



Royal College
of Physicians

Setting higher standards

Annual report and accounts 2014

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RCP boards, committees and lists

Officers of the RCP

Visitor

Her Majesty the Queen

President

Sir Richard Thompson
(demitted July 2014)
Professor Jane Dacre
(installed July 2014)

Vice president education and training (senior censor)

Professor David Black
(demitted July 2014)
Dr Gerrard Phillips
(appointed August 2014)

Clinical vice president

Dr Anita Donley OBE

Academic vice president

Professor John Wass

Censors

Dr Peter Belfield
Dr Michael Glynn
(demitted July 2014)
Dr Liz Berkin
(appointed August 2014)
Dr Andrew Jeffrey
Professor Trudie Roberts
Professor Peter Kopelman
(demitted July 2014)
Dr Emma Vaux
(appointed August 2014)
Vacancy

Treasurer

Professor Linda Luxon CBE

Registrar

Dr Andrew Goddard

Vice president for Wales

Dr Alan Rees

Harveian librarian

Professor Simon Shorvon

Director, International Office (Hans Sloane fellow)

Professor David Warrell

Director, Publications and editor of the RCP journal

Professor Humphrey Hodgson

Director, Clinical Effectiveness and Evaluation Unit
Dr Kevin Stewart

*Medical director, Joint Royal Colleges of Physicians
Training Board (JRCPTB)*

Professor Bill Burr
(demitted July 2014)
Professor David Black
(appointed August 2014)
Deputy medical director, JRCPTB
Dr Alastair Miller

Associate deputy director, JRCPTB
Emma Vaux

Medical director, Continuing Professional Development
Dr Ian Starke

Medical director, MRCP(UK)
Dr Andrew Elder

Senior clinical (PACES) examiner of the RCP
Dr Graeme Dewhurst

Associate medical director, written examinations
Dr John Mucklow

Director, Medical Workforce Unit
Dr Harriet Gordon

Deputy director, Medical Workforce Unit
Dr Nigel Trudgill

Director, Health Informatics Unit
Professor John Williams

Associate director, Health Informatics Unit
Professor Iain Carpenter

New technologies clinical lead
Professor Jeremy Wyatt

Flexible careers officer
Dr Belinda Stanley

Patient involvement officer
Dr Michael Rudolf

Director, invited service reviews
Dr Ian Mungall
(demitted July 2014)
Dr Peter Belfield
(appointed August 2014)

Acute care fellow
Dr Frank Joseph

Future hospital officer

Dr Mark Temple

Clinical director for accreditation

Dr Roland Valori

Director, National Collaborating Centre for Chronic Conditions

Dr Bernard Higgins

Garden fellows

Dr Henry Oakeley
 Professor Michael de Swiet
 Professor John Newton

Chief executive

Patricia Wright

Board of Trustees

Ex-officio members

Professor Jane Dacre, president
 Professor Linda Luxon CBE, treasurer
 Dr Andrew Goddard, registrar
 Dr Anita Donley OBE, clinical vice president
 Dr Gerrard Phillips, vice president education and training and senior censor
 Professor John Wass, academic vice president

Members nominated from Council

Professor John Saunders
 Dr Pippa Medcalf
 Dr David Cohen
 Dr Rowan Hillson

Lay members

Sir Hugh Taylor
 (demitted December 2014)
 Lady Wolfson
 Mr Tom Vyner CBE
 Mr Andrew Chandler

Members who ceased to be trustees during the year

Professor David Black
 (demitted July 2014)

Members of Council

Sir Richard Thompson KCVO
 (demitted July 2014)
 Professor Jane Dacre
 (appointed July 2014)
 Professor David Black
 (demitted July 2014)
 Dr Gerrard Phillips
 (appointed August 2014)
 Dr Anita Donley OBE
 Professor John Wass
 Professor Linda Luxon CBE

Dr Andrew Goddard
 Dr Alan Rees
 Dr David Cohen
 Dr Anne Dornhorst
 (demitted July 2014)
 Dr Rhid Dowdle OBE
 Dr John Firth
 (appointed August 2014)
 Dr Mike Gill
 (appointed August 2014)
 Dr Rowan Hillson MBE
 Professor Margaret Johnson
 Dr Robin Lachmann
 (appointed August 2014)
 Professor Jeremy Murphy
 (demitted July 2014)
 Dr David Nicholl
 Dr John Quin
 Dr Alan Roberts
 Professor John Saunders
 Professor Philip Smith
 (demitted July 2014)
 Professor Anthony Ward
 (appointed August 2014)
 Dr Pippa Medcalf
 Dr Peter Belfield
 (appointed July 2014)
 Dr Emma Vaux
 (appointed July 2014)
 Dr Michael Glynn
 (demitted July 2014)
 Professor Peter Kopelman
 (demitted July 2014)
 Dr Victoria Evans
 Dr Olivia Carlton
 (demitted May 2014)
 Dr Richard Heron
 (appointed May 2014)
 Dr Keith Bragman
 Professor John Ashton CBE
 Dr Anna Batchelor
 (Appointed June 2014)
 Dr John Dean
 Dr Ganesh Subramanian
 Dr Meurig Williams
 (demitted July 2014)
 Professor John Harvey
 (appointed August 2014)
 Dr Carol Wilson
 Dr Iain Simpson
 Professor Chris Bunker
 (demitted July 2014)
 Dr David Eedy
 (appointed July 2014)
 Dr Chris Deighton
 (demitted April 2014)
 Professor Simon Bowman
 (appointed April 2014)
 Professor Paul Knight

(demitted October 2014)
Professor David Oliver

(appointed October 2014)

Dr Bernard Higgins

Professor Sir Ian Gilmore

(demitted June 2014)

Dr Ian Forgacs

(appointed June 2014)

Dr Alistair Douglas

Dr Geraint Fuller

Dr Dinesh Nagi

Dr Clifford Mann

Dr Jessica Williams

Dr Druin Burch

Dr Ruth Dobson

(demitted November 2014)

Dr Giles Major

(appointed November 2014)

Dr John Corcoran

(appointed November 2014)

Dr Amer Jafar

Ms Suzie Shepherd

Finance and General Purposes Board

Professor Linda Luxon CBE, treasurer

Sir Richard Thompson KCVO, president

(demitted July 2014)

Professor Jane Dacre, president

(appointed July 2014)

Dr Andrew Goddard, registrar

Dr Tim Battcock

Dr Brian Cooper

Dr Michael Donaghy

Professor Chuka Nwokolo

Laura Gibbs (external adviser)

Raymond Mackie (external adviser)

(demitted in 2014 and in course of replacement)

David McKinley (external adviser)

(resigned in 2014 and in course of replacement)

Charles Perrin CBE (external adviser)

Michael Ridley (external adviser)

Awards and prizes

Graham Bull prize in clinical science

Prof Jeremy Tomlinson

Teale essay prize

Dr Jason Sarfo-Annin

Research and travelling fellowships

Dame Sheila Sherlock travelling fellowships in hepatology

Dr Richard Parker

RCP medical student electives

Thomas Lemon

Aaron Braddy

Soudeh Mashayekhi

Paul Carter

Samuel Leonard Simpson fellowship in endocrinology

Dr Jonathan Schofield

Dr Andrew Solomon

Dr JD Ramsay cardiology bursaries

Dr Gaurav Gulsin

Dr Sarfo-Annin

RCP endocrinology bursary

Dr Muhammad Khan

Elections and admissions

New fellows

765 elected under bye-law 39 (a, c and d)

7 elected under bye-law 39 (b)

4 elected under bye-law 39 (e)

4 elected under bye-law 39 (f)

50 elected under bye-law 39 (g)

8 elected under bye-law 43

New honorary fellows

HRH Princess Muna Al Hussein

Sheikh Sultan bin Mohammed Al Qasimi

His Majesty Sultan Qaboos bin Said

Professor Sir John Gurdon

Mrs Suzanne Jones

Dr Marie Lindquist

Professor Rizgar Mageed

Professor Christopher McPherson

Friends and emeritus friends

The RCP has been considering the role of the Friends of the Royal College of Physicians, and has in 2014 asked the members to allow us to evolve the group. We shall now be considering how a new organisation and membership will serve the RCP best in the future.

Major donors for 2014

Dr K Slatter Deceased

Mrs F Price Deceased

Newman Foundation

Principal advisers

Solicitors

Field Fisher Waterhouse LLP

35 Vine Street

London

EC3N 2AA

Bankers

C Hoare and Company
37 Fleet Street
London
EC4P 4DQ

Lloyds plc
National Clubs & Charities Centre
Sedgemoor House
Dean Gate Avenue
Blackbrook Business Park
Taunton
TA1 2UF

Auditor

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

Investment managers

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

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

Morgan Stanley Private Wealth Management
25 Cabot Square
Canary Wharf
London
E14 4QA

Report of Trustees

The trustees of the RCP are pleased to present their report for the year ended 31 December 2014.

Public benefit

The RCP provides public benefit in a variety of ways. Our activities fall within several of the legal requirements of ‘charitable purpose’, including: the advancement of health or the saving of lives; the advancement of education; and the advancement of the arts, culture, heritage or science. We support our members and fellows during every stage of their career and thus improve the quality of patient care. By setting and monitoring the standards of medical training, we ensure that patients are treated by fully trained, competent doctors. Our senior physicians sit on appointments committees to ensure that new consultants are of a high calibre.

Our evidence-based guidelines and audits support our fellows and members in improving and scrutinising clinical care. Our education programmes provide physicians with the knowledge and skills they need for high performance. We also take a wide role in the public health arena through campaigning for change, advising government, and taking part in national debates on medical, clinical and public health issues.

We safeguard and share our unique history to inspire and inform present and future physicians, and preserve medical history for the benefit of the public. Our collections are conserved and promoted through exhibitions, loans, partnerships, sponsorships and online resources.

Activities and achievements in 2014

The RCP was founded almost 500 years ago and our roots stretch back to King Henry VIII who gave us our royal charter. We are proud guardians of that special heritage and our historical mission of ensuring that medicine is practised to the highest standards remains almost entirely unchanged. However, this must be applied in the context of 21st-century healthcare. Our strategic framework will ensure that we remain central to providing the best health services in the modern world. In all of our work, the RCP continues to promote key messages about medical professionalism and encourages and promotes patient, carer and public involvement in our activities.

Supporting physicians

As a professional membership organisation representing 30,506 physicians in the UK and internationally, we support physicians throughout their career with excellent programmes of education, assessment, training and development.

What we planned to do:

- Continue to maintain a high level of member, fellow and stakeholder awareness and engagement.
- Continue development of the regional adviser network as the local focus for two-way communication between the central RCP and local fellows and members, with a particular focus on matters relating to service quality and the training of physicians. This will include review of the role, and of the support and resources available to regional advisers from the RCP.
- Deliver a three year (2014–2016) project, Millennium Development Goal 6 Partnership for African Clinical Training (M-PACT), in partnership with the West African College of Physicians and with funding from the Ecobank Foundation, to strengthen training in HIV, TB, malaria and internal medicine in West Africa.

What we achieved:

- Achieved the ambitious membership target we set in 2010 of 30,000 members by 2015 (in 2011 we had 24,500 members). These increased membership numbers were in part due to sustained focus on medical student and foundation doctor members, whose numbers now exceed 1,200, and the development of a careers programme. Results of the 2014 membership engagement survey showed consistent and positive ratings for excellence and likelihood to renew and recommend.
- Continued local conversations with consultants in individual trusts on a pilot basis, while developing a longer-term plan for regional engagement within the new RCP strategy. Year 1 funding for this plan was received from the Ecobank Foundation in summer 2014, and delivery planning completed.

- Held a workshop in London to develop clinical course content for M-PACT, attended by course leads from the West African College of Physicians and RCP volunteer trainers. The first round of courses has been advertised to take place from January to March 2015.

Influencing the healthcare agenda

We represent our members and fellows through developing policies in key areas of healthcare and engage with government, departments of health, NHS, EU, public and other individuals and organisations to bring improvements for public health. Our profile in parliament and voice in the media sustains our ability to influence and shape health policy.

What we planned to do:

- Take forward the recommendations of the Future Hospital Commission (FHC) report, driving real change in the way services are delivered and structured in hospitals and across the local health economies.
- Continue to take forward the recommendations of the Francis Inquiry, building on the December 2013 summit we co-hosted with the Department of Health and the Care Quality Commission (CQC). The RCP and CQC will work more closely together to support CQC's evolving role in system surveillance and regulation.
- Maintain our public profile and continue to increase our influence.
- Promote RCP values and services and network with key organisations both in the UK and internationally, developing opportunities for RCP consultancy services to be delivered internationally.

What we achieved:

- Established seven workstreams within the Future Hospital Programme (FHP), leading on patient centred-care; quality and standards; information and data; workforce; academic medicine and research; education and training; and organisational development.
- Selected four development sites for the first phase of FHP implementation: Betsi Cadwaladr University Health Board, Mid Yorkshire Hospitals, Royal Blackburn Hospital and Worthing Hospital. Particular aspects of implementation being taken forward by these development sites include improving access to care for frail elderly patients, through initiatives such as dedicated assessment centres within acute services and integrated community services, and pathway standardisation. A Future Hospital Partners Network has been established to share learning and reporting of service delivery outcomes. Worked with development sites to implement the FHC recommendations, supporting evaluation in order to share lessons learnt, connecting physicians who are implementing the FHC recommendations locally.
- Launched the *Future Hospital Journal*, a peer reviewed journal to share and disseminate quality and service delivery improvement and learning.
- Connected nationally to join up with relevant policy initiatives and activity in patient safety, quality improvement and new models of care and service delivery.
- Embedded evidence supporting and defining patient experience improvement into national policy.
- Continued to work with the CQC, NICE and other organisations to take forward the recommendations of the Francis Inquiry. Reviewed progress against our own commitments in response to the Inquiry and confirmed that we are delivering as undertaken across the areas of standards, education, leadership and information.
- Maintained our high public profile, with highlights including the publication of the national review of asthma deaths and our audit into end of life care.
- Achieved a successful presence at the 2014 party conferences, holding packed fringe meetings and successful roundtables. At the conferences we showcased *Future Hospital: More than a building*, our manifesto for the next government.
- Launched our public benefit series with a number of events and two high-profile lectures by Lord Winston and Baroness Tanni Grey-Thompson.
- As part of developing the new 2015–2020 organisational strategy, developed plans for a business development unit.

Education and training

We take a leading role in meeting the educational needs of physicians through an ambitious programme of accredited workshops, postgraduate degree courses and successful conferences. We develop educational policy and initiatives, provide educational expertise through consultancy work, and deliver services and resources to support the development of all grades of physicians. Together with other colleges of physicians, we set and administer the MRCP(UK) examination.

What we planned to do:

- Provide conferences, lectures, workshops, RCP accreditations and Masters-level courses for all grades and specialties of doctor.
- Continue to provide an audited online application for doctors to be able to record and reflect on their professional development activities, and design and create e-learning modules for doctors to help them to continue to develop professionally without requiring them to attend events.
- Explore the recommendations of the Shape of Training review and develop an action plan to comply with the requirements.
- Influence and contribute to GMC policy initiatives and be ready to meet the new requirements in accordance with GMC deadlines, including the externality process, approval of posts, and approval of sub-specialty, academic and dual training programmes.
- Support trainers in delivering excellent medical education through the implementation of quality standards promoting good practice (for example, the protection of training time).
- Conclude the work of the workplace-based assessment pilot, publish findings and, if appropriate, roll out the arrangements in the latter part of 2014.
- Continue the post-CCT fellowship pilot scheme and use the findings to inform recommendations thereafter.
- Continue to deliver and roll out quality standards for CMT and establish a strategy to deliver excellence in CMT.
- Develop a strategy to manage assessment arrangements for the small specialties and determine appropriate transitional arrangements from the current pilot arrangements.
- Redevelop the JRCPTB website to deliver a coherent journey as the user transitions from exam candidate to post applicant to CMT trainee and eventually to specialty trainee and beyond.
- Complete reviews initiated in 2013 around trainee and committee service functions and implement outcomes. Reviews are also planned to enhance the curriculum update, certificate of eligibility for specialist registration (CESR), penultimate year assessment (PYA) and specialty recruitment processes.
- Deliver major new examinations infrastructure systems to automate the authentication and allocation of places, giving candidates a faster, more personalised self-managed service. The automated collection of candidate data will also enable far more sophisticated research and analysis into the performance of exam candidates.
- Work with the clinicians who host PACES and the examiner teams who support them to ensure the sustainability of PACES and improve the quality of the exam.
- Deliver international educational programmes in three different countries: Switzerland, Malaysia and the US.
- Develop a range of e-learning modules, covering several different topics, eg workplace-based assessment.
- Following the website relaunch, trial the use of social media to provide MRCP(UK) candidates with a faster and more interactive service.
- Work with academics to publish peer reviewed research into the factors that influence differential pass rates for particular candidate groups. International candidates will receive a targeted newsletter to support them in applying for and passing the MRCP(UK).
- Support the European Board of Gastroenterology and Hepatology in delivering an exam for European gastroenterologists.
- Work with the GMC to share data on exam performance to support efforts to monitor the quality of medical training across all the specialties.

What we achieved:

- Delivered 94 workshops including the Educational Supervisor, Doctors as Leaders and Educator accreditations. Worked with partner organisations to deliver Masters programmes in medical education and medical leadership and a Masters module in medical leadership for trainees.
- Delivered 20 conferences, two international conferences, five careers events, nine teach-ins, two public lectures and seven other lectures. Implemented the new flagship annual conference (to run in early 2015).
- Explored the Shape of Training recommendations, holding a symposium for specialist advisory committees to develop a model for implementation. Worked with stakeholders to develop a CMT quality criteria initiative for launch in January 2015, including longer placements, apprenticeship models, consistency of educational supervision, and mentoring and coaching. Set up working group to examine how to best increase the use of simulation in CMT training.
- Demonstrated that the JRCPTB-managed subspecialties already meet the requirements of the GMC's position statements on subspecialty training and dual CCT training; contributed to GMC evaluation of curriculum review process and helped to initiate a new administrative changes process.
- Following conclusion of pilots of workplace-based assessment, successfully rolled out new system for specialty trainee assessment and review to 10,000 trainees across our 32 specialties and sub-specialties.
- Continued the post-CCT fellowship pilot scheme, receiving 41 applications.

- Launched a new JRCPTB website (www.jrcptb.org.uk), offering responsive design enabling use on all devices, consistent branding and an improved user experience, supported by a dedicated social media programme.
- Migrated the penultimate year assessment system from paper to a fully automated, user-accessible online system with analysis functionality.
- Launched automated online PACES application system, achieving 99.5% take-up among candidates and halving the time candidates have to wait for outcomes. Additional PACES places have been added in Myanmar and Al Ain and new centres opened in Qatar and Brunei, and a series of international videoconferences to support local hosts launched.
- Delivered international educational programmes, including two four-day faculty development programmes for the Swiss Institute of Medical Education, a five-day faculty development programme for the Ministry of Health in Malaysia, and faculty development programmes at two centres in the US.
- Developed e-learning modules for launch in early 2015, on topics including workplace-based assessment and disability (the latter in partnership with the Department of Health).
- Published overview of research on differential attainment in UK postgraduate medical examinations in *RCP Commentary*. Launched popular e-newsletter programme for international candidates who had completed MRCP(UK) Part 1, offering guidance on Part 2 and PACES.
- Delivered European Board of Gastroenterology and Hepatology examination for European gastroenterologists; take-up from candidates was high and it is planned to roll this out in other specialties such as nephrology in future.
- Successfully shared examination data with the GMC, helping to verify the high quality of data held by MRCP(UK) and improve the quality of data further.

Improving standards in clinical practice

We set, measure and evaluate quality standards in clinical care and enhance our advisory support services to healthcare organisations. We develop innovative approaches to healthcare delivery for the benefit of patients.

What we planned to do:

- Lead and coordinate, across different accreditation bodies and stakeholders, the development of shared standards for professionally-led clinical service accreditation and a system for quality assuring these standards and accreditation programmes.
- Continue to explore and expand the RCP's role in responding to concerns about a physician's practice.
- Ensure the maintenance of robust and adequate internal control processes to facilitate the development of all 21 guidelines in accordance with NICE methodological standards and processes, and invest in staff development to establish and maintain high standards of core technical and clinical skills within the NCGC.

What we achieved:

- Managed a large accreditation and quality improvement programme encompassing four clinical specialties; supported accreditation in the UK more widely by establishing the Clinical Services Accreditation Alliance.
- Reviewed the records of adults and children who died of asthma and made recommendations aimed at improving care and reducing deaths.
- Audited the care of people who died in hospital and provided feedback to doctors and their teams to help improve care; used data to inform the development of new policy and guidance.
- Collected information about the care of almost every person who suffers stroke in England, Wales and Northern Ireland (we currently hold the records of 140,000 stroke patients) and used it to support care improvement and patient information initiatives.
- We have developed standards for electronic health records which are recommended for implementation across all hospitals in the NHS by the National Information Board. These will support integrated care by enabling interoperability between IT systems in the NHS. They will also provide the standardised patient-based information needed to support research, commissioning and audit. We are working with national organisations and local trusts to implement the standards.
- Worked with NHS England, NICE and Public Health England to ensure that apps used by clinicians and patients are safe, effective and usable.
- Carried out scoping work on services that might be made available when concerns are raised about a physician's practice, as part of planned development of the regional network.
- Met all the National Clinical Guideline Centre's contractual milestones agreed with NICE for 2014, with nine guidelines published in the year (on head injury, osteoarthritis, pressure ulcer prevention and management, atrial fibrillation, lipid modification, chronic kidney disease, drug allergy, multiple sclerosis and acute heart failure).

Meetings and events (medical)

Our aim is to be a leading London venue for conferences and events, and facilitate a wide variety of medical events for the benefit of the members and fellows of the RCP and the wider medical community.

What we planned to do:

- Further develop our ability to provide streaming and other online services.
- Restructure the sales administration office to enhance customer engagement and enable monitoring and improvement of our award-winning service standards.
- Review our menu to ensure they contain balanced and healthy eating choices, gaining ongoing feedback from customers.
- Offer architecturally themed packages, celebrating the 50th anniversary of the RCP's home in Regent's Park.
- Partner with a new public relations agency which focuses on social media and associations to publicise RCPs credentials as a superb venue for meetings and events.

What we achieved:

- Carried out an information technology management review, exploring various options to provide enhanced online events services, which will be rolled out during 2015. The audiovisual team has been restructured to assist with this development.
- Created two new posts focused on providing improved customer engagement, which has helped to drive a growth in sales of 26.2% and ensured high levels of satisfaction and repeat business.
- Updated our menus to include balanced and healthy eating choices; positive feedback received during customer tastings of the new menus.
- Successfully launched architecturally themed packages for our anniversary year, resulting in extra bookings of themed events and dinners.
- Via our new public relations agency, published over 50 awareness-raising articles about the venue in the hospitality and meeting industry press.

Improving RCP performance

The RCP is committed to using its charitable resources effectively and efficiently.

What we planned to achieve:

- Commence a review of the RCP's strategy, looking initially to the next four years.
- Improve accounting and reporting procedures and automate our consolidated accounts, including the balance sheet and revised board reporting packs. We will implement a new procurement/purchase order system.
- Continue implementation of the strategic systems programme (SSP), delivering integrated business systems to support current, revised and future business activities.
- In partnership with an architectural company, carry out a conservation management survey and plan to act as a benchmark for future planning and the RCP estate strategy.
- Carry out a range of activities and events to mark the 50th anniversary of the RCP main building, 11 St Andrews Place, including an exhibition on Lasdun.

What we achieved:

- Completed detailed work to update our 2009 organisational strategy to launch a new strategic plan for 2015–2020.
- Moved from quarterly to monthly consolidated management accounts, and introduced a quarterly full-year re-forecast process for income, expenditure and cash.
- Planned the implementation of a new procurement/purchase order system; the launch date is scheduled for 2015 to coincide with a major upgrade of our main accounting software.
- Successfully launched our new integrated CRM system. The launch was supported by ongoing training programmes to embed the new system in the working practices of all staff and stakeholders.
- Successfully delivered other new business systems as part of the SSP, including a second iteration of our data warehouse workstream focused on Exams data, supported by internal training in how to use system tools to obtain data to inform operational and strategic decision-making, and the roll-out of SharePoint, which is being used to develop exams and by a number of RCP departments to share information and facilitate joint working.
- Developed a comprehensive conservation management plan in conjunction with architecture consultants Purcell.

- Held our most successful ever exhibition, ‘Anatomy of a Building’, celebrating 50 years of the RCP’s main building. An accompanying book was authored by Rowan Moore.

Future plans

As mentioned above under ‘Improving RCP performance’, in 2014 we carried out detailed development work to launch a new strategic plan for 2015–2020. The new RCP strategy sets out a roadmap for what we plan to achieve over the next five years:

1. Improving care for patients
 - Support physicians and multidisciplinary teams to lead quality and service improvement.
 - Set, measure and promote standards that improve care for patients.
 - Implement our vision of the future hospital and promote good practice in health service design.
 - Develop health services that promote patient safety, patient experience, staff wellbeing and service improvement.
2. Developing physicians throughout their careers
 - Shape the future of the medical workforce in the UK.
 - Promote high-quality medical education and clinical leadership across the world.
 - Promote lifelong learning for physicians and aspiring physicians, and accessible opportunities for development.
 - Support physicians throughout their careers.
 - Promote medicine as a career.
3. Leading and supporting our members
 - Lead the medical profession and champion medical professionalism.
 - Increase our reach and relevance to all our members.
 - Support our members in their daily practice.
 - Deliver an exceptional membership experience for all.
 - Increase our understanding of the context in which our members work in the UK and around the world.
4. Shaping the future of health and healthcare
 - Use the expertise of physicians and the experience of patients to influence the future of healthcare, from parliaments to wards.
 - Ensure that patients’ and carers’ experiences shape everything that we do.
 - Improve the public’s health by championing evidence-based action to prevent ill health, nationally and internationally.
 - Foster innovation in health and promote research.
5. Investing in our future, building on our heritage
 - Deliver a financially sustainable future by making the most of our expertise and managing our finances well.
 - Run an excellent organisation that enables us to deliver our vision of better health and healthcare for everyone.
 - Be a responsible organisation that lives by the values which we champion in the health service.
 - Make our current knowledge and our long history work for the benefit of present and future generations.

Financial powers and policies

This section should be read in conjunction with the financial statements on pages 22 to 41. An overview of the financial results is given in the treasurer’s report on pages 17 to 20.

Fundraising

The RCP relies on outside funding to carry out some of its planned activities, and routinely seeks funding for specific projects. Potential funders include the Department of Health, NICE, trusts and foundations with special interest in medicine, and companies in the biomedical industry. During 2014, funds were received for working parties, conferences, education and clinical standards, guidelines and audits. The RCP greatly appreciates these contributions to essential areas of its activity. Funds received for specific purposes are shown as income under those activities and, in the majority of cases, such funds are treated as restricted.

Investments

Powers and governance

The RCP's bye-laws give the trustees powers to appoint fund managers to manage its investments.

The Investment Advisory Panel (IAP) is responsible for monitoring the performance of the investment portfolios and of the fund managers. The IAP meets with the fund managers quarterly to review their reports and progress. The IAP is chaired by the treasurer, and its membership includes fellows, independent external advisers, the chief executive and managers from the Finance Department. The panel reports to the Finance and General Purposes Board.

Management

Funds required in the medium to short term are invested directly by the RCP in fixed-term deposits with banking institutions with a minimum A rating. The remaining funds are invested with external fund managers who have discretionary powers of investment within agreed restrictions as agreed in the Statement of Investment Principles.

The external funds are managed by Cazenove Capital Management (previously called Schroder & Co. Ltd) and by Ruffer LLP. The managers' mandate is to invest, on a total returns basis, in a globally diversified portfolio of cash, equity, fixed income, convertible bonds, hedge fund securities, property funds and commodities' funds. A relatively small investment remains with the former investment managers Morgan Stanley, in the form of hedge funds that are in the course of being liquidated and transferred to the current fund managers.

The RCP's objective is to invest its investment assets to maximise returns, with low level of risk, through a diversified asset portfolio. Within this framework a number of objectives have been agreed to help guide the Finance and General Purposes Board in their strategic management of the assets and control of the various risks to which the RCP is exposed.

Where appropriate, the Finance and General Purposes Board have approved benchmarks for the proportion of the portfolios invested in different asset classes and permitted control ranges within which these proportions may fluctuate. These ranges limit the risk of concentration in one asset class and control and reduce volatility.

For some parts of the portfolio, the Finance and General Purposes Board has approved investment in a specific investment fund. The nature of this fund also limits the risk of concentration in one type of investment and controls and reduces volatility. The principal fund managers will maintain and report on these investments until instructed otherwise by the Finance and General Purposes Board.

The bye-laws do not specify any form of restriction on the investment of funds, but the Board of Trustees have stated that the RCP's funds are not to be directly invested in:

- companies that derive their turnover from the sale of tobacco products
- land or property (investment in property funds is permitted).

Objectives

The RCP's investment objectives are:

- main fund: annual income requirement – £550,000 (2.4%); target a total return of inflation plus 3%–5%
- trust funds: annual income requirement – £250,000 (3.6%); target capital growth in line with inflation
- leasehold fund: annual income requirement – target growth return – in excess of inflation plus 3%-5%

The annual income requirements will grow in line with inflation and will be met from dividend income and bond interest receipts. Targets for returns are to be met through capital growth and the re-investment of any surplus income.

Policy on reserves

To deliver its business plan, the RCP has agreed a budgeting and reserves policy that enables it to make appropriate strategic allocations of funds, while at the same time securing a sound financial base for future requirements. Services are provided with a clear understanding of whether they should be subsidised, cost neutral or delivered at a surplus. Through this policy, the RCP seeks to develop new sources of income to mitigate the risk of over-reliance on major income streams. Investment decisions on the resources necessary, both to deliver new activities and to sustain continuing commitments, are based on the RCP's overall strategic needs.

The trustees make allocations between the main activities, based on the current environment and the changing requirements of the RCP's key activities. The Finance and General Purposes Board recommends an overall financial framework for the preparation of annual budgets to the trustees, taking into account the need to maintain reserves. The RCP's unrestricted income is relatively predictable, while its expenditure is more variable and uncertain in some aspects, hence the requirement for financial reserves. The budgets and future plans are put in place to overcome any uncertainty over income or unexpected calls on the charity's funds. The RCP holds a number of permanently endowed and restricted funds which result from bequests or donations for particular purposes, details of which are set out in notes 18 and 19 to the financial statements.

The RCP also holds reserves in the form of designated funds that are earmarked for particular purposes by the trustees. Two of the main designated funds are the fixed assets fund, represented by tangible fixed assets, which are not readily converted into cash, and the leasehold replacement fund, the value of which is represented by external investments. The free reserves of the RCP excluding designated funds are represented by a mixture of external investments and net assets that include cash reserves.

The free reserves of the RCP as at 31 December 2014 were £17 million after deducting the defined benefits pension scheme deficit. This represents approximately seven months of the unrestricted operational expenditure. The RCP has entered into two major programmes of investments which will be funded from the free reserves: the estates capital planning programme, and the Strategic Systems Programme. The trustees are of the opinion that free reserves are at an appropriate level having regard for the commitments for the Strategic Systems Programme. The estates capital planning programme is at its feasibility studies stage and does not require immediate cash investments. The reserves policy is reviewed regularly to ensure that commitments can be met by carefully monitoring the future operational strategy and plans of the RCP.

Trading subsidiary

The RCP's wholly owned trading subsidiary, The RCP Regent's Park Limited's net profit for the year ended 31 December 2014 of £775k is paid under gift aid by the company to the RCP. The principal activity of the company is to organise, provide facilities for and hold conferences, seminars, courses of instruction, demonstrations, lectures, exhibitions, private dinners and functions. The trading results and balance sheet of the subsidiary extracted from its audited accounts are set out in note 21 to the financial statements.

Going concern

The RCP's activities, together with the factors likely to affect its future development, performance and financial position, are set out on pages 6 to 11. The financial position of the RCP, its cash flows, liquidity position and reserves are described in the financial statements on pages 22 to 41. In addition, note 1 to the financial statements includes the RCP's policies for managing its funds. The management of financial and other risks is described below.

The RCP has considerable liquid financial resources, comprising equities and bonds, and short-term cash instruments and deposits totaling £48 million, representing 101% of total reserves. In addition, the RCP obtains funding from a wide range of activities. As a consequence, the trustees believe that the RCP is well-placed to manage its business risks successfully.

The trustees consider that the RCP has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Structure, governance and management

The RCP is a registered charity (no. 210508), incorporated by royal charter dated 23 September 1518, affirmed by an act of parliament in 1523. The charter of 1518 was amended by a supplemental royal charter dated 11 March 1999. The governing instruments of the RCP are the royal charters, and the bye-laws as amended from time to time.

Fellows

Fellowship is the highest level of membership of the Royal College of Physicians and comes with many benefits and responsibilities. Fellows have distinguished themselves in the practice of medicine, medical science or medical literature. At the time of election, the fellow is normally a member of the RCP of at least four years standing and in a substantive consultant post for a minimum of three years, and making a significant contribution in one or more of these areas of

practice. Fellows are nominated for election by Council and have the right to stand for office, to vote for officers and to attend and vote at the Annual General Meeting (AGM).

Annual General Meeting

The AGM or Comitia of fellows is combined with the annual presidential election, and by act of parliament is held on the first Monday after Palm Sunday.

RCP officers

The senior officers of the RCP (president, vice presidents, treasurer and registrar) are all trustees of the charity. Their involvement in all of the main boards and committees of the RCP ensures that due consideration is given to the RCP's charter and bye-laws on every occasion.

Board of Trustees

The Board of Trustees is the RCP's governing body, and meets four times a year. It is responsible for:

- defining RCP policy, agreeing the RCP business plan and monitoring the progress of RCP affairs
- ensuring the safe management and custody of all RCP assets.
- It has the authority to delegate any of its powers to the RCP's boards and committees. Ultimately, all decisions apart from changes to the bye-laws and regulations are either taken by or on behalf of the Board of Trustees, and reported to the fellows at the AGM.

The Board of Trustees comprises:

- senior officers of the RCP (ex-officio – six)
- members nominated from Council (four)
- lay members appointed by the Board of Trustees (four).
- Trustees are inducted in the operations of the RCP as well as their statutory obligations as a charity trustee. The training requirement for trustees is kept under regular review.

Boards

There are two boards with specific responsibility to the Board of Trustees. They are:

- Council
- Finance and General Purposes Board.

Council

Council meets six times a year. Its function is to develop RCP policy in relation to professional and clinical matters, and to give authority to:

- RCP statements and publications
- conduct and results of the MRCP(UK) examination
- elections to the fellowship and membership as well as of RCP officers.

There are four boards with specific responsibility to the Council. They are:

- Clinical Standards Board
- Professional and Regional Affairs Board
- Education, Training and Examinations Board
- Medical Specialties Board.

Finance and General Purposes Board

The Finance and General Purposes Board meets four times a year. It has responsibility for:

- agreeing and monitoring the application and use of resources
- monitoring the business planning process and delegating decisions on new activities to senior management within agreed financial limits
- reviewing the annual financial statements with the auditors and for recommending them for approval to the Board of Trustees.

The board is chaired by the treasurer, and its membership includes the president and registrar (both ex officio), two elected members of Council, two other fellows and up to five members from outside the RCP.

There are three committees with specific responsibility to the Finance and General Purposes Board. They are:

- Funding Awards Committee (formerly Trust Funds Management Committee)
- Investment Advisory Panel
- Heritage Management Committee.

Statement of trustees' responsibilities

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

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

Under charity law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and the group and of the group's net incoming or 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 (SORP)
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 adequate accounting records that are sufficient to show and explain the charity's and the group'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, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the royal charters and bye-laws. They are also responsible for safeguarding the assets of the charity and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees of the charity are aware of their duty under section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England and Wales. They have fulfilled this during 2014 by receiving regular reports on the development of the Commission's guidance. They have taken account of public benefit guidance in the development and approval of the RCP's operational plan and supporting budgets for 2015, which were approved in 2014.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Management

Responsibility for the day-to-day operations of the RCP is delegated to the chief executive, who is accountable to the Board of Trustees. The management and staff of the RCP are structured to carry forward the work and achieve the objectives of the RCP, and to provide support services. Each department of the RCP is also overseen at a governance level by a designated officer.

Risk management

The trustees have overall responsibility for risk management in the RCP. Agreed processes are in place by which the trustees review, identify and assess major risks and agree with management the controls that already are, or will be, put in place to manage those risks. These details form part of the risk register, which trustees regularly review in full. The controls put in place provide a reasonable but not absolute assurance that risks have been adequately mitigated.

Risk issues in the day-to-day operation of the RCP are delegated to management to monitor and implement appropriate control measures. Any new areas of risk identified are reported to the Finance and General Purposes Board, including how they have been managed. The Finance and General Purposes Board reports any areas of concern to the trustees, with recommendations for corrective action.

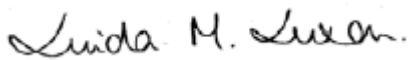
Auditor

Crowe Clark Whitehill LLP has indicated its willingness to be reappointed as statutory auditor.

Approved by the Board of Trustees on 25 March 2015 and signed on its behalf by:



Professor Jane Dacre
President



Professor Linda Luxon
Treasurer

Treasurer's annual report

I am pleased to present my report, as part of the report of trustees, for what has been a positive year for the RCP. We have continued to grow our membership, activities and income, with 6% more fellows, 14% more members, 11% more registered trainees and 26% more CPD registrants than two years ago; to enhance our services to members and fellows through the establishment of a careers office and revalidation advice; and to develop our infrastructure and facilities. Our activities for the year are briefly described in pages 6 to 11. The growth of our work and influence can also be gauged from the following table of key statistics:

Description	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
Number of fellows	16,378	16,011	15,495
Number of members	14,128	13,461	12,349
Number of trainees registered	10,003	10,628	9,010
Number of CPD registrants	14,600	12,550	11,600
Guidelines in development	30	29	27
National press citations	3040	2,646	2,404
	Year to 31 December 2014	Year to 31 December 2013	Year to 31 December 2013
Number of delegates attending education courses, conferences and teach ins	10,235	8,700	7,459
Number of MRCP(UK) exam candidates	21,725	22,198	21,165
% of foundation trusts using RCP approvals service	95%	90%	93%
Number of meetings with senior officials (MPs and lords, ministers and senior civil servants)	166	67	153

Financial results

In terms of our operations, once again 2014 was a strong year financially, with a surplus of £1.4 million generated from unrestricted activities. However, unrealised gains on external investments were £1.0 million, and with a FRS 17 pension scheme actuarial loss of £1.9 million and a transfer of £0.02 million from Clinical Standards restricted funds, the overall surplus on unrestricted funds for the year was £0.56 million.

The RCP's position at the heart of medical education and standard-setting means that our services, expertise and products continue to be in high demand. This provides some protection against the weakness in the general economy. The financial statements on pages 22 to 41 show increases in the level of operational income and expenditure, and how these have been managed.

The RCP's consolidated total income in 2014 was £40.7 million, £2.7 million higher than in the previous year. The main factors influencing this were: increases in the number of candidates sitting the MRCP(UK) and specialist examinations, particularly overseas; increased educational activities; continued success in obtaining and retaining grant funding; and income from external bookings being higher than expected due to several profitable external bookings.

Expenditure also grew during the year, as a result of our expanding activities. Nonetheless, costs were kept within the budgets approved by the Board of Trustees, although expenditure increased from £36.2 million in 2013 to £38.7 million in 2014, an increase of £2.5 million. Much of this increase resulted from our higher activity levels.

The trustees and I remain vigilant in seeking to protect the assets that we hold on behalf of fellows, and to use the resources available to fulfill the RCP's objectives and promote its work in the most efficient way possible. Our forward financial plans indicate that the RCP's financial position remains strong, and our planning and risk management processes should help us to identify any significant challenges at an early stage.

Investments

Following the transition to our new investment strategy, which was completed during the early part of 2011, we have seen an improvement in the performance of our investments, compared to 2011. This is mainly the result of maintaining a well-diversified portfolio which includes a range of asset classes.

A summary of the strategy is set out on pages 12 to 13. The objectives of the strategy are to achieve long-term growth while maintaining the value of the investment portfolios in real terms, and to generate income as required for the RCP's work, particularly in relation to its trust funds. Given the volatility of some asset classes in the current economic climate, adopting a long-term strategy may mean short-term losses in investment values, in the expectation of gains in the long term.

Investment returns in 2014 continued to be volatile, with rapid swings in values reflecting political and macroeconomic developments. As a result of the bias in our asset allocations, we have seen our investment capital preserved and positive returns since inception.

As at the 31 December 2014, the total returns since inception were as follows:

- main fund +26.2% (target – inflation plus 3%–5%)
- trust funds +33.4% (target – inflation)
- leasehold fund +20.1% (target – in excess of inflation plus 4%, long term)

Legacies

The amount received in 2014 was £186k (2013 – £1k). The income from this source is unpredictable and varies from year to year. The RCP is continually grateful to those who support us in this way, and to their families.

Trust funds

The RCP has a number of trust funds, for which a new strategy was established, based upon the RCP's 'Leading for Quality' initiative. In 2014 grants were made for clinical projects; research awards and academic fellowships; physician and international medical development.

The trust funds available and the amounts spent are shown in notes 18 and 19.

William Harvey House

2014 was a very successful year, with occupancy finishing on 89%. Average weekdays run at 90% occupancy and weekends 81%, with our fellows and members enjoying the facility for both business and leisure. More guests are bringing their partners and families to take advantage of the accommodation.

We constantly listen to our guests' comments to help enhance their stay. In 2014 we introduced the weekend lounge (Baillie room), offering complimentary tea and coffee on Saturdays and Sundays along with board games, cards and reading materials.

Building on this from January 2015, the Baillie room is now a permanent lounge for visiting fellows and members, offering complimentary refreshments Monday to Friday between 8am–5pm. In addition, an 'honesty bar' is available for residents every evening from 5pm.

From the recent comments received, the team continue to provide and exceed our guests' expectations and positive reviews have already been received about the lounge and honesty bar.

- 'I have stayed at the RCP on many occasions both before and since the renovations. The improvements have been vast and the service received is now excellent.'
- 'WHH is a real gem, I think it is a huge benefit to RCP members/fellows. I have stayed several times, usually for social visits to London and each time have been looked after superbly. Please carry on! Real milk in the fridge is a great idea.'

Estates strategy

The estate strategic review continues following the completion of a comprehensive conservation management plan. Embedded in the overall RCP strategy, the review aims to ensure that the estate and infrastructure support future RCP activities.

Acquisitions

The Library, Archive & Museum received £8,000 from the V&A Purchase Grant Fund, £7,000 from the Art Fund and £5,000 from the Beecroft Bequest for the purchase of a set of silver candlesticks that belonged to 18th century president William Wasey.

Strategic Systems Programme

The Strategic Systems Programme (SSP) is a complex multi-year programme intended to transform the underlying systems used to support Members and Stakeholders.

In 2014 we built on the successful delivery of the core Contact Relationship Management (CRM) Platform to deliver: 1) the membership CRM module to manage all aspects of membership; 2) a new web portal – MyRCP – connected to CRM that enables members to join and renew online and manage their membership; 3) a number of new SharePoint templates, integrated with CRM, that enable SharePoint sites to be created and managed by any member of staff. These changes – when combined with the improvements planned for 2015 – will transform the online experience for members and stakeholders.

Meetings and events

Record external lettings revenue were achieved in 2014, and a strong pipeline of events in 2015 has been confirmed, despite competitor venues promoting discounted offers and two new venues opening in the local area. The RCP has also benefitted from our relationship with the Wellcome Collection, as they directed their clients to use the RCP whenever possible while they were closed for renovation during 2014.

Two new posts were created and staff trained to increase their negotiation skills and provide improved engagement with clients which has assisted the growth in sales during 2014, ensuring high levels of satisfaction and repeat business.

To meet the demanding and complex audiovisual and information technology needs of our clients, a permanent team of four technicians has been recruited.

A PR company was appointed in 2014 which has successfully delivered over 50 news items and articles about the venue to the hospitality and meeting industries, helping to grow awareness of the RCP venue. The events hosted continue to assist in the funding of the RCP and help to promote of the RCP's policy activities to national and international decision makers.

Pensions

As at the end of 2014, the deficit of the defined benefit pension scheme, which is closed, increased from £4.9 million to £6.5 million. This increase is primarily due to the significant fall in corporate bond yields. This would have been higher but for the employer's contributions and asset returns. The market value of the pension scheme assets increased from £12.7 million to £13.9 million. An actuarial loss on the scheme liabilities of £1.9 million is recognised as at the end of December 2014, compared to 2013 where the actuarial loss recognised was £2.4 million.

Following the triennial actuarial valuation carried out as at 1 January 2012, the funding level has improved to 86% from 78%, the funding level at the end of 2009 on an ongoing basis. RCP continues to make an annual contribution of £425k towards reducing the scheme deficit. As agreed with the scheme's trustees, the £425k annual contribution will continue until 31 December 2016. I remain confident that the RCP will be able to meet its future obligations to the scheme.

The defined contributions pension scheme has 441 active members and a fund value of £12.27 million. Following a detailed review of the funds available for investment by members, the cost and administration issues, the trustees have appointed Standard Life in place of Friends Life as the scheme's investment providers.

With thanks

As ever, I am extremely grateful for the help and support that I have received in my role, from so many who have given generously of their time to help carry the work of the RCP forward. I owe a particular debt of gratitude to our independent pro-bono external advisers, who give unfailingly of their time and expertise to advise and support the heritage and financial activities of the RCP. I should also particularly like to thank: all the staff of the RCP Finance Department, for their unfailing help and advice; the members of the Finance and General Purposes Board for their assistance in overseeing and monitoring the finances of the RCP, and developments in relation to our buildings and IT facilities; the members of the Investment Advisory Panel, for their work in monitoring the implementation of our investment strategy and the performance of the investment managers; and the members of the Heritage Management Committee for their guidance and advice in the preservation and development of our important collections.

Professor Linda M Luxon
Treasurer
25 March 2015

Independent auditor's report to the trustees of the Royal College of Physicians

We have audited the financial statements of the RCP for the year ended 31 December 2014 set out on pages 22 to 41.

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 group's circumstances 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.

We read all the financial and non-financial information in the report of trustees 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 group's and the charity's affairs as at 31 December 2014 and of the group's incoming resources and application of resources, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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
- Returns adequate for our audit have not been received from branches not visited by us
- Sufficient accounting records have not been kept by the parent charity
- The financial statements are not in agreement with the accounting records and returns
- We have not received all the information and explanations we require for our audit.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP, statutory auditor
25 March 2015

Consolidated statement of financial activities for the year ended 31 December 2014

	Notes	Unrestricted funds	Restricted funds	Endowment funds	Total funds	
					31 Dec 2014	31 Dec 2013
					£000	£000
INCOMING RESOURCES						
Voluntary						
		17	-	-	17	17
		186	-	-	186	1
Charitable activities						
	2	6,470	271	-	6,741	6,257
	3	205	-	-	205	110
	4	13,885	1,644	-	15,529	15,215
	5	1,587	8,867	-	10,454	10,081
		4,069	-	-	4,069	3,293
Activities to generate funds						
	6	955	42	286	1,283	1,025
	21	2,054	-	-	2,054	1,670
		145	-	-	145	284
TOTAL INCOMING RESOURCES		29,573	10,824	286	40,683	37,953
RESOURCES EXPENDED						
Cost of generating funds						
		79	-	-	79	68
		121	5	39	165	155
		942	-	-	942	807
		1,142	5	39	1,186	1,030
Charitable expenditure						
	7	4,932	45	-	4,977	4,533
	8	1,753	-	-	1,753	1,547
	9	12,232	1,402	-	13,634	12,858
	10	2,026	8,465	-	10,491	10,482
		5,934	-	-	5,934	5,323
		-	66	575	641	327
		26,877	9,978	575	37,430	35,070
Governance costs		136	-	-	136	151
TOTAL RESOURCES EXPENDED		28,155	9,983	614	38,752	36,251
NET INCOMING/(OUTGOING) RESOURCES		1,418	841	(328)	1,931	1,702
	17	23	(163)	140	-	-
NET INCOMING/(OUTGOING) RESOURCES AFTER TRANSFERS		1,441	678	(188)	1,931	1,702
Other recognised gains and (losses)						
	14	1,061	38	273	1,372	4,100
	22	(1,947)	-	-	(1,947)	(2,431)
		(886)	38	273	(575)	1,669
NET MOVEMENT IN FUNDS FOR THE YEAR		555	716	85	1,356	3,371
Funds brought forward at 1 January		33,945	5,105	7,386	46,436	43,065
FUNDS CARRIED FORWARD AT 31 DECEMBER 2014		34,500	5,821	7,471	47,792	46,436

The notes on pages 25 to 41 form part of these financial statements.

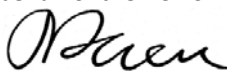
All of the above relate to the continuing activities of the group. There are no recognised gains and losses other than those shown above.

Consolidated and RCP balance sheets as at 31 December 2014

	Notes	2014		2013	
		Group £000	RCP £000	Group £000	RCP £000
Fixed assets					
Tangible fixed assets	13	11,986	11,986	11,461	11,461
Investments	14	40,909	40,909	39,348	39,348
		52,895	52,895	50,809	50,809
Current assets					
Stocks		166	166	182	182
Debtors	15	4,470	5,296	5,073	5,930
Balance at bank:					
Investment accounts		4,270	3,248	3,830	2,653
Cash		3,297	3,099	2,944	2,846
		12,203	11,809	12,029	11,611
Creditors					
Amounts falling due within one year					
Creditors and accrued expenses	16	(6,043)	(5,649)	(7,935)	(7,517)
Examination and other income received in advance	16	(4,716)	(4,716)	(3,482)	(3,482)
		(10,759)	(10,365)	(11,417)	(10,999)
Net current assets/(liabilities)		1,444	1,444	612	612
Provisions for liabilities and Charges	13	(60)	(60)	(60)	(60)
Net assets excluding pension liability		54,279	54,279	51,361	51,361
Defined benefit pension scheme liability	22	(6,487)	(6,487)	(4,925)	(4,925)
Net assets including pension liability	20	47,792	47,792	46,436	46,436
Represented by					
FUNDS					
Unrestricted:	17				
Designated					
Leasehold Replacement Fund		3,713	3,713	3,443	3,443
Fixed Assets Fund		11,986	11,986	11,461	11,461
Legacies Development Fund		1,466	1,466	1,213	1,213
Clinical Standards		308	308	167	167
		17,473	17,473	16,284	16,284
General charitable fund		23,514	23,514	22,586	22,586
Less: Pension scheme liabilities	22	(6,487)	(6,487)	(4,925)	(4,925)
		17,027	17,027	17,661	17,661
Total unrestricted		34,500	34,500	33,945	33,945
Restricted	18	5,821	5,821	5,105	5,105
Endowment	19	7,471	7,471	7,386	7,386
		47,792	47,792	46,436	46,436

The notes on pages 25 to 41 form part of these financial statements.

Approved for and on behalf of the RCP on 25 March 2015 and authorised for issue.

President: Jane Dacre Treasurer: Linda Luxon 

Consolidated cash flow statement for the year ended 31 December 2014

	December 2014		December 2013	
	£000	£000	£000	£000
OPERATING ACTIVITIES				
Net cash flow from operating activities				
Net incoming resources for the year before revaluations	1,931		1,702	
Depreciation	754		849	
(Increase) / decrease in debtors	603		(331)	
Increase / (decrease) in creditors	(658)		1,343	
(Increase) / decrease in stocks	16		(29)	
Pension reserve funding deficit	(385)		(75)	
Provision for dilapidation			60	
Net cash inflow from operating activities		2,261		3,519
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire investments	(506)		(1,317)	
Receipts from sale of investments	317		228	
Payments to acquire tangible fixed assets	(1,279)		(1,153)	
Net cash (outflow) from capital expenditure		(1,468)		(2,242)
		793		1,277
MANAGEMENT OF LIQUID RESOURCES				
Net cash (outflow)/inflow from management of liquid resources		(440)		583
(Decrease)/increase in cash		353		1,860

ANALYSIS OF CHANGES IN CASH AND SHORT-TERM DEPOSITS

	As at 1 Jan 2014	Cash flows	As at 31 Dec 2014
	£000	£000	£000
Cash at bank and in hand	2,944	353	3,297

The notes on pages 25 to 41 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2014

1 Accounting policies

The financial statements of the RCP are prepared in accordance with the Charities Act 2011 and the Statement of Recommended Practice, Accounting and Reporting by Charities 2005 (SORP 2005), and with applicable accounting standards. The financial statements are drawn up on the historical accounting basis, except that investments held as fixed assets are carried at market value.

The financial statements consolidate the operations of the wholly owned trading subsidiary, The RCP Regent's Park Limited on a line-by-line basis. The RCP has taken advantage of the exemption in section 397 of SORP 2005 not to present its own statement of financial activities.

Going concern

After making enquiries, the trustees consider that the RCP has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the report of trustees on page 13.

Income

Subscriptions income, admission fees, grants, appeals income and donations are accounted for once there is adequate certainty of receipt. Legacies are accounted for when there is adequate certainty over entitlement, amount and receipt. Investment income is recognised when due except for dividends which are accounted for on receipt.

Expenditure

All expenditure is accounted for under the accruals concept and stated gross of irrecoverable VAT. All costs are allocated to the charitable cost centres on an actual basis, with the exception of administration costs which are allocated on the following basis:

- secretariat and finance: proportion of total time spent
- human resources: number of staff in the cost centres
- buildings and office services: square footage of office space occupied.

Salaries are allocated according to the nature of work performed by each member of staff.

Governance costs comprise the costs incurred, which are directly attributable to the management of the charity's assets, organisational procedures and the necessary legal procedures for compliance with statutory requirements.

Rentals for leased assets held under the terms of operating leases are charged directly to the statement of financial activities (SOFA) over the term of the lease.

Tangible fixed assets

No 11 St Andrews Place, a leasehold property held under a 99-year lease expiring in 2060 and Nos 1–10 St Andrews Place, leasehold properties held under a lease that expires in 2084, are being depreciated over 49 years from the commencement of the respective leases. The cost of additions to existing structures has been depreciated, concurrently, over the remaining life of the leases. Equipment, furniture and fixtures are capitalised when the cost of a single item exceeds £15,000. These capital costs are depreciated by equal instalments over their anticipated useful lives, at rates between 5% and 25%. Depreciation is allocated to the departments within the RCP on the basis of area occupied. No depreciation is charged in the year of purchase or acquisition, or on assets in the course of construction.

Collections

In addition to the capitalised fixed assets held for the RCP's own use, the RCP also has a number of assets of historical interest. These comprise learned publications and a unique collection of busts and portraits, together with other objects, whose intrinsic value is also bound up with the RCP's history. The trustees consider that the significant administrative expenses incurred in deriving a reliable cost for the capitalisation of these items would exceed the usefulness of such information to the user of the financial statements.

Investments

Investments are stated in the balance sheet at the mid-market value at the balance sheet date. Realised gains or losses are calculated by reference to disposal proceeds and either opening market value or cost if acquired during the year.

Stock

Stock is valued at the lower of cost and net realisable value.

Pensions

The RCP has two pension schemes, one providing defined benefits based on final salary, the other providing benefits based on defined contributions invested with Standard Life. The pension costs for the defined contribution scheme are charged to the statement of financial activities as they become payable in accordance with FRS17. The pension costs relating to the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary.

The defined benefit pension scheme current service costs and the net of the scheme interest cost and the expected return on the scheme assets for the year are charged to the statement of financial activities within superannuation costs. Actuarial gains and losses are recognised within other recognised gains and losses.

The defined benefit pension scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

Taxation

The RCP is eligible for the tax exemptions available for charitable activities.

Unrestricted funds

These funds are received and applied to achieve the general objectives of the RCP.

Designated funds

The trustees have designated a number of funds to be used for specific purposes in the future. The movements on these funds are analysed in note 17.

Restricted funds

Restricted funds are subject to specific conditions laid down by the donors as to how they may be used. Note 18 gives details of these funds.

Endowment funds

Endowment funds relate to bequests and gifts to the RCP, the terms of which stipulate that the capital may not be spent, and the income is to be utilised to meet the costs of awards, lectures and other RCP expenditure. Movements in these funds are shown in note 19.

Total Return Accounting

The Trustees of the College applied to the Charity Commission in January 2012 for authorisation to enable the permanent endowments within the College trust funds to be invested on a total return basis as this would facilitate a better return on investments, without prejudicing the investment management policy.

Upon receiving the requisite order from the Charity Commission on 6 February 2012 the College trust fund committee approved the base date for the commencement of the total return investment policy to be 30 September 1988. The permanent endowments in note 19 of the financial statements have been recalculated as at the above date.

Notes to the financial statements continued

Incoming resources

	Unrestricted £000	Restricted/ endowment £000	2014 £000	2013 £000
2 Supporting physicians				
President's Office	4		4	
Membership	4,451		4,451	4,207
Professional Affairs	174	100	274	186
Publications	1,201		1,201	1,250
UK Regional Offices	393		393	452
International	247	171	418	162
	6,470	271	6,741	6,257
3 Influencing the healthcare agenda				
External communications	201		201	75
Medical Workforce Unit	4		4	35
	205		205	110
4 Education and training				
Education and conferences	2,057	241	2,298	2,215
MRCP(UK) Examinations	9,978		9,978	9,769
Physicians Training Board	1,553	260	1,813	1,493
Information Centre	95	17	112	122
Continuing Professional Development	202		202	198
Faculty of Medical Leadership and Management		1,126	1,126	1,418
	13,885	1,644	15,529	15,215
5 Improving standards in clinical practice				
National Clinical Guideline Centre		4,415	4,415	4,656
Clinical Standards	1,467	4,452	5,919	5,377
Invited Service Reviews	120		120	48
	1,587	8,867	10,454	10,081
6 Investment Income				
Dividends	399	148	547	368
Interest on investments	538	180	718	644
Interest on deposits	18		18	13
	955	328	1,283	1,025

Notes to the financial statements continued

Resources expended

	Unrestricted £000	Restricted/ Endowment £000	December 2014 £000	December 2013 £000
7 Supporting physicians				
President's Office	275		275	226
Membership	498		498	501
Professional Affairs	1,636	10	1,646	1,332
Publications	1,335		1,335	1,260
UK Regional Offices	587		587	723
International	601	35	636	491
	4,932	45	4,977	4,533
8 Influencing the healthcare agenda				
Committees	125		125	118
External Communications	1,317		1,317	1,095
Medical Workforce Unit	245		245	254
Europe	66		66	80
	1,753		1,753	1,547
9 Education and training				
Education and conferences	2,789	237	3,026	3,174
MRCP(UK) Examinations	6,347		6,347	5,799
Physicians Training Board	1,370	244	1,614	1,321
Information Centre	1,553		1,553	1,426
Continuing Professional Development	173		173	171
Faculty of Medical Leadership and Management		921	921	967
	12,232	1,402	13,634	12,858
10 Improving standards in clinical practice				
National Clinical Guideline Centre		4,311	4,311	4,396
Clinical Standards	1,965	4,154	6,119	6,041
Patient Involvement	39		39	31
Invited Service Reviews	22		22	14
	2,026	8,465	10,491	10,482

Notes to the financial statements continued

11 Total resources expended

	Direct costs £000	Staff costs £000	Other support costs £000	Total 2014 £000	Total 2013 £000
Cost of generating funds					
Fundraising and publicity costs	79			79	68
Investment management fees	165			165	155
Meetings and events (non-medical)	942			942	807
Charitable expenditure					
Supporting physicians	838	2,218	1,921	4,977	4,533
Influencing the healthcare agenda	463	886	404	1,753	1,547
Education and training	4,839	5,261	3,534	13,634	12,858
Improving standards in clinical practice	2,837	5,845	1,809	10,491	10,482
Meetings and events (medical)	2,233	1,074	2,627	5,934	5,323
Trusts and Fellowships	641			641	327
Governance costs					
audit fees	31			31	49
other costs	87		18	105	102
Total for 2014	13,157	15,284	10,313	38,752	36,251
Total for 2013	12,165	14,274	9,812	36,251	

	2014 £000	2013 £000
The analysis of other support costs is as follows:		
Administrative overheads	1,014	878
Information technology costs	1,461	1,467
Building overheads	1,765	2,470
Travel, meetings, subscriptions and journals	932	454
Other costs, including staff costs of central services	5,141	4,543
	10,313	9,812

Notes to the financial statements continued

12 Employees and trustees

	2014	2013
The average number (full time equivalent) of employees in the year was	358	352
The number of employees whose emoluments exceeded £60,000 were:		
£60,001 - £70,000	10	9
£70,001 - £80,000	4	3
£80,001 - £90,000	4	3
£90,001 - £100,000	3	2
£100,001 - £110,000	-	1
£110,001 - £120,00	1	-
£150,001 - £160,000	-	1
£160,001 - £170,00	1	-
£180,001 - £190,000	-	-

	2014	2013
	£000	£000
The total costs of salaries and wages were as follows :		
Salaries and wages	12,724	12,348
Social security costs	1,374	1,308
Pension costs	1,186	1,028
	15,284	14,683

23 (2013 – 18) of the above employees are members of the defined contribution pension scheme and 5 (2013 – 5) of the above employees are members of the defined benefits pension scheme, which is closed. Contributions paid into the defined contribution pension scheme for the employees for the year was £256k (2013 – £177k).

The total costs of salaries and wages as above include costs of project staff which are included under direct costs in note 11. Also staff costs under note 11 only relate to the RCP's share of joint activities with other external organisations.

Payments made to trustees were as follows: travel expenses totalling £31k (2013 – £25k) were paid to 11 trustees (2013 – 10). No trustee received any remuneration from the RCP in the current or preceding years.

Notes to the financial statements continued

13 Tangible fixed assets (Group and RCP)	Leasehold	Furniture and	Assets in the	Total
	Properties	Equipment	Course of Construction	
	£000	£000	£000	2014 £000
Cost at 1 January 2014	19,037	1,334	860	21,231
Additions	31	42	1,206	1,279
Cost at 31 December 2014	19,068	1,376	2,066	22,510
Accumulated depreciation at 1 January 2014	(9,290)	(480)		(9,770)
Depreciation for the year	(563)	(191)		(754)
Accumulated depreciation at 31 December 2014	(9,852)	(671)		(10,524)
Net book value at 31 December 2014	9,215	705	2,066	11,986
Net book value at 31 December 2013	9,747	854	860	11,461

At the year end, there were capital commitments in respect of the CRM project of £134k (2013 – £465k).

Dilapidations provision of £60k was made in respect of leases in 2013. No additional provision was required in 2014.

14 Investments (Group and RCP)	---Unrestricted---				Total	
	Leasehold	General	Restricted	Endowment	2014	2013
	£000	£000	£000	£000	£000	£000
Market value at 1 January 2014	3,443	27,695	1,705	6,505	39,348	34,159
Additions at cost	133	361	1	11	506	1,317
Disposals	(8)	(297)	(1)	(11)	(317)	(228)
Gains	145	916	38	273	1,372	4,100
Total investments at 31 December 2014	3,713	28,675	1,743	6,778	40,909	39,348
Historical cost as at 31 December 2014	3,175	23,980	800	6,278	34,232	33,525

The above investments are held as follows:

	2014	2013
	£000	£000
Listed on UK stock exchange	38,147	37,035
	<u>38,147</u>	<u>37,035</u>

Investments in the following funds exceed 5% of the investment portfolio:	%	£000
Schroder Income Fund -A- Inc	9.5%	3,870
Majedie UK Equity Fund	6.1%	2,495
L+G UK Index Trust -I- Inc	5.3%	2,159
Trojan Income Fund -S- Inc	7.9%	3,233
Schroder QEP GI Active Val -I- Inc	9.2%	3,744
CF Ruffer Absolute Return -C- Inc	18.6%	7,605

Notes to the financial statements continued

15 Debtors (Group and RCP)

	2014		2013	
	Group £000	RCP £000	Group £000	RCP £000
Trade debtors	2,391	2,262	3,388	3,279
Other debtors	578	577	336	336
Prepayments	339	339	588	588
Accrued income	1,162	1,162	761	761
Amounts due from subsidiary undertaking		956		966
	4,470	5,296	5,073	5,930

16 Creditors and accrued expenses (Group and RCP)

	2014		2013	
	Group £000	RCP £000	Group £000	RCP £000
Trade creditors	2,350	1,956	3,098	2,680
Other creditors	1,794	1,794	2,398	2,398
Tax & social security creditors	2	2	482	482
Accruals	1,897	1,897	1,957	1,957
	6,043	5,649	7,936	7,517

Examination and other income received in advance (Group and RCP)	Balance b/f	Released	Balance c/f
	1 Jan 2014 £000	to SOFA £000	Received in year £000
Examination income	2,784	(2,784)	3,824
Other income	698	(698)	892
	3,482	(3,482)	4,716

Notes to the financial statements continued

17 Unrestricted funds	-----Designated-----				Unrestricted General	Total
	Leasehold replacement fund £000	Fixed assets fund £000	Legacies development fund £000	Clinical standards £000		
NET INCOMING RESOURCES FOR THE YEAR BEFORE TRANSFERS	55		186		1,177	1,418
Leasehold Replacement Fund						
Transfers from General funds	70				(70)	
Clinical Standards						
Transfers to General funds						
Transfers from General funds				267	(267)	
Transfers from Restricted funds				91		91
Transfers to Restricted funds				(217)	(342)	(559)
National Clinical Guidelines Centre						
Transfers from Restricted funds					491	491
Fixed Assets Fund						
Projects capitalised this year		1,279			(1,279)	
Transfers/adjustments						
Depreciation of assets		(754)			754	
Legacies Development Fund						
Transfer from General funds						
Transfer to General funds			67		(67)	
NET INCOMING / (OUTGOING) RESOURCES FOR THE YEAR AFTER TRANSFERS	125	525	253	141	397	1,441
Gains on investments	145				916	1,061
Pension scheme actuarial gain (FRS 17)					(1,947)	(1,947)
NET MOVEMENT IN FUNDS	270	525	253	141	(634)	555
Brought forward as at 1 January 2014	3,443	11,461	1,213	167	17,661	33,945
CARRIED FORWARD AS AT 31 December 2014	3,713	11,986	1,466	308	17,027	34,500

Notes to the financial statements continued

17 Unrestricted funds continued

Leasehold replacement fund – this represents funds earmarked and invested separately by the RCP as security against the declining value of leases and £208k being part of a legacy received in 2001 and 2002 and designated by the trustees to this fund. A further £70k is being transferred from general funds annually.

Fixed assets fund – this represents the net book value of the RCP's fixed assets.

Legacies development fund – unrestricted legacies received in the year of £186k were incorporated with the £1,213k brought forward from previous years, and included the proceeds of a property in Margate which was bequeathed to RCP by the late Mrs Price. Expenditure from the fund was £67k which was used to acquire a portrait of a past president, the digitisation of the lives of the fellows (Munk's Roll), the refurbishment of the Dorchester Library and the funding of clinical fellows. The fund will be utilised for appropriate and relevant projects for such purposes that the major donors can be recognised and remembered.

Clinical standards – funds remaining on completed projects have been designated with the aim of expanding the work carried out by this department. It is expected that these funds will be used within the next five years.

Clinical Standards transfers relate to:

2013 and 2014 HWDU deficit transferred to College from Restricted funds

2013 and 2014 deficit on and closed projects covered by general fund.

Re-classification of Falls Audit surplus on as designated fund (closed project).

National Clinical Guidelines Centre transfer relate to:

Surplus on non-NICE funded projects to College from funds previously held in Restricted funds.

Notes to the financial statements continued

18 Restricted funds	Balance at 01.01.2014	Income and investment gains	Expenses	Transfers	Balance at 31.12.2015
	£000	£000	£000	£000	£000
Clinical Standards	1,951	4,452	(4,158)	468	2,713
Education	423	501	(481)		443
National Clinical Guideline Centre	1,049	4,415	(4,310)	(491)	663
Faculty of Medical Leadership and Management	654	1,126	(921)		860
International	0	171	(35)		136
Professional Affairs (Faculty of Physicians Associates)	0	100	(10)		90
Dr Everley-Jones legacy	452	34	(5)		481
Harold Thomas Barten Trust	71	5	(1)		76
Overseas Doctors Training Fund	60	5	(46)		19
Frank Peacock Bequest	43	4	(1)		46
Catherine Mills Bequest	49	4	(1)		52
The Cotton Trust	172	15	(2)	(140)	45
14 other funds balances below £40,000	181	30	(13)		197
	5,105	10,861	(9,983)	(163)	5,821

RCP received a total return order from the Charity Commission, dated 6 February 2012, which enables the trustees to decide which part of the unapplied total return from the investment of the charity's permanent endowments should be held on trust for application for the purposes of the charity.

Funds with closing balances over £100k are as follows:

The grants for Clinical Standards, Education and the National Clinical Guideline Centre are received for specific projects.

Faculty of Medical Leadership and Management income and expenditure are restricted for the anticipated transfer to a separate legal entity in the future.

The Dr Everley-Jones legacy was received from the estate of Dr Everley-Jones, to be used in the field of communication in medicine in its broadest sense encompassing all aspects of information technology.

The Cotton Trust was founded by a bequest from Dr Thomas Forrest Cotton FRCP (1884–1965), in memory of Sir William Osler Bt FRCP FRS (1849-1919). The legacy received in 1968, is invested and managed by the trustees of The Royal Trust Corporation of Canada/The Royal Trust Company, and the income is paid to RCP. This has been transferred to endowment funds following confirmation from The Royal Trust Corporation of Canada/The Royal Trust Company that the capital is not expendable.

Notes to the financial statements continued

19 Endowment funds

	Unapplied total return 01.01.2014 £000	Income and gains £000	Conversion to income £000	Unapplied total return 31.12.2014 £000	'Frozen' permanent capital 31.12.2014 £000	Total endowment 31.12.2014 £000
Bradshaw Trust	161	23	(13)	171	143	314
Eden Fellowship in Paediatrics	764	68	(40)	792	142	934
John Rosser Scholarship	44	7	(41)	10	42	52
Joseph Senior White Trust	214	28	(156)	86	161	247
Lewis Thomas Gibbon Jenkins-Briton Ferry	555	136	(21)	670	1,250	1,920
ORL Wison Bequest	58	8	(3)	63	44	107
James Maxwell Grant Prophit Bequest	199	56	(8)	247	539	786
Sadleir Trust	212	23	(3)	232	91	323
Samuel Leonard Simpson Fellowship	346	47	(19)	374	280	654
T K Stubbins bequest	43	12	(32)	23	104	127
Watson Smith Trust	733	91	(262)	562	470	1,032
William Withering Prize	77	9	(1)	85	38	123
Dr J D Ramsay Scholarship	22	4	(1)	25	30	55
Graham Bull Prize	27	4	(1)	30	25	55
Sir Michael Perrin Lecture	47	4	(1)	50	12	62
Lady Teale Lecture	54	7	(5)	56	44	100
Dr Samuel Gee's Endowment Fund	43	5	(1)	47	26	73
John Glyn	46	10	(3)	53	80	133
Dame Sheila Kift Bequest	11	4	(1)	14	38	52
The Cotton Trust						140
16 other funds with balances below £40,000	89	13	(3)	99	83	182
	3,744	559	(615)	3,689	3,642	7,471

RCP received a total return order from the Charity Commission, dated 6 February 2012, which enables the trustees to decide which part of the unapplied total return from the investment of the charity's permanent endowments should be held on trust for application for the purposes of the charity.

This Cotton Trust has been transferred from restricted funds following confirmation from The Royal Trust Corporation of Canada/The Royal Trust Company that the capital is not expendable. The Cotton Trust was founded by a bequest from Dr Thomas Forrest Cotton FRCP (1884–1965), in memory of Sir William Osler Bt FRCP FRS (1849–1919). The legacy, received in 1968, is invested and managed by the trustees of The Royal Trust Corporation of Canada/The Royal Trust Company, and the income is paid to RCP.

Funds with closing balances over £300k are as follows:

The Bradshaw Trust was founded by a bequest from Mrs Sally Hall Bradshaw by her will of 1875, in memory of her husband Dr William Wood Bradshaw MRCP FRCS (1800–66): £1,000 to endow an annual lecture on a subject connected with Medicine or Surgery. The lecturer is appointed by the president: the honorarium is £20.

The Eden Fellowship in Paediatrics was established in 1947 from the estate of Dr Thomas Watts Eden, to establish and maintain travelling fellowships for the study of childhood in health and disease.

The Lewis Thomas Gibbon Jenkins of Briton Ferry Memorial Trust was received by the RCP in November 1998 from the executors of Mrs Nancy Crawshaw's will. The capital is to remain intact for a minimum of 21 years after her death. The income is to be applied for the promotion of medical research connected with a physical disorder prevalent in Wales.

The James Maxwell Grant Prophit Trust was received in November 1998. The endowment is an addition to the Prophit Bequest and as with the original bequest the fund is to be devoted to the promotion and furthering of research work concerning the nature, causes, prevention, treatment and cure of tuberculosis.

The Samuel Leonard Simpson Fellowship was founded in 1984 by a gift of shares/stocks from Mrs HM Simpson in memory of her husband Dr Samuel Leonard Simpson FRCP (1900–1983) for a travelling scholarship in endocrinology.

The Watson Smith Trust was a bequest from Dr Sydney Watson Smith FRCP in memory of his wife and himself, to endow an annual lecture and medical research fellowship.

The Joseph Senior White Trust was founded by a bequest from Mrs Eliza White, in memory of her husband, Joseph Senior White, to be used for scientific research solely with a view to the discovery of means to alleviate human suffering and for the prevention and cure of diseases.

The Sadleir Trust was established by a bequest from Lady Sadleir, wife of Sir Edwin Sadleir Bt and widow of Dr William Croone (1633–84), fellow of the College, to provide for the two annual lectures Dr Croone had planned, but for which he had made no endowment: one to be read before the College of Physicians by a Fellow of the College, with a sermon to be preached at St Mary-le-Bow; the other on the nature and laws of muscular motion to be delivered before the Royal Society.

20 Analysis of group net assets after pension scheme liability

		Tangible fixed assets £000	Investments £000	Net current assets inc. pension liability £000	Total	
					2014 £000	2013 £000
Unrestricted:						
Designated -	Leasehold Replacement Fund		3,713		3,713	3,443
	Fixed Assets Fund	11,986			11,986	11,461
	Legacies Development Fund			1,466	1,466	1,213
	Clinical Standards			308	308	167
		11,986	3,713	1,774	17,473	16,284
General funds			28,675	(11,631)	17,027	17,661
		11,986	32,388	(9,857)	34,500	33,945
Restricted			1,743	4,061	5,821	5,105
Endowment			6,778	693	7,471	7,386
		11,986	40,909	(5,103)	47,792	46,436

Notes to the financial statements continued

21 Trading subsidiary - The RCP Regent's Park Limited

Profit and Loss Account	2014 £000	2013 £000
Turnover	2,053	1,670
Cost of sales	(992)	(842)
Gross profit	<u>1,061</u>	<u>828</u>
Administrative expenses	(286)	(269)
Operating profit	<u>775</u>	<u>559</u>
Gift aid to Royal College of Physicians	(775)	(559)
Retained profit for the financial year	<u><u> </u></u>	<u><u> </u></u>

Included within operating costs is £336k (2013 £304k) which represents a reimbursement in respect of costs incurred by the RCP.

Balance Sheet	2014 £000	2013 £000
Debtors	130	109
Balance at bank	1,220	1,275
Current and total assets	<u>1,350</u>	<u>1,384</u>
Creditors due within one year:		
due to the RCP	(956)	(966)
other	(394)	(418)
Total creditors	<u>(1,350)</u>	<u>(1,384)</u>
Net assets	<u>£1</u>	<u>£1</u>
Capital and reserves		
Called up share capital	<u>£1</u>	<u>£1</u>
Shareholders' funds	<u>£1</u>	<u>£1</u>

The RCP's wholly owned trading subsidiary, The RCP Regent's Park Limited, was incorporated on 17 September 2001. The net profit for the year ended 31 December 2014 of £775k will be gift-aided by the company to the RCP. The principal activity of the company is to organise, provide facilities for and hold conferences, seminars, courses of instruction, demonstrations, lectures, exhibitions, private dinners and functions. The trading results and balance sheet of the subsidiary extracted from its audited accounts are set out above.

Notes to the financial statements continued

22 Pension schemes

Total pension costs charged for the year were £40k (2013 – £39k) for the defined benefits pension scheme and employer pension contributions of £1,186k (2013 – £1,028k) for the defined contribution pension scheme. The contribution rate for the defined contribution scheme is determined by the members' age bands with incremental rates for older members.

The defined benefits pension scheme is closed to new members and closed to future accrual. There is no further salary linkage. For the purposes of FRS17 the valuation of the defined benefits scheme has been calculated as at 31 December 2014 by a qualified actuary. The valuation, details of which are given below, shows £13.9 million of assets and £20.4 million of liabilities. The deficit of £6.5 million represents an increase of £1.6 million compared to 2013. There is mostly due to actuarial adjustments and losses.

The scheme's assets and liabilities as at 31 December 2014, analysis of pension costs and details of the valuation were as follows:

Principal assumptions	2014	2013	2012
	% per annum	% per annum	% per annum
Discount rate	3.5	4.6	4.6
Aggregate long-term expected rate of return on assets	3.5	6.0	5.3
Rate of increase of salaries	n/a	n/a	n/a
RPI inflation assumption for pensions in payment	3.3	3.7	3.0
CPI inflation assumption for deferred pensions	2.5	2.8	2.2
Pension increases	3.3	3.7	3.0
Pension commencement lump sum taken at retirement	18.75% of benefit value	18.75% of benefit value	18.75% of benefit value

Mortality tables: 90% of S1PMA (males) and 90% of S1PFA (females) tables using CMI 2011 projections with a 1.2% long term rate of improvement based on year of birth.

The assets valued below are in the form of monies invested with Standard Life, Newton Investment Management and Legal & General Investment Management, together with the trustees' bank account. The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31.12.14	Value at 31.12.14	Long-term rate of return expected at 31.12.13	Value at 31.12.13	Long-term rate of return expected at 31.12.12	Value at 31.12.12
	% per annum	£000	% per annum	£000	% per annum	£000
Real return and absolute return funds	5.5	8,013	6.8	7,694	6	7,258
Equities	n/a		n/a		n/a	-
Index-linked gilts	3.3	4,222	4.5	3,483	3.7	3,460
Corporate bonds	4.1	1,414	5.0	1,254	4.6	1,241
Hedge funds	4.7	9	6.0	23	5.2	56
Payment from Equitable Life (cash)					5.2	432
Cash	4.7	210	6.0	256	3.5	49
Total market value of assets		<u>13,868</u>		<u>12,710</u>		<u>12,496</u>

Description of basis used to determine overall expected rate of return on assets:

- real return and absolute return funds: the yield on gilts plus an equity risk premium
- equities: the yield on gilts plus an equity risk premium
- bonds and gilts: the yield on corporate bonds/index-linked gilts plus a performance target
- hedge funds and Equitable Life payments: the aggregate long-term expected rate of return on assets
- cash: RPI plus a margin.

Notes to the financial statements continued

22 Pension schemes continued

Total expense recognised in the statement of financial activities	2014		2013	
	£000		£000	
Interest cost	801		684	
Expected return on scheme assets	(761)		(645)	
Total expense	40		39	
Movement in deficit during the year	2014	2014	2013	2013
	£000	£000	£000	£000
Pension scheme liability at beginning of the year		(4,925)		(2,569)
Total loss charged to statement of financial activities		(40)		(39)
Amount recognised in statement of total recognised gains and losses				
Actuarial (loss)/gain on scheme liability assumption changes	(2,404)		(2,220)	
Actuarial (loss)/gain on scheme liability experience			(45)	
Actuarial (loss)/gain on scheme assets	457		(166)	
		(1,947)		(2,431)
Employer contribution		425		114
Pension scheme liability at the end of the year		(6,487)		(4,925)
Reconciliation of the opening and closing balances of scheme liabilities	2014		2013	
	£000		£000	
Present value of scheme liabilities at beginning of the year	17,635		15,065	
Interest cost	801		684	
Actuarial (loss)/gain on scheme liability assumption changes	2,404		2,220	
Actuarial (loss)/gain on scheme liability experience			45	
Benefits paid	(485)		(379)	
Present value of scheme liabilities at the end of the year	20,355		17,635	
Reconciliation of the opening and closing balances of the fair value of assets	2014		2013	
	£000		£000	
Fair value of scheme assets at beginning of the year	12,710		12,496	
Expected return on scheme assets	761		645	
Actuarial gain on scheme assets	457		(166)	
Employer contributions	425		114	
Benefits paid	(485)		(379)	
Fair value of scheme assets at the end of the year	13,868		12,710	
Reconciliation of the present value of scheme liabilities and fair value of assets to the asset and liability recognised in the balance sheet	2014		2013	
	£000		£000	
Fair value of scheme assets	13,868		12,710	
Value of liabilities (defined benefit obligation)	(20,355)		(17,635)	
Funded status	(6,487)		(4,925)	
Recognised pension scheme liability	(6,487)		(4,925)	

Notes to the financial statements continued

22 Pension schemes continued

Analysis of pension scheme assets and liabilities for the current and previous four financial periods	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of scheme liability	(20,355)	(17,635)	(15,065)	(15,025)	(13,087)
Fair value of scheme assets	13,868	12,710	12,496	11,499	10,498
Deficit	(6,487)	(4,925)	(2,569)	(3,526)	(2,589)
Liability experience adjustment		(45)	129	(331)	(786)
Expressed as a percentage of liabilities	0.0%	-0.3%	0.9%	-2.2%	-6.0%
Asset experience adjustment	457	(166)	335	265	(51)
Expressed as a percentage of assets	3.3%	-1.3%	2.7%	2.3%	-0.5%

At the date of the last statutory actuarial assessment as at 1 January 2012, the market value of the scheme was £11.1 million and the actuarial value of those assets represented 86% of the value of the benefits which had accrued at that date, allowing for future pension increases.

23 Lease obligations

	2014	2013
	£000	£000
Operating leases on office equipment and computers, by expiry date:		
Under one year	1	1
One to two years	3	2
Two to five years	39	40
Total annual commitment	43	43

In addition to the above are operating lease commitments in respect of land and buildings for a lease expiring between two and five years of £301k (2013 – £259k).

Annual report and accounts 2014

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