contract Activity	109	43	-	152
eLearning for Healthcare	168	45	(65)	148
CEU-Bowel Cancer Study	21	191	(70)	142
National Prostate Cancer Audit	91	310	(263)	138
FDS-NAC	108	52	(23)	137
GALESKI TRAVEL FELLOWSHIP	156	-	(32)	124
National Vascular Registry	19	418	(325)	112
Other balances < £100,000	2,775	2,798	(3,460)	2,113
Total Grants and Donations	7,510	4,415	(5,393)	6,532
TOTAL RESTRICTED FUNDS	10,640	5,227	(6,072)	9,795

13. Endowed Funds

	Unapplied Total Return £000	Permanent Capital £000	Total Endowment £000
Balance 1 July 2014	18,315	13,260	31,575
Adjustment under Charity Commission scheme orders	(1,691)	1,691	-
Revised Funds Brought Forward	16,624	14,951	31,575
Investment Income	927	-	927
Investment Gains	1,088	-	1,088
Total income and Gains	2,015	-	2,015
Application of total return	(948)	-	(948)
Investment Management Fees	(156)	-	(156)
Total application and fees	(1,104)	-	(1,104)
Net movement in year	911	-	911
TOTAL ENDOWED FUNDS	17,535	14,951	32,486

A total of £2.5m was borrowed from three of the College's permanent endowed funds under four Charity Commission Schemes over the period from 2003–04 to 2009–10 to fund two capital projects, the Eagle project and the Hunterian Museum project. At 30 June 2015, a total of £1.576m was still due to be recouped under the Charity Commission Schemes.

Under total return accounting, for three of the four schemes, the net investment gains at the date the funds were released were sufficient to finance the full value of the original loans and therefore the permanent capital was not drawn down.

For the remaining scheme, a proportion of the original permanent capital was drawn down, but the repayments actioned to the end of June 2013, the year before the adoption of total return accounting, had exceeded the amount borrowed. It is deemed, therefore, that there is no further recoupment necessary in respect of all four schemes and approval will be sought from the Charity Commission for the schemes to be formally annulled.

The balances brought forward at 1 July 2014 have therefore been re-stated to remove the 2013–14 recoupment adjustment of £1.691m in respect of the four Charity Commission Scheme orders and reflect the above position.

Details of the individual schemes are summarised below:

1. MacRae–Webb–Johnson Fund

In 2003–04, £600k was transferred from the MacRae–Webb–Johnson's endowed fund to its restricted fund to support the Hunterian Museum Project. The net investment gains at the date of transfer amounted to £843k, and a total of £264k had been recouped under the scheme by 30 June 2015.

2. President's Finch Fund

In 2006–07, £1.1m was transferred from the President's endowed Finch Fund to its restricted fund to support the Eagle Project. The net investment gains at the date of transfer were £804k and therefore £296k of the permanent capital was drawn down. A total of £440k had been recouped under the scheme by 30 June 2015.

3. RCSE Education Fund

In 2008–09, £400k was transferred from the Education endowed fund to its restricted fund to support the Eagle Project. The net investment gains at the date of the transfer amounted to £3,248k and a total of £140k had been recouped under the scheme by 30 June 2015.

4. RCSE Education Fund

In 2009–10, a further £400k was transferred from the Educational Fund to support the Eagle Project. The net investment gains at the date of this transfer amounted to £2,136k and a total of £80k had been recouped under the scheme by 30 June 2015.

The College has 22 endowed funds and the 2014–15 position is set out below by fund:

ENDOWED FUND NAME	Unapplied Total Return 2014	Income and Gains	Applied Total Return	Investment Fees	Unapplied Total Return 2015	Permanent Capital	2015 Total
	£000	£000	£000	£000	£000	£000	£000
RCSE Research Fund	4,278	514	(399)	(40)	4,353	3,784	8,137
RCSE Education Fund	3,400	361	(149)	(28)	3,584	2,262	5,846
RCSE Cancer Research Fund	2,194	254	(158)	(20)	2,270	1,756	4,026
Dental Science Research Fund	1,428	156	(118)	(12)	1,454	1,016	2,470
Presidents Finch Fund	114	142	(2)	(11)	243	2,108	2,351
Rank Chair Physics in Surgery	1,060	133	3	(10)	1,186	955	2,141
RCSE Library Fund	964	114	(61)	(9)	1,008	833	1,841
M-W Johnson for Hunterian	640	71	14	(5)	720	425	1,145
RCSE Biochemical Research Fund	483	54	(32)	(4)	501	374	875
HS Morton Travelling Fellowship	274	30	(1)	(2)	301	200	501
Groves Bequest for Museum	309	29	(17)	(2)	319	161	480
George Qvist for Hunterian	246	29	(15)	(2)	258	209	467
Moser Trust (FDS)	261	27	(1)	(2)	285	173	458
John Kinross Fund Fellowship	215	20	(1)	(2)	232	104	336
RCSE Prize Fund	203	16	(1)	(1)	217	61	278
Sims Commonwealth Travelling Fellowship	111	13	-	(1)	123	106	229
Witt Fund	29	13	(2)	(1)	39	182	221
Commemoration Fund (FDS)	99	10	(1)	(1)	107	66	173
RCSE Scholarship Fund	97	9	-	(1)	105	51	156
Darlow Fellowship Fund	62	7	(4)	(1)	64	67	131
Rishworth Fund for Annals	70	7	-	(1)	76	50	126
RCSE Museum Fund	87	6	(3)	-	90	8	98
TOTAL ENDOWED FUNDS	16,624	2,015	(948)	(156)	17,535	14,951	32,486

8 of the 22 funds have closing balances greater than £1m, amounting to £27.96m of the £32.49m of funds at 30 June 2015. A brief description of the purposes of each fund is provided below:

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

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

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

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

5. Presidents Finch Fund: income to be applied for charitable purposes which will be of service for the welfare and advancement of the Science and Art of Surgery.

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

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

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

The remaining 14 funds with balances of less than £1 million, and amounting to £4.53m, are summarised under the following categories:

Research funds

RCSE Biochemical Research Fund

Darlow Fellowship Fund

Scholarship and Prize Funds

RCSE Prize Fund

RCSE Scholarship Fund

Witt Fund

Travelling Fellowship Funds

HS Morton Travelling Fellowship

Sims Commonwealth Travel F/S

Faculty of Dental Surgery Funds

Commemoration Fund (FDS)

Moser Trust (FDS)

Museum funds

RCSE Museum Fund

Groves Bequest for Museum

George Qvist for Hunterian

Other Funds

Rishworth Fund for Annals

John Kinross Fund

14. Hunter Trading Limited

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

	2015	2014
	£000	£000
Profit & Loss Account		
Income	3,605	3,418
Expenditure	3,222	3,175
Profit before tax	383	243
Profits gifted to RCS	(383)	(243)
Result for the Year	-	-
Balance Sheet		
Debtors	383	243
Creditors: amounts falling due within one year	(383)	(243)
Net assets	-	-

The net assets at 30 June 2015 are £1 (2014: £1) represented by £1 of called up share capital.

15. Pension Schemes

The College participates in the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL), both multi-employer defined benefit schemes that are externally funded and contracted out of the State Second Pension (S2P), and also contributes to the National Health Service Pension Scheme, a statutory unfunded multi-employer defined benefit scheme, and a defined contribution scheme set up with Standard Life. Of the College's 309 employees at 30 June 2015 (2014: 301), 157 were members of USS (2014: 159), 62 were members of SAUL (2014: 31), 53 were members of Standard Life (2014: 71) and 4 were members of the NHS Pension Scheme (2014: 4).

USS and SAUL defined benefit schemes

USS and SAUL are "last man standing" schemes which mean that in the event that a participating employer member becomes insolvent the amount of pension shortfall in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. The assets of the schemes are held in separate trustee-administered funds. Employers are required to pay a specified percentage of payroll costs to the schemes to fund the benefits payable to member employees.

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

The last audited triennial actuarial valuations were at 31 March 2011 and both USS and SAUL schemes reported funding shortfalls at this date. Both schemes are now in the process of finalising the latest actuarial valuations at 31 March 2014. Initial findings showed that the funding shortfall of each scheme had increased significantly and both schemes entered into extensive consultation processes during 2015 to agree recovery plans to address the funding shortfalls. Further details on the current funding shortfall of the schemes and the deficit recovery plans are provided below under the relevant scheme heading.

Accounting for defined benefit schemes

The reporting of pension schemes in the financial statements is currently governed by FRS 17. This states that a contingent liability exists in the event that a defined benefit scheme is in deficit and there is an agreed recovery plan to address this. However, the standard states that, where it is not possible to identify the employer's share of the underlying assets and liabilities of a multi-employer scheme on a consistent and reasonable basis, the employer should account for the scheme as if it were a defined contribution scheme and only report the contributions payable in respect of the accounting period. The employer is therefore not required to recognise a contingent liability. This is the basis upon which the College's current financial statements have been prepared.

The introduction of the new UK Financial Reporting Standard, FRS102, for accounting periods beginning on or after 1 January 2015, brings a critical change to the current pension scheme disclosures. The standard requires that, where employers participating in multi-employer defined benefit schemes have entered into an agreement to make additional contributions to finance a scheme's deficit, they must recognise their share of the liability for the contributions payable under this agreement and the resulting expense in the income and expenditure account. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. The College is currently looking at the available information and guidance on an appropriate methodology for calculating the value of its liability in respect of USS and SAUL that will need to be recognised in its financial statements with effect from the 2015–16 financial year.

Update on the funding position of Universities Superannuation Scheme (USS)

(This note is based upon information provided by USS).

The College currently pays a contribution rate of 16% to fund the benefits payable to the College's USS members at a total cost of £1.042m in 2014–15 (2013–14: £0.957m). No contributions were outstanding at the balance sheet date.

At the 31 March 2011 triennial actuarial valuation date, the assets of the scheme were valued at £32.4bn and the scheme's technical provisions at £35.3bn indicating a shortfall of £2.9bn, with the assets sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The latest information on the scheme's deficit based upon existing benefit arrangements and using assumptions consistent with FRS17 showed that this shortfall had increased to £13.9bn at 31 March 2014 (75% funding level). This substantial increase is due to a number of factors, the most significant being a change to the scheme's assumption in respect of future investment returns, which are expected to be lower in future, and a change in the investment strategy away from equities to fixed return investments in order to reduce investment risk and ensure that the reliance on employer support is held at current levels. A further key factor is the change to members' projected life expectancy assumptions between the two valuation dates. USS has reported that the funding shortfall has since increased to £18.6bn at 31 March 2015 (72% funding level).

USS used the following assumptions in the 2014 and 2015 shortfall calculations:

Key assumptions	31-Mar-14 Projection	31-Mar-15 Projection
Discount rate	4.50%	3.30%
Pensionable salary growth	4.40%	3.5% in year 1 and 4.0% thereafter
Price inflation (CPI)	2.60%	2.20%
Improvement in long-term mortality rates	1.25%	1.50%

At the time of writing, a deficit recovery plan has been agreed and the final form of changes to future benefits effective from 1 April 2016 has been decided upon. These confirm an increase in the employer contribution rate from 16% to 18% with effect from 1 April 2016. The 2014 valuation is now finalised and signed off by the scheme actuary and is currently being audited by the scheme auditor. The scheme's funding position at the 2014 valuation date has therefore been re-assessed to take into account the revised benefit structure. This now shows a shortfall in respect of past service of £5.3bn, with the assets valued at £41.6bn and the scheme's technical provisions at £46.9bn, providing an improved funding level of 89% and reflecting primarily the beneficial impact of the removal of the final salary link. The recovery plan agreed will pay off this shortfall by 31 March 2031.

The next triennial valuation will take place no later than 31 March 2017 and if experience up to this date is in line with the assumptions made for the 2014 valuation, the shortfall is projected to be £5bn, equivalent to a funding level of 91%.

Update on the funding position of the Superannuation Arrangements of the University of London (SAUL)

(This note is based upon information provided by SAUL).

The College pays a contribution rate of 13% to fund the benefits payable to the College's SAUL members at a total cost of £154.2k in 2014–15 (2013–14: £102.2k). No contributions were outstanding at the balance sheet date.

At the 31 March 2011 triennial actuarial valuation date, the assets of the scheme were valued at £1.506m, and the technical provisions at £1.4307m, indicating a shortfall of £75,000 and a funding level of 95%. The following assumptions were used to assess the technical provisions:

Key assumptions	31-Mar-11	Notes
Discount rate: pre-retirement	6.80% p.a.	
Discount rate: post-retirement	4.70% p.a.	
General Salary Increases	3.75% p.a.	Until 31 March 2014 and 4.5% thereafter, allowance made for promotional increases
Retail Prices Index inflation ("RPI")	3.50% p.a.	
Consumer Price Index Inflation ("CPI")	2.80% p.a.	
Pension Increases in payment (excess over GMP)	2.80% p.a.	
Mortality – base table	SAPS tables	age rating of +0.5 years for males and -0.4 years for females.
Mortality – future improvements	CMI	2010 projections
Mortality – long term trend rate	1.25% p.a.	

As part of the measures to address the shortfall, SAUL introduced a Career Average Revalued Earnings, or "CARE", benefit structure for new members joining the scheme after 1 July 2012. However, in considering the strength of the employer covenant and the Trustee's long-term investment strategy, the Trustee and the employers agreed at this time to maintain employer and member contributions at 13% and 6% of salaries. Based on conditions at 31 March 2011, the shortfall was expected to be eliminated by 31 March 2021.

Initial results for the latest valuation at 31 March 2014, which is based upon existing benefit arrangements and assumptions consistent with FRS17, show that the funding shortfall has increased to £118m and the funding level reduced to 94%. SAUL's Negotiating Committee has proposed a number of changes to the benefits and funding structure effective from 1 April 2016 including an increase in the employer contribution rate from 13% to 16% until at least 31 March 2020. The consultation process is still being concluded at the time of writing.

College's other pension schemes

Standard Life Scheme

The College pays a contribution rate of 9% at a total cost of £135,887 in 2014–15 (2014: £64,789). No contributions were outstanding at the balance sheet date.

NHS Pension Scheme

The College pays a contribution rate of 14% at a total cost of £29,267 in 2014–15 (2013–14: £18,994). No contributions were outstanding at the balance sheet date.

16. Transactions with Trustees

No trustees receive any fees or honoraria. Trustees claim travelling, subsistence and accommodation costs in carrying out their College responsibilities and attending relevant meetings. Trustees were members of Council until April 2015 when new governance arrangements were introduced and a Board of Trustees was established. The total of the expenses reimbursed to the trustees holding office during the 2014–15 year amounted to £55k (2014: £71k).

There were no related party transactions in 2014–15.

17. Legacy income

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

	Notified amount £000
Notified on or before 30 June 2015:	
Unrestricted	227
Restricted	120
	347

18. Capital Commitments

The capital commitments authorised and contracted at 30 June 2015 totalled £504k in respect of the digital transformation agenda.

19. Operating Leases

The minimum payments that the College is committed to make in 2015–2016 under operating leases are as follows:

	Furniture, Fittings & Vehicles	
	2015 £000	2014 £000
Within one year	4	5
Within two to five years	7	4
	11	9

www.rcseng.ac.uk



Royal College
of Surgeons

ADVANCING SURGICAL CARE

The Royal College of Surgeons of England

35-43 Lincoln's Inn Fields

London WC2A 3PE

Published November 2015

Registered Charity No. 212808
