

Annual report 2015

# Valuing and empowering doctors



**Royal College  
of Physicians**

## Contents

RCP boards, committees and lists	2
Report of trustees	6
Public benefit	6
Activities and achievements in 2015	6
Future plans	13
Financial powers and policies	14
Structure, governance and management	16
Statement of trustees' responsibilities	18
Treasurer's annual report	21
Independent auditor's report to the trustees of the Royal College of Physicians	23
Consolidated statement of financial activities for the year ended 31 December 2015	24
Consolidated and RCP balance sheets as at 31 December 2015	25
Consolidated statement of cash flow for the year ended 31 December 2015	26
Notes to the consolidated statement of cash flow for the year ended 31 December 2015	27
Notes to the financial statements for the year ended 31 December 2015	28

## RCP boards, committees and lists

### Officers of the RCP

#### *Visitor*

Her Majesty the Queen

#### *President*

Professor Jane Dacre

#### *Vice president education and training (senior censor)*

Dr Gerrard Phillips

#### *Clinical vice president*

Dr Anita Donley OBE

#### *Academic vice president*

Professor John Wass

(demitted July 2015)

Professor Margaret Johnson

(appointed August 2015)

#### *Censors*

Dr Peter Belfield

Dr Liz Berkin

Dr Andrew Jeffrey

Professor Trudie Roberts

(demitted August 2015)

Dr Emma Vaux

Dr Adrian Jennings

(appointed August 2015)

Dr Ananthakrishnan Raghuram

(appointed August 2015)

#### *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 David Black

#### *Deputy medical director, JRCPTB*

Dr Alastair Miller

#### *Associate deputy director, JRCPTB*

Dr Emma Vaux

#### *Medical director, Continuing Professional Development*

Dr Ian Starke

(demitted July 2015)

Dr Gerrard Phillips

(appointed August 2015)

#### *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

(demitted January 2015)

Dr Derek Waller

(appointed May 2015)

#### *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

(demitted November 2015)

#### *New technologies clinical lead*

Professor Jeremy Wyatt

#### *Flexible careers officer*

Dr Belinda Stanley

(demitted July 2015, role under review)

#### *Patient involvement officer*

Dr Michael Rudolf

(demitted July 2015, role under review)

#### *Director, invited service reviews*

Dr Peter Belfield

#### *Acute care fellow*

Dr Frank Joseph

(demitted July 2015, role under review)

*Future hospital officer*

Dr Mark Temple  
 Dr Frank Joseph  
 (appointed August 2015)

*Clinical director for accreditation*

Dr Roland Valori

*Director, National Collaborating Centre for Chronic Conditions*

Dr Bernard Higgins  
 (demitted July 2015)

*Garden fellows*

Dr Henry Oakeley  
 Professor Michael de Swiet  
 Professor John Newton

*Chief executive*

Patricia Wright  
 (until July 2015)  
 Dr Ian Bullock (joint interim)  
 Mr Clive Constable (joint interim)

**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 Margaret Johnson, academic vice president

*Members nominated from Council*

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

*Lay members*

Lady Wolfson  
 Mr Tom Vyner CBE  
 Mr Andrew Chandler  
 Vacancy

*Members who ceased to be trustees during the year*

Professor John Wass  
 (demitted July 2015)

**Members of Council**

Professor Jane Dacre  
 Dr Gerrard Phillips  
 Dr Anita Donley OBE  
 Professor John Wass  
 (demitted July 2015)

Professor Margaret Johnson  
 (appointed July 2015)  
 Professor Linda Luxon CBE  
 Dr Andrew Goddard  
 Dr Alan Rees  
 Dr David Cohen  
 Dr Rhid Dowdle OBE  
 (demitted July 2015)  
 Dr John Firth  
 Dr Mike Gill  
 Dr Rowan Hillson MBE  
 Dr Adrian Jennings  
 (appointed July 2015)  
 Professor Margaret Johnson  
 (demitted July 2015)  
 Dr Robin Lachmann  
 Dr David Nicholl  
 Dr John Quin  
 Dr Tanzeem Raza  
 (appointed July 2015)  
 Dr Alan Roberts  
 (demitted July 2015)  
 Dr Michael Rose  
 (appointed July 2015)  
 Professor John Saunders  
 (demitted December 2015)  
 Professor Simon Taylor-Robinson  
 (appointed July 2015)  
 Professor Anthony Ward  
 Dr Pippa Medcalf  
 (demitted December 2015)  
 Dr Peter Belfield  
 (demitted July 2015)  
 Dr Emma Vaux  
 Dr Victoria Evans  
 (demitted May 2015)  
 Dr Jason Payne-James  
 (appointed May 2015)  
 Dr Richard Heron  
 Dr Keith Bragman  
 (demitted November 2015)  
 Dr Alan Boyd  
 (appointed November 2015)  
 Professor John Ashton CBE  
 Dr Anna Batchelor  
 Dr John Dean  
 Dr Ganesh Subramanian  
 (demitted July 2015)  
 Dr Andrew Macleod  
 (appointed December 2015)  
 Professor John Harvey  
 Dr Carol Wilson  
 (demitted October 2015)  
 Dr Michael Trimble  
 (appointed October 2015)  
 Dr Iain Simpson  
 (demitted June 2015)  
 Dr Sarah Clarke  
 (appointed June 2015)

Dr David Eedy  
 Professor Simon Bowman  
 Professor David Oliver  
 Dr Bernard Higgins  
 (demitted December 2015)  
 Dr Ian Forgacs  
 Dr Alistair Douglas  
 (demitted September 2015)  
 Dr Mark Holland  
 (appointed September 2015)  
 Dr Geraint Fuller  
 (demitted May 2015)  
 Professor Philip Smith  
 (appointed May 2015)  
 Dr Dinesh Nagi  
 (demitted December 2015)  
 Dr Clifford Mann  
 Dr Jessica Williams  
 Dr Druin Burch  
 Dr Ruth Dobson  
 (demitted November 2015)  
 Dr Giles Major  
 (demitted November 2015)  
 Dr Orod Osanlou  
 (appointed November 2015)  
 Dr John Corcoran  
 (demitted November 2015)  
 Dr Amer Jafar  
 Ms Suzie Shepherd  
 (demitted June 2015)  
 Ms Elisabeth Davies  
 (appointed June 2015)

#### **Finance and Resources Board**

Dr Andrew Goddard, registrar  
 Dr Brian Cooper  
 Charles Perrin CBE  
 Dr Tim Battock  
 Professor Jane Dacre, president  
 Dr John Bennett  
 Laura Gibbs  
 Professor Linda Luxon CBE, treasurer  
 Michael Ridley  
 Dr Michael Donaghy  
 Professor Chuka Nwokolo  
 Sarah Barzycki  
 Sarah Campbell  
 Dr Anthony Ward

#### **Awards and prizes**

##### **Awards and prizes**

*Graham Bull prize in clinical science*

Dr Martin Turner

*Teale essay prize*

Dr Louise Southern

*GMJ Slot prize*

Dr Olivia Jaggar

Dr Abigail Moore

*Thomas Watts Eden*

Dr Sarah Prentice

Dr Helen Simms Williams

#### **Research and travelling fellowships**

*Dame Sheila Sherlock travelling fellowships in hepatology*

Dr John Ong

Dr Aloysious Aravinthan

*RCP medical student electives*

Faheem Ahmed

Joon Ong

Claire Robertson

Joanne Ferguson

Sean Bulstrode

Claire Merrifield

Jessica Roberts

Robert Michael

Jonathon Dean

Jane Barraclough

James Lanchbury

Isabelle Kamenou

Joshua Newmark

Jia Song

*Samuel Leonard Simpson fellowship in endocrinology*

Dr Victoria Salem

*Dr JD Ramsay cardiology bursaries*

Dr Mohammad Ali

Dr Mark Elliott

*RCP endocrinology bursary*

Dr Sheharyar Asif Qureshi

*James Maxwell Grant Prophit fellowship*

Dr Ankur Gupta-Wright

#### **Elections and admissions**

*New fellows*

1,022 elected under bye-law 39 (a, c and d)

8 elected under bye-law 39 (b)

8 elected under bye-law 39 (e)

9 elected under bye-law 39 (f)

50 elected under bye-law 39 (g)

7 elected under bye-law 43

*New honorary fellows*

Professor Michael Harold Depledge

Professor Howell Martyn Evans

Professor Nicholas Clwyd Jones  
 Professor John Wyn Owen  
 Mr Nick Ross  
 Professor Robert William Snow  
 Daw Aung San Suu Kyi

**Major donors for 2015**

Estate of the late Dr Kenneth H Slatter  
 Estate of the late Dr Fred W Wright  
 Estate of the late Myrtle R Mumford  
 Dudley and Geoffrey Cox Charitable Trust  
 The Lord Leonard and Lady Estelle Wolfson Foundation

**Principal advisers**

*Solicitors*

Field Fisher Waterhouse LLP  
 Riverbank House  
 2 Swan Lane  
 London EC4R 3TT

*Bankers*

C Hoare and Company  
 37 Fleet Street  
 London  
 EC4P 4DQ

Lloyds plc  
 National Clubs and 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 and 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

**Principal address**

11 St Andrews Place  
 Regent's Park  
 London NW1 4LE

**Chief executive**

Dr Ian Bullock (appointed Feb 2016)

*Supported by key management personnel*

Deputy chief executive  
 Executive director of education  
 Director of strategy, communications and policy  
 Director of resources  
 Commercial director  
 Director of engagement and international partnerships  
 Director of clinical effectiveness  
 NCGC operations director  
 NCGC international operations director  
 Director of human resources  
 Chief technology officer  
 Head of finance  
 Head of JRCPTB  
 Head of PR and public affairs

## Report of trustees

### Public benefit

The trustees of the Royal College of Physicians (RCP) are pleased to present their report for the year ended 31 December 2015.

The RCP was established by royal charter in 1518. It is a registered charity, and the trustees are mindful of their duty to ensure that the charity's purpose accords with the objects set out in its governing document (the charter). However, much has changed and developed over 500 years so as we approach that anniversary the trustees wish to make a modern statement of our charitable purpose.

Our basis is the charter, but this was a document of its time, the Renaissance. Some of its content is formulaic and includes clauses which were standard for documents of the time. It was not written with the 21st century in mind, but it does contain words which indicate and support a longer-term view without restrictions which might otherwise be implied.

Granting the charter was a significant decision, strengthened shortly afterwards by an act of parliament. Uniquely for the time, through the charter the king established the RCP in perpetuity as a professional rather than trade body in the name of the public benefit. He empowered it to set standards by regulating practice, to protect the public. The charter refers to the example of well-governed cities in Italy and many other nations, indicating that the king wished best practice to be applied, wherever it was found; and the RCP was allowed considerable self-governance. It was therefore inevitable – and perhaps anticipated – that, whilst remaining consistent with the charter, the RCP's work for public benefit should grow beyond that expressly stated in the charter.

There is a long history of the RCP doing this. For example, in 1698 the first dispensary opened in the premises of the RCP, where the poor were given free consultation and advice, and prescribed drugs dispensed from a special stock; branches were opened later in other parts of the city. During the Second World War the examination was conducted overseas, and this has continued since. The RCP's museum and library collections date back to the sixteenth century at least. So by the time the RCP became a registered charity in 1963 its work and purposes, whilst remaining charitable in terms of legal definition, had gone far beyond those described in 1518 but were accepted as appropriate and proper for a professional medical body established to set and promote standards.

Today the RCP continues to focus its work to support high standards of medical training and patient care through activities within the meaning of charitable purpose as defined by the Charities Act 2011 that are carried out for the general public benefit. In particular, most of our activities fall within the purposes of the advancement of health or the saving of lives; the advancement of education; and the advancement of the arts, culture, heritage or science. Our work in these areas is made possible through the involvement of our fellows and members wherever they work, in the UK or overseas, and is summarised annually in our report and accounts.

### Activities and achievements in 2015

#### 1. Improving care for patients

*What we planned to achieve:*

- 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.

*What we achieved:*

- The Clinical Effectiveness and Evaluation Unit continued to successfully deliver national comparative clinical audits in stroke care, falls and fractures, inflammatory bowel disease, lung cancer, chronic obstructive pulmonary disease (COPD) and end-of-life care, engaging around 8,000 clinicians across the UK and working with clinical teams, commissioners, policymakers and patient groups to use data to drive service improvements.
- The Accreditation Unit hosted seven assessor training days and 15 quality-improvement workshops, enabling clinicians to lead quality improvement.

- New allergy (Improving Quality in Allergy Services) and primary immunodeficiency (Quality in Primary Immunodeficiency Services) accreditation schemes were developed and pilot work was begun to assess the potential for accreditation of pulmonary rehabilitation services, in collaboration with the National COPD Audit Programme.
- The Future Hospital Programme (FHP) supported its first phase of development sites through learning events about quality improvement and measurement, enabling the sites to realise tangible and measurable improvements in patient care.
- The FHP has worked with the RCP's education and training departments and developed a business case and job description for the chief registrar position as part of a pilot to develop physicians' skills in leadership and quality improvement.
- We worked extensively internationally. We:
  - produced and published a second multidisciplinary, evidence-based Oman national guideline (for ST elevation myocardial infarction)
  - held a higher interview skills workshop and produced documentation in support of Oman consultant appointments
  - held a data-gathering workshop in support of a multidisciplinary, evidence-based care pathway for acute coronary syndrome in Saudi Arabia
  - presented at two conferences in Abu Dhabi about international evidence-based guidelines
  - attended the World Innovation Summit for Health in Qatar and contributed to international evidence-based debates.
- We improved access to the Future Hospital Journal by making it a free member benefit to RCP members from October 2015, whereas before it had only been free to RCP fellows. As a journal that hopes to inspire innovation in the provision of future healthcare, we felt that it was particularly important that the journal was available to doctors at earlier career stages, not just to senior consultants.
- The National Clinical Guideline Centre (NCGC) delivered six draft scopes and 13 draft guidelines to the National Institute for Health and Care Excellence. Five guidelines developed by the NCGC were published in 2015.
- As a result of the RCP's work as part of the Clinical Services Accreditation Alliance, standards have been developed for accreditation schemes themselves, and for accreditation schemes to use to assess services.
- The Accreditation Unit did full assessments of 97 clinical services, and services that were already accredited were monitored and reviewed.
- The Health Informatics Unit (HIU) managed four multidisciplinary projects (in collaboration with the Health and Social Care Information Centre and the Professional Record Standards Body) focusing on enabling NHS trusts to implement clinical record standards. The standards are now embedded in national policy and the discharge summary standard, one of the four projects, is referenced in the 2015 NHS contract.
- Workshops were held by the HIU with key national stakeholders, patients and clinicians, which identified a need for standardisation of the recording of clinical incidents. The HIU conducted a European-Union-funded project to identify how to include patient views about their condition in clinical records.
- The FHP provided development sites with access to external experts with substantial experience and expertise in various aspects of quality improvement.
- The FHP actively supported development sites to collect data for improvement, including those for staff health, organisational culture, and patient experience. This support and analysis has enabled the sites to use the data to inform their quality-improvement work.
- An integrated care theme was agreed for the second phase of development sites, and a plan for programme support across all sites was developed. Recruitment for phase 2 has started.
- The FHP supported integrated diabetes care work in Oxford, with the aim of demonstrating how Future Hospital recommendations might be translated into practice.
- The shared decision making and support for self-management project has worked with the MRCP(UK) Practical Assessment of Clinical Examination Skills (PACES) team to embed shared decision making approaches in PACES.
- 'Tell us your story' was launched in March 2015, through which the FHP is gathering examples of good practice in service change to inspire others to lead improvements.



- The Patient Safety Committee reviewed its membership and remit and launched a seminar series to educate and share learning with members, college officers, clinical fellows and staff.
- A clinical fellow was appointed under the auspices of the National Medical Director's Clinical Fellows Scheme to lead on implementation of the RCP's patient safety work.
- Two publications about young adults and adolescents were released: a policy report with recommendations on the outcomes and experiences of young people entering adult services for the first time, and an acute care toolkit providing practical guidance for physicians to help to improve the delivery of acute care for young people.
- The HIU produced guidance for clinicians on CE marking of apps, an easy-to-spot marker of quality, and completed a literature review of evidence about quality, usability and benefits of apps for patients and clinicians to inform the National Information Board (NIB).
- Through the shared decision making and support for self-management project, the RCP is providing advice and support to the acute medical team at Torbay Hospital around how to embed person-centred care into daily practice. A training video has also been developed as part of this project.
- Accreditation schemes have appointed, trained and started deploying lay assessors on assessment teams to ensure that patient experience is a central pillar of the schemes.

## 2. Developing physicians throughout their careers

### *What we planned to achieve:*

- 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.

### *What we achieved:*

- The Continuing Professional Development (CPD) and Revalidation team designed a new tailored programme to meet the needs of physician associates and is working closely with the Faculty of Physician Associates on the delivery of this programme.
- The Education Department delivered 'Patients as partners' training in London and around the UK.
- The Joint Royal Colleges of Physicians Training Board (JRCPTB) began development of a new internal medicine curriculum, including a supporting assessment methodology, via a newly formed internal medicine committee, to ensure that tomorrow's physicians are trained to a high standard to meet the needs of an ageing population and have the necessary skills and knowledge to care for patients with common acute and long-term medical conditions.
- The JRCPTB and MRCP(UK) progressed a joint approach to international activity around expansion of exams and accreditation. We have delivered educational and leadership programmes in Iceland, Switzerland, Malaysia and the USA:
  - In Iceland, we worked in partnership with the National University Hospital of Iceland to deliver supervisor training for doctors. Implementation commenced in September, and to support it, the JRCPTB provided core medical trainees in Iceland with dedicated ePortfolio access tailored to their training programme.
  - We delivered two four-day faculty development programmes for the Swiss Institute of Medical Education and a further four-day faculty development programme for Kantonsspital Winterthur.
  - We delivered a five-day faculty development programme for senior doctors on behalf of the ministry of health in Malaysia.
  - We continued to build on our successful partnership with the Bassett Medical Center in the USA by delivering the faculty development programme for their doctors in May and November. We also continued to joint sponsor with the Lahey Hospital and Medical Center the delivery of a 'Leadership in medicine' event for senior doctors.
- MRCP(UK) contributed to the delivery of the General Medical Council (GMC) toolkit, in which raw data for examination performance by gender, ethnicity, and deanery from all the royal colleges were published for the first time.

- The RCP had an instrumental role in the delivery of the Academy of Medical Royal Colleges' Academy Assessment Committee's guidance on standards and feedback.
- The popularity of our postgraduate programme in medical education delivered in partnership with University College London has led to a large increase in the number of students. We now have three cohorts.
- The Education Department has delivered its three popular accreditations – 'Doctors as educators', 'Doctors as leaders' and 'Educational supervisor' – throughout 2015, to meet the non-clinical needs of doctors.
- We have started to deliver a new workshop 'Top-up training for educational supervisors', which is designed to support doctors training to meet GMC standards for supervisors.
- We delivered 23 conferences, nine teach-ins and nine named lectures (including College Day lectures, the Harveian Oration and the Lilly lecture), providing high-quality clinical education to more than 5,500 delegates. We increased our regional repeat programme by running repeats of all of our core conferences in a regional hub, thus providing convenient access to clinical education to members and fellows outside the southeast of the UK.
- The inaugural RCP annual conference was delivered with success and met all its objectives. It attracted nearly 500 delegates (the target was 350), and more than 90% indicated in their feedback that they would attend again.
- The Education Department led a project to improve and expand streaming of live events throughout the RCP. It set up a cross-RCP team to purchase a better streaming platform, and streamed selected RCP events, such as teach-ins, lectures and key sessions from RCP conferences, that members and fellows could view free of charge, as well as making the events available to watch on demand via archived recordings. This project will continue to expand in 2016.
- The Education Department set up an e-learning hub, to help other departments across the RCP to develop and produce e-learning modules. Development of four modules – 'Clinical communication skills', 'Acute care toolkit 11: using data to improve care', 'Health economics' and 'Social determinants of health' (a partnership with the Institute of Health Equity) – began in 2015, all of which are set for release in 2016.
- The Education Department released a new three-hour CPD-accredited e-learning module, 'Assessing trainees in the workplace', which is aimed at secondary care doctors who will be assessing trainees and provides insight into good practice and effective feedback.
- The e-Learning for Healthcare Acute Medicine Network (ACUMEN) project provided increased and improved coverage of the acute medicine curriculum through the addition of new knowledge sessions. Furthermore, upgraded mobile-compatible scenarios were developed and made available to all ACUMEN users on the e-Learning for Healthcare and eIntegrity platforms.
- The JRCPTB developed and subsequently implemented a set of quality criteria to apply to all UK-based core medical training (CMT) environments, after a broad consultation involving clinical educators, doctors in training and other key stakeholders. Although the criteria are aspirational in nature, it is evident that many of them have already been implemented in various locations across the UK. Feedback from trainers and heads of school confirms that the criteria have been widely supported and are leading to positive change.
- The Education Department worked with the careers team to deliver a two-day mentoring-training programme for RCP members. So far, 77 doctors have attended the training and are now acting as mentors.
- The CPD diary scheme for physicians has been enhanced to enable users to upload supporting information, such as certificates of attendance, to their CPD activities. The annual CPD appraisal report now includes a development needs section to demonstrate activities completed to meet the individual's learning objectives. The Academy of Medical Royal Colleges' Revalidation and Professional Development Board, in which we participate, hosted a series of workshops on patient feedback and remediation. The principles for the progression of a patient feedback development project have been agreed.
- We launched the new RCP London website in October 2015. The new site was designed in response to research to find out how our members, fellows and other audiences use the site and how to ensure they find the most relevant content to them as easily as possible. Feedback since the launch has been very positive and user statistics show that we are already getting more visitors to the new site than the old one.

### 3. Leading and supporting our members

#### *What we planned to achieve:*

- Lead the medical profession and champion medical professionalism.

- Increase our reach and relevance to all members.
- Support 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.

*What we achieved:*

- We launched and raised the profile of the new Excellence in Patient Care Awards, with entries received from doctors in training, consultants, staff and associate specialist (SAS) doctors, teams and patients, both in the UK and internationally.
- We established a new RCP faculty, the Faculty of Physician Associates, to incorporate this growing profession into the physician family.
- The support that we provide to members internationally was strengthened by adding 23 members to our network of international advisers. The president represented the RCP at the American College of Physicians' annual conference and member and fellow meetings in Boston and Philadelphia.
- We worked with partners to have RCP representation at conferences in Kochi and Bangalore, and sponsored the *British Medical Journal Asia* awards in Mumbai.
- In the UK, we invested in our presence by building up our regional team, appointing a new head of UK regions and establishing a position dedicated to supporting and engaging with highly valued roles, such as college tutors and regional advisers.
- A task and finish group with terms of reference approved by the Board of Trustees was established to begin development of a comprehensive and forward-looking equality and diversity action plan.
- We promoted the RCP as the major hub of support, knowledge and expertise for members across the world, from excellence in medical education and training, to innovation in service improvement.
- We broadened access to the RCP's resources, skills and experience by developing communications with members, including expanded use of digital technology with the launch of the new RCP website.
- The skills and experience of members were harnessed to support and inspire each other, share learning and drive improvements in their locality. For example, the mentoring scheme was expanded, with mentor training provided in specific regions.
- We developed practical tools and guidance to support members in their day-to-day work by listening and responding to what they needed. For example, programmes for medical careers events, such as 'How to succeed as a junior doctor', were devised on the basis of member feedback about what would be most useful.
- We promoted the RCP's expertise to NHS hospitals and delivered targeted interventions and advice to the organisations in which our members work, including through our invited service review and consultant-appointment programmes.
- By championing the health, wellbeing and engagement of physicians and the teams they work with to provide patient care, we promoted a positive working environment for our members.
- To improve member experience, we are maximising use of our new IT systems to improve the efficiency of member support.
- We delivered a tailored service for every member, which reflects the varied support needs of our diverse membership. For example, communications and packages continue to be developed, personalised and targeted to member need, ranging from medical student through to retired consultant.
- We researched the pressures and challenges that members face and used their experiences to inform our priorities and shape the support that we provide. The RCP research panel now has 2,600 panellists, whose opinions feed into policymaking.
- Comprehensive and robust data were gathered on the UK medical workforce (with a focus on consultant physicians and medical registrars), and we developed increasingly sophisticated tools for the interrogation and analysis of these data.
- We increased the availability and responsiveness of our workforce data, and used these data to understand and promote the diversity of the medical workforce, anticipate future trends, inform national policy and shape workforce planning and practice.

#### 4. Shaping the future of health and healthcare

##### *What we planned to achieve:*

- 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.

##### *What we achieved:*

- We influenced the future of health by promoting to politicians before and after the UK general election the RCP's five point plan for the new government, *Future Hospital: More than a building*. As a result, many of the RCP's evidence-based, member-driven recommendations were broadly reflected in party manifestos.
- We acted as the voice of physicians to government through a high-profile report, *The NHS: the doctors' view*, and a series of resources aimed at improving the commissioning system in England.
- We shaped the health debate through high-profile and well-received commentary on issues such as 7-day services and the importance of valuing trainees.
- We promoted the RCP's reports through a wide range of communication channels, resulting in extensive coverage in the national press and in the broadcast media and an expanded social media presence.
- By responding to a range of policy, parliamentary and government consultations, we increased the RCP's influence with politicians and policymakers in Westminster, Wales and Brussels. We gave oral evidence to House of Commons inquiries and were present at the autumn UK party conferences and spring party conference in Wales.
- We launched a new work programme on integrated care in partnership with the Royal College of General Practitioners, drawing on information from the Future Hospital Programme.
- We completed a comprehensive independent review of the RCP's patient involvement activity, and produced a road map for how patient involvement activity and the Patient and Carer Network (PCN) can be strengthened.
- We started to develop a patient involvement strategy for the RCP and a PCN development plan in partnership with PCN members and teams across the RCP.
- A new PCN induction programme, a regular e-bulletin and an online collaboration tool were established to improve communication between network members. We also established a new patient involvement team, including the appointment of a new chair and more intensive staff-level support.
- We launched a major new report on the health and wellbeing of NHS staff, *Work and wellbeing in the NHS: why staff health matters to patient care*, and messages about the importance of valuing doctors were promoted throughout the year in debates about 7-day services and the junior doctor contract.
- A new obesity partnership was established with a range of partners, who produced a joint statement setting out a series of challenges for government to influence the approach to obesity.
- We continued to act as a leading voice in tobacco policy, and a major new report on harm reduction has been drafted and is on course to launch in 2016.
- We promoted evidence-based legislation that aims to improve health and healthcare, including working with parliament to introduce new legislation on banning smoking in cars when children are present and plain packaging for tobacco products.
- By hosting and coordinating the Alcohol Health Alliance, we maintained pressure on government to introduce robust measures to reduce alcohol-related harm – including through a minimum unit price for alcohol.
- We established the RCP as a major voice on climate change, air quality and sustainability. A joint report with the Royal College of Paediatrics and Child Health on air pollution was launched in February 2016. The RCP is a founding partner of a new initiative to combat climate change, the Health Professionals Alliance to Combat Climate Change, and funding has been secured for a new programme of activity around sustainability, which is in development.
- We developed the RCP's action on homelessness and inclusion health by continuing to work in partnership with the Institute for Health Equity and the Faculty for Homeless and Inclusion Health, completing research about physicians' attitudes to homeless patients, developing a new e-learning tool on homeless health, and supporting an audit of emergency care for homeless people led by the Royal College of Emergency Medicine.

- Our understanding of the barriers and opportunities to research and innovation in the NHS was improved through a major new survey on research engagement among doctors. A full report is on course for publication in March 2016, with a new research strategy and work programme to follow.
- We supported doctors to get involved in research through the publication of a new research toolkit for physicians, which offers practical advice and resources, and championed participation by establishing two annual research awards with the National Institute for Health Research and by hosting the Academy of Medical Sciences' spring meeting for clinician scientists.
- We promoted greater patient involvement in research by hosting a workshop on involving patients in the design and evaluation of research projects and the setting of research priorities, and promoted research locally through a series of regional research visits, in partnership with local Academic Health Science Networks.
- We established the RCP as the lead college for research by convening the Academic Leads Group, a forum for the academic leads of all the medical royal colleges and faculties to come together to discuss common issues, share good practices, and identify opportunities for collaboration.

## 5. Investing in our future, building on our heritage

### *What we planned to achieve:*

- 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 that we champion in the health service.
- Make our current knowledge and our long history work for the benefit of present and future generations.

### *What we achieved:*

- We worked on developing a fundraising business plan, to establish a foundation of fundraising systems and processes.
- We did a successful six-month proof-of-concept trial for a commercial business development unit and a product/market stock-take, and established a gateway process and central resources to support international bid opportunities.
- We managed our finances effectively by delivering better internal-performance reporting and forecasting, put in place a new procurement function, reviewed our treasury and investment strategies, and delivered performance slightly better than aimed for in the 2015 budget.
- We continued to provide an outstanding service to all our stakeholders, both external (eg nomination scheme for the National Advisory Committee on Clinical Excellence Awards, the annual workforce survey for the Faculty of Intensive Care Medicine) and internal.
- We put in place a strategy board to coordinate the delivery of the new RCP strategy and operational plans.
- We delivered improved videoconferencing and teleconferencing solutions, and installed interactive educational audiovisual facilities in the Jerwood Education Centre.
- We continued to review our committees and governance processes, to ensure that they were fit for modern purposes and adequate for the increased size and complexity of the RCP's activities.
- We closed out the three-year Strategic Systems Programme by delivering the final modules of Dynamics CRM integrated with a new RCP website (together, enabling the personalisation of member benefits through MyRCP), SharePoint adoption for collaborative working, and Data Warehouse and data visualisation tools.
- We developed a new governance process – the Knowledge and Information Systems Strategy Committee – for review, approval and monitoring of major IT investment projects.
- We carried out a triennial pay and reward benchmarking project, and the results will feed into our human resources strategy for 2016.
- We supported our staff and officers to make healthy choices, with internal initiatives on health, wellbeing and healthy eating.
- We updated our procurement policies, and put sustainability (and ISO 14001 accreditation) at the heart of future supplier discussions.
- We stepped up our environmental sustainability activities, did an Energy Savings Opportunity Scheme audit that resulted in energy-savings projects, and hosted Green Week for staff.

- We promoted our charitable purposes and public benefit by developing our online public library catalogue and making our library and archive records available through national union catalogues, and organising a high-profile public lecture series.
- We commenced digitisation of our 19th-century library collections as part of the UK Medical Heritage Library project, and continued to collaborate with the Royal College of Surgeons on the 'Lives of the fellows' project.
- We reviewed the trust and endowment funds, and improved our marketing of the various awards and fellowships to the medical community.
- The Library, Archive and Museums Services team have begun an oral history programme to capture information about fellows' lives.
- We put on the following exhibitions, tours and events programmes:
  - *The anatomy of a building: Denys Lasdun and the Royal College of Physicians* (continued from 2014)
  - *Chemistry in the garden: paintings by Nina Krauzewicz*
  - *Power and beauty: seals, charters and the story of identity*
  - 'Lasdun late', 'College by candlelight', a plague workshop and an open house.
- We have started to outline planning for the series of events and activities to celebrate the RCP's 500th anniversary in 2018, integrating them with potential fundraising ideas.
- We have had discussions with a wide range of stakeholders, and started to develop an estates strategy for the next 5/10/50 years.
- We succeeded in getting the Clinical Medicine journal listed on PubMed Central, which allows readers to access the full text of articles cited in the journal. As well as making it a much more effective research tool, this listing was a factor in securing Wellcome Trust funding for the digitisation of the journal back catalogue, which future proofs the content and will ensure it is accessible to future audiences.
- We published the third in our '500 reflections on the RCP' series of ten books leading up to the 500th anniversary in 2018. This title, *Quacks, Rogues and Charlatans*, focuses on the colourful characters and dubious cures that litter the history of medicine, and charts the role the RCP has played in regulating the profession and its care of patients throughout its 500-year existence.

## Future plans

In 2016 we will develop the strategy further, and in particular carry out work as follows, described under the five strategic themes.

### 1. Improving care for patients

- We will support physicians and multidisciplinary teams to lead quality and service improvement through our national clinical audits.
- Set, measure and promote standards that improve care for patients, through our work on NICE clinical practice guidelines.
- Continue to develop and implement our vision of the future hospital and promote good practice in health service design, working with development sites, who will be delivering clinically-led projects, focused on providing person-centred care across integrated healthcare services.
- Develop health services that promote patient safety, patient experience, staff wellbeing and service improvement, through quality improvement tools and methodologies used in accreditation programmes.

### 2. Developing physicians throughout their careers

- We will shape the future of the medical workforce in the UK through curriculum development and individual assessment.
- Promote high-quality medical education and clinical leadership across the world by providing a range of clinical and non-clinical education events for physicians.
- Promote lifelong learning for physicians and aspiring physicians, and accessible opportunities for development, through continuing professional development and provision of learning resources.
- Promote medicine as a career by developing information and careers advice for medical students.

**3. Leading and supporting our members**

- We will increase our reach and relevance to all our members by strengthening our regional networks and the services we provide to physicians locally, wherever they work.
- Support our members in their daily practice by enabling two-way dialogue and information, and encouraging involvement in wider RCP activities which improve patient care.
- Deliver an exceptional membership experience for all by targeting of communications and support for members at each career stage.
- Increase our understanding of the context in which our members work in the UK and around the world, and through that provide them with support and services appropriate to the needs of patients locally, including overseas.

**4. Shaping the future of health and healthcare**

- We will use the expertise of physicians and the experience of patients to influence the future of healthcare, from parliaments to hospitals both in the UK and the wider EU.
- Ensure that patients' and carers' experiences shape everything that we do by further developing patient and carer involvement across the breadth of RCP work.
- Improve the public's health by championing evidence-based action to prevent ill health, nationally and internationally, such as in the fields of smoking, alcohol, and air quality.
- Foster innovation in health and promote research across medicine, including participation in research across career stages and specialties.

**5. Investing in our future, building on our heritage**

- We will deliver a financially sustainable future by making the most of our expertise and managing our finances well in support of our strategy and services.
- Run an excellent organisation that enables us to deliver our vision of better health and healthcare for everyone through efficient use of internal systems and resources.
- Be a responsible organisation that lives by the values which we champion in the health service, especially in terms of environmental sustainability.
- Make our current knowledge and our long history work for the benefit of present and future generations through widened access to our heritage and collections.

**Financial powers and policies**

This section should be read in conjunction with the financial statements on pages 23 to 47. An overview of the financial results is given in the treasurer's report on pages 21 to 22.

**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 2015, 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 and 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%

During 2015 only one of the funds exceeded its objectives due to the overall downturn in financial markets. Annual income for the year on the above funds was £793,000 on the main fund, £240,000 on the trust funds and £15,000 on the leasehold fund.

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.

**Total returns policy**

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.

The policy applied in determining the initial amounts of the Trusts for investments and any unapplied total return was identifying an appropriate and suitable date at which the investments (which were all invested with and managed by external fund managers) were at its lowest. This date was determined (through reference to the general stock market conditions over the period) as 30 September 1988.

The value of the investments at this date was 'frozen' and classified as frozen permanent capital and the remainder of the investments was classified as unapplied total return.

The amount of the unapplied total return allocated to income was the actual costs of grants, fellowships and other costs such as medals, prizes and honararia that were awarded in the financial year, as stipulated by and within the remit of the various funds.



## 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 intangible and fixed assets fund, represented by tangible and intangible and 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 2015 were £17.5 million after deducting the defined benefits pension scheme deficit (2014: £16.8 million). This represents approximately seven months of the unrestricted operational expenditure.

## Trading subsidiary

The RCP's wholly owned trading subsidiary, The RCP Regent's Park Limited's net profit for the year ended 31 December 2015 of £599k 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 14. The financial position of the RCP, its cash flows, liquidity position and reserves are described in the financial statements on pages 23 to 47. 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 totalling £47 million, representing 98% 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 when they are appointed. The training requirement for trustees is kept under regular review and meetings of the Board are usually preceded by a training session on a specific topic. An exercise is currently under way to make material more accessible, through a web-based governance hub.

## Boards

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

- Council
- Finance and General Purposes Board. In 2015 it was agreed that this Board would be reconfigured.

The Strategy Board also reports to the Board of Trustees, as well as to Council.

## 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 two boards with specific responsibility to the Council. They are:

- Strategy Board (which also reports to the Board of Trustees)
- Medical Specialties Board.

Five boards report through the Strategy Board. These focus the operational work of the RCP under the five strategic themes:

- Care Quality and Improvement Board (previously the Clinical Standards Board)
- Education Board (previously the Education, Training and Examinations Board)
- Membership Support and Global Engagement Board (previously the Professional Affairs Board)
- Strategy, Communications and Policy Board (previously the Policy and Communications Co-ordination Committee)
- Resources Management Board (this is being developed to take on the role of the Finance and General Purposes Board, whilst new internal audit arrangements are also put in place).

#### *Finance and General Purposes Board*

Although the arrangements are under review, in 2015 the Finance and General Purposes Board met 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 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 2015 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 2016, which were approved in 2015. In 2015 the trustees specifically reviewed the statement of public benefit, taking account of the charter, and published a modern statement of the RCP's charitable purpose, which is on the website.

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.

Key management personnel are considered to be those personnel who have the authority and responsibility for planning, directing and controlling the activities of the RCP. Key management personnel are remunerated within the RCP's general staff policy for pay and reward, that is competitive within the charity sector, proportionate to the complexity of each role, and responsible in line with our charitable objectives.

A large number of volunteers are involved with the RCP's work, in the UK and abroad. The vast majority are doctors who are members of the RCP who support RCP activities, such as by being examiners, regional advisers, or representatives on consultant appointment committees. There are many more examples, and the RCP also has a Patient and Carer Network which allows members of the public to become involved. Medical staff give of their own time, but also rely on NHS guidance about the ability to use NHS time for the greater benefit of the NHS.

## 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.

The principal categories of risk which the RCP monitored and sought to mitigate in 2015 are:

### Governance risks

- Complex range of activities and organisational structure.
- Clarity of powers between Council and Board; modern statement of charitable purpose in relation to the charter and bye-laws.
- Current vacancy for fourth lay trustee on the Board.
- Services provided through the Federation with the Scottish physician colleges governed by a simple MOU which expires at the end of December 2016.

### Operational risks

- Complexity of projects and service development.
- A new procurement function has been set up and is gaining traction, which we hope will deliver significant cost savings.
- Information technology: migration from old database systems and websites to more modern systems under the recently completed SSP and new KIS programmes.
- Ageing and inflexible (grade I) estates infrastructure.

### Financial risks

- 2016 deficit budget linked to year two of delivery of the RCP five-year strategy.
- Out-of-date financial systems, which are now being addressed and implemented in early 2016, combined with further developments in our procurement system and additional VAT modules.
- A £4.8m deficit in the closed defined benefit pension scheme, for which we have agreed a repayment over the next seven years.

- Lack of an internal audit function and certain key policies.
- Government/NHS austerity, reduction in available income budgets and availability of professional time within the NHS.
- Ability to fundraise and grow/diversify the revenue base and our ability to control costs.

Environmental or external factors

- Government policy on the NHS, and impact on medical professionalism and standards.
- Remaining aligned with, and representative of, fellows and members' views.
- Quasi-statutory status of key RCP activities within the NHS (exams, senior medical appointments, CPD).

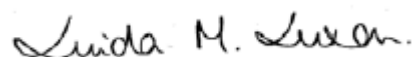
**Auditor**

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

Approved by the Board of Trustees on 7 April 2016 and signed on its behalf by:



Professor Jane Dacre  
President



Professor Linda Luxon CBE  
Treasurer

## Treasurer's annual report

I am pleased to present my report, as part of the report of trustees, for the year ending 31 December 2015.

Our continued investment in the RCP and the delivery of the new RCP strategy 2015–2019 has seen costs rise by 7% compared to 2014, whilst our income has only seen a comparatively modest increase of 2.5%. Our net movement in the year shows a surplus of £991k, however much of this is masked by a favorable actuarial gain of £1,165k from our defined benefit pension scheme. Excluding all of our actuarial gains and transfers for the year has resulted in a small overall deficit of £174k, with an unrestricted surplus of £142k.

### Income and expenditure

The RCP's consolidated total income in 2015 was £40.7 million (2014: £39.7 million), £1 million higher than in the previous year. The main factors influencing this were the number of candidates sitting the MRCP(UK) examinations, which increased from 21,725 to 22,793, combined with a continued steady growth in our education and membership activities, with membership and fellowship numbers continuing to grow from 30,506 to 32,186 with our CPD registrants growing from 14,600 to 15,901.

Our income from meetings and events has remained a consistent income generation stream throughout the years, as well as continuing to provide a valued service to support the internal functions of the RCP. Efforts have been made to increase the awareness of the venues and services the RCP can provide, but local competition remains tough in the hospitality sector and we have remained competitive by driving traffic through our website, growing our social media presence and various other PR initiatives. We have also invested in offering additional audio visual and streaming facilities through our venues, which we hope will continue to increase the demands for our services. Our members-only hotel, William Harvey House, has again had another successful year, with average occupancy rates running at 90% on weekdays and 85% on weekends.

As a result of our expanding activities and our continued investment into the RCP's strategy, we have seen our expenditure increase from £37.9m in 2014 to £40.5m in 2015. This has been driven mainly by our commitment to improving standards in clinical practice and has enabled us to develop new guidelines throughout the year, with a total of 35 (2014: 30) new guidelines in development in 2015. Additionally, we have seen our costs in supporting physicians both regionally and internationally increase in line with our planned strategic growth across a wider geographical region.

Appreciating that our systems are key to the progress of the RCP and in providing an efficient support network to our members, we have continued to invest in our information systems. We have in 2015 completed a complex multi-year strategic systems programme (SSP) and have initiated a new knowledge and information systems (KIS) strategy, which will continue to develop the work initiated by the SSP program and in developing our systems for our members and stakeholders.

### Investments

As at the 31 December 2015 our investments stood at £40.6m, a 1% decrease in value from 2014. The total returns since April 2011, when we appointed our current fund managers compared to their targeted growth was as follows:

	Actual performance		Target	
	Since 2011	Current year	Since 2011	Current year
Main fund	+20.5%	1.9%	RPI + 3–5%	5.3%
Trust funds	+36.1%	2.0%	RPI	1.3%
Leasehold fund	+20.5%	0.2%	RPI +3–5%	5.3%

The objectives of our investment 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, which we have clearly seen in 2015. We suffered from a loss on investments of £387k compared to a gain of £1,372k in 2014, combined with an overall decrease in our investment income by 16%, which was mainly due to the underperformance of our funds.

## Pensions

As at the end of 2015, the deficit of the defined benefit pension scheme, which is closed to new members, and future accruals decreased from £6.5 million to £5.055 million. This decrease is primarily due to changes within the actuarial assumptions on the scheme and additional contributions made by the RCP during 2015.

A scheme funding assessment was carried out as at 1 January 2015, which revealed a funding shortfall on the scheme of £4.83 million. As agreed with the scheme's trustees, the RCP will continue to make annual contributions to eliminate the shortfall. From 1 April 2016, the RCP agreed a recovery plan with an annual contribution from 1 April 2016 to 31 December 2021 of £965k.

The trust-based defined contribution pension scheme has 355 active members and a fund value of £13.97 million, which is managed via Standard Life.

## Future plans

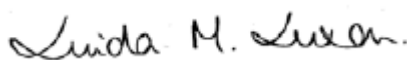
Our future financial plans indicate that the RCP's financial position remains strong, and our planning and risk management processes should help us to identify any significant challenges at an early stage. We have agreed to continue to increase our investment in the RCP, through the development of the estate, IT and continued support to our ongoing activities, whilst investing in our ability to grow and diversify our income streams for long-term stability. This has led to a 2016 deficit budget, which is linked to year two of the five-year strategy.

The trustees and I remain vigilant in seeking to protect the assets that we hold on behalf of fellows and members, and to use the resources available to fulfil the RCP's objectives and promote its work in the most efficient way possible.

## 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 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 Estates Committee, for their assistance in defining and delivering a more agile Estates Strategy.



Professor Linda Luxon CBE

Treasurer

7 April 2016

## 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 2015 set out on pages 24 to 47.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

In addition, 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 2015 and of the group's incoming resources and application of resources for the year then ended
- have been properly prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland
- 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; or
- we have not received all the information and explanations we require for our audit.

*Crowe Clark Whitehill LLP*

Crowe Clark Whitehill LLP, statutory auditor, London  
3 May 2016



## Consolidated statement of financial activities for the year ended 31 December 2015

	Notes	Unrestricted funds	Restricted funds	Endowment funds	Total funds	
					31 Dec 2015	31 Dec 2014
					£000	£000
<b>INCOMING RESOURCES</b>						
Donations and legacies		104	35	-	139	203
<b>Income from charitable activities</b>						
Supporting physicians	2	6,822	239	-	7,061	6,741
Influencing the healthcare agenda	3	124	-	-	124	205
Education and training	4	14,322	1,598	-	15,920	15,036
Improving standards in clinical practice	5	2,005	8,786	-	10,791	10,454
Meetings and events (medical)		3,752	-	-	3,752	3,620
<b>Activities to generate funds</b>						
Investment income	6	767	40	275	1,082	1,283
Meetings and events (non-medical) – trading income	21	1,825	-	-	1,825	2,054
Other income		41	-	-	41	145
<b>TOTAL INCOME</b>		<b>29,762</b>	<b>10,698</b>	<b>275</b>	<b>40,735</b>	<b>39,741</b>
<b>RESOURCES EXPENDED</b>						
<b>Expenditure on raising funds</b>						
Fundraising and publicity costs		129	-	-	129	79
Investment management fees		117	5	37	159	166
Meetings and events (non-medical)		931	-	-	931	945
		1,177	5	37	1,219	1,190
<b>Expenditure on charitable activities</b>						
Supporting physicians	7	5,362	236	-	5,598	4,962
Influencing the healthcare agenda	8	1,633	-	-	1,633	1,723
Education and training	9	12,391	1,728	-	14,119	12,979
Improving standards in clinical practice	10	2,749	8,958	-	11,707	10,465
Meetings and events (medical)		6,036	-	-	6,036	5,986
Trusts and Fellowships		-	19	191	210	641
		28,171	10,941	191	39,303	36,756
<b>TOTAL EXPENDITURE</b>	11	<b>29,348</b>	<b>10,946</b>	<b>228</b>	<b>40,522</b>	<b>37,946</b>
Net (loss)/gains on investment assets		(272)	(22)	(93)	(387)	1,372
<b>NET (EXPENDITURE)/INCOME</b>		<b>142</b>	<b>(270)</b>	<b>(46)</b>	<b>(174)</b>	<b>3,167</b>
Transfers between funds		92	(97)	5	-	-
Actuarial gains/(losses) on defined benefit pension scheme	22	1,165	-	-	1,165	(1,770)
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>1,399</b>	<b>(367)</b>	<b>(41)</b>	<b>991</b>	<b>1,397</b>
Funds brought forward at 1 January (as restated)	24	34,357	5,821	7,471	47,649	46,252
<b>FUNDS CARRIED FORWARD AT 31 DECEMBER 2015</b>		<b>35,756</b>	<b>5,454</b>	<b>7,430</b>	<b>48,640</b>	<b>47,649</b>

The notes on pages 26 to 47 form part of these financial statements.

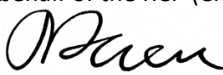
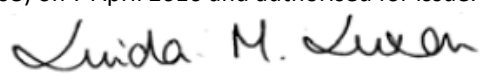
All of the above relate to the continuing activities of the group. There are no recognised gains and losses other than those shown above.

## Consolidated and RCP balance sheets as at 31 December 2015

	Notes	2015		2014 (as restated)	
		Group £000	RCP £000	Group £000	RCP £000
<b>Fixed assets</b>					
Intangible assets	13a	2,347	2,347	1,785	1,785
Tangible fixed assets	13b	10,392	10,392	10,201	10,201
Investments	14	40,647	40,647	40,909	40,909
		53,386	53,386	52,895	52,895
<b>Current assets</b>					
Stocks		161	161	166	166
Debtors	15	5,155	5,759	4,470	5,296
<b>Balance at bank:</b>					
Investment accounts		3,693	3,089	4,270	3,248
Cash		3,170	2,755	3,297	3,099
		12,179	11,764	12,203	11,809
<b>Creditors</b>					
<b>Amounts falling due within one year</b>					
Creditors and accrued expenses	16	(6,963)	(6,548)	(6,186)	(5,792)
Examination and other income received in advance	16	(4,835)	(4,835)	(4,716)	(4,716)
		(11,798)	(11,383)	(10,902)	(10,508)
<b>Net current assets/(liabilities)</b>		381	381	1,301	1,301
<b>Provisions for liabilities and Charges</b>		(72)	(72)	(60)	(60)
<b>Net assets excluding pension liability</b>		53,695	53,695	54,136	54,136
<b>Defined benefit pension scheme liability</b>	22	(5,055)	(5,055)	(6,487)	(6,487)
<b>Net assets including pension liability</b>	20	<b>48,640</b>	<b>48,640</b>	<b>47,649</b>	<b>47,649</b>
<b>Represented by</b>					
<b>Unrestricted funds:</b>	17				
<b>Designated funds</b>					
Leasehold Replacement Fund		3,760	3,760	3,713	3,713
Fixed and Intangible Assets Fund		12,739	12,739	11,986	11,986
Legacies Development Fund		1,506	1,506	1,466	1,466
Clinical Standards		276	276	308	308
		18,281	18,281	17,473	17,473
<b>General charitable fund</b>		22,530	22,530	23,371	23,371
Less: Pension scheme liabilities	22	(5,055)	(5,055)	(6,487)	(6,487)
		17,475	17,475	16,884	16,884
<b>Total unrestricted</b>		35,756	35,756	34,357	34,357
<b>Restricted</b>	18	5,454	5,454	5,821	5,821
<b>Endowment</b>	19	7,430	7,430	7,386	7,471
		<b>48,640</b>	<b>48,640</b>	<b>47,649</b>	<b>47,649</b>

The notes on pages 26 to 47 form part of these financial statements.

Approved for and on behalf of the RCP (Charity Registration No. 210508) on 7 April 2016 and authorised for issue.

President: Jane Dacre  · Treasurer: Linda Luxon

## Consolidated statement of cash flow for the year ended 31 December 2015

		2015	2014
		£'000	£'000
<b>Cash flows from operating activities:</b>			
<b>Net cash provided by/(used in) operating activities</b>	<b>A</b>	<b>(114)</b>	<b>978</b>
Dividends, interest and rents from investments		1,082	1,283
Purchase of property, plant and equipment		(905)	(1,279)
Purchase of intangible assets		(642)	-
Proceeds from sale of investments		735	317
Purchase of investments		(860)	(506)
<b>Net cash provided by (used in) investing activities</b>		<b>(590)</b>	<b>(185)</b>
Change in cash and cash equivalents in the reporting period		(704)	793
Cash and cash equivalents at the beginning of the reporting period	<b>B</b>	7,567	6,774
Change in cash and cash equivalents due to exchange rate movements		-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>B</b>	<b>6,863</b>	<b>7,567</b>

## Notes to consolidated statement of cash flow for the year ended 31 December 2015

	2015	2014
	£'000	£'000
<b>A reconciliation of net income/(expenditure) to net cash flow from operating activities</b>		
<b>Net movement in funds for the reporting period (as per the statement of financial activities)</b>	<b>(174)</b>	<b>3,167</b>
<b>Adjustments for:</b>		
Depreciation charges	714	754
Amortisation charges	80	-
Gains/(losses) on investments	387	(1,372)
Dividends, interest and rents from investments	(1,082)	(1,283)
(Gain)/Loss on valuation of defined benefit pension scheme	(267)	177
Decrease in stocks	5	16
(Increase)/decrease in debtors	(685)	603
Increase/(decrease) in creditors	908	(1,084)
<b>Net cash provided by/(used in) operating activities</b>	<b>(114)</b>	<b>978</b>
<b>B Analysis of cash and cash equivalents</b>		
Cash in hand	3,170	3,297
Notice deposits and investment accounts (less than 30 days)	3,693	4,270
<b>Total cash and cash equivalents</b>	<b>6,863</b>	<b>7,567</b>

## Notes to the financial statements for the year ended 31 December 2015

### 1 Accounting policies

#### *Charity information*

The Royal College of Physicians (RCP) was established by royal charter in 1518. It is a registered with the Charity Commission for England and Wales. The charity registration number is 210508. RCP is a Public Benefit Entity and its registered office is 11 St Andrews Place, London, NW1 4LE.

#### *Basis of preparation*

The consolidated financial statements comprise the financial statements of RCP, and its subsidiary undertaking, RCP Regent's Park Limited, on a line by line basis and adjusted for the elimination of inter-group transactions and balances.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (2015) preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The functional currency of RCP and its subsidiary entity is considered to be GBP because that is the currency of the primary economic environment in which the group operates. The consolidated financial statements are presented in GBP.

RCP constitutes a public benefit entity as defined by FRS 102.

In preparing the accounts, the trustees have considered whether applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. Further details of the impact of adopting FRS 102 are detailed in Note 24.

The financial statements are drawn up on the historical accounting basis, except that investments held as fixed assets are carried at market value.

#### *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 18.

#### *Income*

Subscriptions income, admission fees, grants and donations are accounted for once there is entitlement, probability of receipt and can be reliably measured. Legacies are accounted for when there is adequate probability over entitlement, amount and receipt. Investment income is recognised when due except for dividends which are accounted for on receipt. Income is deferred only when conditions have to be fulfilled before RCP becomes entitled to it or where the donor has specified that the income is to be expended in the future period. In the case of membership subscriptions and examination admissions any receipt in respect of future years is shown as deferred income.

#### *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 and intangible 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, intangible assets, furniture and fixtures are capitalised when the cost of a single item exceeds £15,000. These capital costs are depreciated and intangible assets amortised by equal instalments over their anticipated useful lives, at rates between 5% and 25%. Depreciation and amortisation is allocated to the departments within the RCP on the basis of area occupied. No depreciation or amortisation 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.

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash at bank and in hand, cash held for reinvestment and short term deposits.

#### *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 FRS 102. 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*

Designated funds are unrestricted funds set aside by the trustees for specific future purposes or projects. The movement 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 RCP applied to the Charity Commission in January 2012 for authorisation to enable the permanent endowments within the RCP 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 RCP 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.

*Critical accounting judgements and key sources of estimation uncertainty*

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Pension liabilities – the charity recognises its liability to its defined benefit pension scheme which involves a number of estimations as disclosed in note 22.

*Financial instruments*

Financial assets and financial liabilities are recognised when the RCP becomes a party to the contractual provisions of the instrument. Additionally all financial assets and liabilities are classified according to the substance of the contractual arrangements entered into. Financial assets and liabilities are initially measured at transaction price (including transaction costs) and are subsequently re-measured where applicable at amortised cost. Financial assets held at amortised cost comprise cash at bank and in hand, short-term investments together with accrued interest and other debtors. Financial liabilities held at amortised costs comprise other creditors and accruals.

*Operating leases*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## Comparative statement of financial activities figures for 2014

				As restated
	Unrestricted funds	Restricted funds	Endowment funds	Total funds 31 Dec 2014
	£000	£000	£000	£000
<b>INCOMING RESOURCES</b>				
Donations and legacies	203	-	-	203
<b>Income from charitable activities</b>				
Supporting physicians	6,470	271	-	6,741
Influencing the healthcare agenda	205	-	-	205
Education and training	13,392	1,644	-	15,036
Improving standards in clinical practice	1,587	8,867	-	10,454
Meetings and events (medical)	3,620	-	-	3,620
<b>Activities to generate funds</b>				
Income from Investment income	955	42	286	1,283
Meetings and events (non-medical)	2,054	-	-	2,054
Other income	145	-	-	145
<b>TOTAL INCOME</b>	<b>28,631</b>	<b>10,824</b>	<b>286</b>	<b>39,741</b>
<b>RESOURCES EXPENDED</b>				
<b>Expenditure on raising funds</b>				
Fundraising and publicity costs	79	-	-	79
Investment management fees	122	5	39	166
Meetings and events (non-medical)	945	-	-	945
	1,146	5	39	1,190
<b>Expenditure on charitable activities</b>				
Supporting physicians	4,917	45	-	4,962
Influencing the healthcare agenda	1,723	-	-	1,723
Education and training	11,577	1,402	-	12,979
Improving standards in clinical practice	2,000	8,465	-	10,465
Meetings and events (medical)	5,986	-	-	5,986
Trusts and Fellowships	-	66	575	641
	26,203	9,978	575	36,756
<b>TOTAL EXPENDITURE</b>	<b>27,349</b>	<b>9,983</b>	<b>614</b>	<b>37,946</b>
Net gains on investments	1,061	38	273	1,372
<b>NET INCOME/(Expenditure)</b>	<b>2,343</b>	<b>879</b>	<b>(55)</b>	<b>3,167</b>
Transfers between funds	23	(163)	140	-
Actuarial (losses) on defined benefit scheme	(1,770)	-	-	(1,770)
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>	<b>596</b>	<b>716</b>	<b>85</b>	<b>1,397</b>



## Notes to the financial statements continued

## Incoming resources

	Unrestricted £000	Restricted/ endowment £000	2015 £000	2014 £000
<b>2 Supporting physicians</b>				
President's Office	-	-	-	4
Membership	4,605	-	4,605	4,451
Professional Affairs	211	50	261	274
Publications	1,252	-	1,252	1,201
UK Regional Offices	392	-	392	393
International	362	189	551	418
	<b>6,822</b>	<b>239</b>	<b>7,061</b>	<b>6,741</b>
<b>3 Influencing the healthcare agenda</b>				
External communications	108	-	108	201
Medical Workforce Unit	16	-	16	4
	<b>124</b>	<b>-</b>	<b>124</b>	<b>205</b>
<b>4 Education and training</b>				
Education and conferences	2,408	150	2,558	2,298
MRCP(UK) Examinations	10,366	-	10,366	9,978
Physicians Training Board	1,278	260	1,538	1,320
Information Centre	70	-	70	112
Continuing Professional Development	200	-	200	202
Faculty of Medical Leadership and Management	-	1,188	1,188	1,126
	<b>14,322</b>	<b>1,598</b>	<b>15,920</b>	<b>15,036</b>
<b>5 Improving standards in clinical practice</b>				
National Clinical Guideline Centre	302	4,108	4,410	4,415
Clinical Standards	1,604	4,678	6,282	5,919
Invited Service Reviews	99	-	99	120
	<b>2,005</b>	<b>8,786</b>	<b>10,791</b>	<b>10,454</b>
<b>6 Investment income</b>				
Dividends	354	145	499	547
Interest on investments	394	170	564	718
Interest on deposits	19	-	19	18
	<b>767</b>	<b>315</b>	<b>1,082</b>	<b>1,283</b>

## Notes to the financial statements continued

## Resources expended

	Unrestricted £000	Restricted/ Endowment £000	2015 £000	As restated 2014 £000
<b>7 Supporting physicians</b>				
President's Office	259	-	259	255
Membership	581	-	581	500
Professional Affairs	1,708	47	1,755	1,650
Publications	1,417	-	1,417	1,338
UK Regional Offices	662	-	662	591
International	735	189	924	628
	<u>5,362</u>	<u>236</u>	<u>5,598</u>	<u>4,962</u>
<b>8 Influencing the healthcare agenda</b>				
Committees	53	-	53	98
External Communications	1,224	-	1,224	1,313
Medical Workforce Unit	291	-	291	247
Europe	65	-	65	66
	<u>1,633</u>	<u>-</u>	<u>1,633</u>	<u>1,723</u>
<b>9 Education and training</b>				
Education and conferences	2,876	162	3,038	2,833
MRCP(UK) Examinations	6,356	-	6,356	5,875
Physicians Training Board	1,506	287	1,793	1,626
Information Centre	1,447	-	1,447	1,545
Continuing Professional Development	206	-	206	176
Faculty of Medical Leadership and Management	-	1,279	1,279	924
	<u>12,391</u>	<u>1,728</u>	<u>14,119</u>	<u>12,979</u>
<b>10 Improving standards in clinical practice</b>				
National Clinical Guideline Centre	146	4,590	4,736	4,324
Clinical Standards	2,569	4,368	6,937	6,081
Patient Involvement	20	-	20	39
Invited Service Reviews	14	-	14	21
	<u>2,749</u>	<u>8,958</u>	<u>11,707</u>	<u>10,465</u>

## Notes to the financial statements continued

11 Total resources expended	Direct costs £000	Staff costs £000	Other support costs £000	Total 2015 £000	As restated
					Total 2014 £000
<b>Cost of generating funds</b>					
Fundraising and publicity costs	129	-	-	129	79
Investment management fees	159	-	-	159	166
Meetings and events (non-medical)	931	-	-	931	945
<b>Charitable expenditure</b>					
Supporting physicians	1,745	2,338	1,515	5,598	4,962
Influencing the healthcare agenda	409	952	272	1,633	1,723
Education and training	5,224	5,553	3,342	14,119	12,979
Improving standards in clinical practice	2,991	6,623	2,093	11,707	10,465
Meetings and events (medical)	2,015	1,426	2,595	6,036	5,985
Trusts and Fellowships	210	-	-	210	641
<b>Total for 2015</b>	<b>13,813</b>	<b>16,892</b>	<b>9,817</b>	<b>40,522</b>	<b>37,946</b>
<b>Total for 2014 (As restated)</b>	13,157	15,284	9,505	37,946	

	2015 £000	2014 £000
The analysis of other support costs is as follows:		
Administrative overheads	1,018	970
Information technology costs	1,315	1,461
Building overheads	2,305	1,765
Travel, meetings, subscriptions and journals	797	932
Governance costs	105	136
Other costs, including staff costs of central services	4,277	4,558
	<u>9,817</u>	<u>9,822</u>

Governance costs include fees payable to the auditors for audit fees of £38k (2014: £37k) and non-audit services of £17k (2014: £50k).

## Notes to the financial statements continued

**12 Employees and trustees**

	<b>2015</b>	<b>2014</b>
The average number of employees in the year was	379	358

The number of employees whose emoluments exceeded £60,000 were:

£60,001 - £70,000	6	10
£70,001 - £80,000	6	4
£80,001 - £90,000	2	4
£90,001 - £100,000	2	3
£100,001 - £110,000	1	-
£110,001 - £120,000	2	1
£150,001 - £160,000	-	-
£160,001 - £170,000	-	1

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
The total costs of salaries and wages were as follows :		
Salaries and wages	14,164	12,724
Social security costs	1,464	1,374
Pension costs	1,264	1,186
	<u>16,892</u>	<u>15,284</u>

19 (2014: 23) of the above employees are members of the defined contribution pension scheme and 4 (2014: 5) of the above employees are members of the defined benefit pension scheme, which is closed. Contributions paid into the defined contribution pension scheme for the employees for the year was £209k (2014: £256k).

The above noted employees were also considered to be key management personnel due to their responsibilities and authority for planning, directing and controlling the activities of the charity. The total aggregated amount of employee benefits (including pension contributions) received by the key management personnel during the year was £1,792k.

Payments made to trustees were as follows: travel expenses totalling £46k (2014: £31k) were paid to 10 trustees (2014: 11). No trustee received any remuneration from the RCP in the current or preceding years.

## Notes to the financial statements continued

13a Intangible assets (Group and RCP)	Membership module	SSP Project	Assets in the course of construction	Total 2015
	£000	£000	£000	£000
Cost at 1 January 2015	402	-	1,383	1,785
Additions	-	642	-	642
Transfers	-	1,365	(1,365)	-
Cost at 31 December 2015	402	2,007	18	2,427
Accumulated depreciation at 1 January 2015	-	-	-	-
Amortisation charge for the year	(80)	-	-	(80)
Accumulated depreciation at 31 December 2015	(80)	-	-	(80)
Net book value at 31 December 2015	322	2,007	18	2,347
Net book value at 31 December 2014	402	-	1,383	1,785

13b Tangible fixed assets (Group and RCP)	Leasehold properties	Furniture and equipment	Assets in the course of construction	Total 2015
	£000	£000	£000	£000
Cost at 1 January 2015	19,068	974	683	20,725
Additions	61	844	-	905
Transfers	683	-	(683)	-
Cost at 31 December 2015	19,812	1,818	-	21,630
Accumulated depreciation at 1 January 2015	(9,852)	(672)	-	(10,524)
Depreciation for the year	(600)	(114)	-	(714)
Accumulated depreciation at 31 December 2015	(10,452)	(786)	-	(11,238)
Net book value at 31 December 2015	9,360	1,032	-	10,392
Net book value at 31 December 2014	9,216	302	683	10,201

At the year end, there were capital commitments in respect of the CRM project of £nil (2014: £134k).

During the year assets previously held under the course of construction were completed and categorised into their relevant asset classifications. This included £683k relating to a bespoke chiller transferred to leasehold properties. As part of the transition to FRS 102 previously held fixed assets of a value of £1,785k were reclassified to intangible assets, see note 24 for further details of the transition to FRS 102.

14 Investments (Group and RCP)	---Unrestricted-----				Total	
	Leasehold £000	General £000	Restricted £000	Endowment £000	2015 £000	2014 £000
Market value at 1 January 2015	3,713	28,675	1,743	6,778	40,909	39,348
Additions at cost	160	345	91	264	860	506
Disposals	(44)	(291)	(136)	(264)	(735)	(317)
Gains	(69)	(203)	(22)	(93)	(387)	1,372
Total investments at 31 December 2015	3,760	28,526	1,676	6,685	40,647	40,909
Historical cost as at 31 December 2015	3,246	24,557	774	6,524	35,101	34,232

The above investments are held as follows:

	2015 £000	2014 £000
Listed on UK stock exchange	37,202	38,147
	<u>37,202</u>	<u>38,147</u>

Investments in the following funds exceed 5% of the investment portfolio:

	%	£000
Schroder Income Fund -A- Inc	8.5%	3,455
Majedie UK Equity Fund	5.2%	2,113
Trojan Income Fund -S- Inc	8.5%	3,454
Schroder QEP GI Active Val -I- Inc	8.9%	3,624
CF Ruffer Absolute Return -C- Inc	22.5%	9,153

## Notes to the financial statements continued

## 15 Debtors (Group and RCP)

	2015		2014	
	Group £000	RCP £000	Group £000	RCP £000
Trade debtors	3,653	3,572	2,391	2,262
Other debtors	255	255	578	577
Prepayments	537	537	339	339
Accrued income	710	710	1,162	1,162
Amounts due from subsidiary undertaking	-	685	-	956
	5,155	5,759	4,470	5,296

## 16 Creditors and accrued expenses (Group and RCP)

	2015		2014 (As restated)	
	Group £000	RCP £000	Group £000	RCP £000
Trade creditors	2,410	1,995	2,350	1,956
Other creditors	1,417	1,417	1,794	1,794
Tax and social security creditors	656	656	2	2
Accruals	2,480	2,480	2,040	2,040
	6,963	6,548	6,186	5,792

	Balance b/f		Released to Received in year	Balance c/f	
	1 Jan 2015 £000	31 Dec 2015 £000		31 Dec 2015 £000	31 Dec 2015 £000
Examination and other income received in advance (Group and RCP)					
Examination income	3,824	(3,824)	3,926	3,926	
Other income	892	(892)	909	909	
	4,716	(4,716)	4,835	4,835	

## Financial assets and liabilities

	2015 £000	2014 £000
Financial assets measured at amortised cost	7,078	6,266
Financial liabilities measured at amortised cost	(3,827)	(4,144)

There is no income, expense, gain or loss in respect of these financial instruments.

## Notes to the financial statements continued

17 Unrestricted funds	-----Designated-----				Unrestricted General	Total
	Leasehold replacement fund £000	Fixed and intangible assets fund £000	Legacies development fund £000	Clinical standards £000		
<b>NET INCOMING RESOURCES FOR THE YEAR BEFORE TRANSFERS AND GAINS</b>	46	-	81	-	287	414
Leasehold replacement fund						
Transfers from general funds	70	-	-	-	(70)	-
Clinical standards						
Transfers to general funds	-	-	-	(32)	32	-
Transfers from general funds	-	-	-	-	-	-
Transfers from restricted funds	-	-	-	-	202	202
Transfers to restricted funds	-	-	-	-	(110)	(110)
Fixed and intangible assets fund						
Projects capitalised this year		1,547	-	-	(1,547)	-
Amortisation of intangible assets	-	(80)	-	-	80	-
Depreciation of assets	-	(714)	-	-	714	-
Legacies development fund						
Transfer to general funds	-	-	(41)	-	41	-
<b>NET INCOMING / (OUTGOING) RESOURCES FOR THE YEAR AFTER TRANSFERS</b>	116	753	40	(32)	(371)	506
(Losses) on investments	(69)	-	-	-	(203)	(272)
Actuarial gains on defined benefit scheme	-	-	-	-	1,165	1,165
<b>NET MOVEMENT IN FUNDS</b>	47	753	40	(32)	591	1,399
Brought forward as at 1 January 2015 (As restated)	3,713	11,986	1,466	308	16,884	34,357
<b>CARRIED FORWARD AS AT 31 December 2015</b>	3,760	12,739	1,506	276	17,475	35,756

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

Legacies development fund – unrestricted legacies received in the year of £81k were incorporated with the £1,466k brought forward from previous years. Expenditure in relation to the information centre of £41k was incurred during the year.

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 year.

**Clinical standards transfers relate to:**

Surplus funds made in respect to closed projects, which have been transferred to the RCP's general funds for future use. An additional transfer was made from general funds to cover deficit projects held within restricted funds.



## Notes to the financial statements continued

18 Restricted funds	Balance at 01.01.2015	Income and net gains	Expenses	Transfers	Balance at 31.12.2015
	£000	£000	£000	£000	£000
Clinical Standards	2,713	4,678	(4,368)	(92)	2,931
Education	443	410	(449)	-	404
National Clinical Guideline Centre	663	4,108	(4,590)	-	181
Faculty of Medical Leadership and Management	860	1,188	(1,279)	-	769
International	136	189	(189)	-	136
Professional Affairs (Faculty of Physicians Associates)	90	50	(47)	-	93
Fundraising donations	-	35	-	-	35
Dr Everley-Jones legacy	481	9	-	-	490
Harold Thomas Barten Trust	76	2	(1)	-	77
Overseas Doctors Training Fund	19	-	(1)	-	18
Frank Peacock Bequest	46	1	-	-	47
Catherine Mills Bequest	52	1	-	-	53
The Cotton Trust	45	-	-	(5)	40
14 other funds balances below £40,000	197	5	(22)	-	180
	<b>5,821</b>	<b>10,676</b>	<b>(10,946)</b>	<b>(97)</b>	<b>5,454</b>

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

The grants for Clinical Standards, Education, National Clinical Guideline Centre and International are received in respect for 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.

## Notes to the financial statements continued

## 19 Endowment funds

	Unapplied total return 01.01.2015 £000	Income and gains £000	Conversion to income £000	Unapplied total return 31.12.2015 £000	'Frozen' permanent capital 31.12.2015 £000	Transfer	Total endowment 31.12.2015 £000
Bradshaw Trust	171	7	(4)	174	143		317
Eden Fellowship in Paediatrics	792	24	(14)	802	142		944
John Rosser Scholarship	10	1	(1)	10	42		52
Joseph Senior White Trust	86	5	(49)	42	161		203
Lewis Thomas Gibbon Jenkins-Briton Ferry	670	49	(24)	695	1,250		1,945
ORL Wison Bequest	63	3	(1)	65	44		109
James Maxwell Grant Prophit Bequest	247	20	(4)	263	539		802
Sadleir Trust	232	9	(2)	239	91		330
Samuel Leonard Simpson Fellowship	374	16	(4)	386	280		666
T K Stubbins bequest	23	3	(1)	25	104		129
Watson Smith Trust	562	26	(108)	480	470		950
William Withering Prize	85	2	(1)	86	38		124
Dr J D Ramsay Scholarship	25	2	(2)	25	30		55
Graham Bull Prize	30	1	(1)	30	25		55
Sir Michael Perrin Lecture	50	2	-	52	12		64
Lady Teale Lecture	56	2	(1)	57	44		101
Dr Samuel Gee's Endowment Fund	47	2	(1)	48	26		74
John Glyn	53	3	(3)	53	80		133
Dame Sheila Kift Bequest	14	1	-	15	38		53
16 other funds with balances below £40,000	99	5	(3)	101	83		184
<b>Funds not included in total return</b>	<b>3,689</b>	<b>183</b>	<b>(224)</b>	<b>3,648</b>	<b>3,642</b>		<b>7,290</b>
Thomas Cotton Fund	-	(1)	(4)	-	-	5	140
	<b>3,689</b>	<b>182</b>	<b>(228)</b>	<b>3,648</b>	<b>3,642</b>	<b>5</b>	<b>7,430</b>

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 was been transferred from restricted funds in 2014 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 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 RCP, 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 Royal 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

		Intangible and tangible assets £000	Investments £000	Net current assets inc. pension liability £000	Total as restated	
					2015 £000	2014 £000
Unrestricted:						
Designated -	Leasehold Replacement Fund	-	3,760	-	3,760	3,713
	Fixed Assets Fund	12,739	-	-	12,739	11,986
	Legacies Development Fund	-	-	1,506	1,506	1,466
	Clinical Standards	-	-	276	276	308
		12,739	3,760	1,782	18,281	17,473
General funds		-	28,525	(11,050)	17,475	16,884
		12,739	32,285	(9,268)	35,756	34,357
Restricted		-	1,676	3,778	5,454	5,821
Endowment		-	6,685	745	7,430	7,471
		<b>12,739</b>	<b>40,646</b>	<b>(4,745)</b>	<b>48,640</b>	<b>47,649</b>

## Notes to the financial statements continued

## 21 Trading subsidiary – The RCP Regent’s Park Limited

The trading results and balance sheet of the RCP subsidiary company as extracted from its audited accounts are set out below.

<b>Profit and loss account</b>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Turnover	1,825	2,053
Cost of sales	<u>(976)</u>	<u>(992)</u>
Gross profit	849	1,061
Administrative expenses	<u>(250)</u>	<u>(286)</u>
Operating profit	599	775
Gift aid to Royal College of Physicians	<u>(599)</u>	<u>(775)</u>
Retained profit for the financial year	<u>-</u>	<u>-</u>

Included within operating costs is £298k (2014: £336k) which represents a reimbursement in respect of costs incurred by the RCP.

<b>Balance sheet</b>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Debtors	81	130
Balance at bank	<u>1,019</u>	<u>1,220</u>
Current and total assets	<u>1,100</u>	<u>1,350</u>
Creditors due within one year:		
due to the RCP	(685)	(956)
other	<u>(414)</u>	<u>(394)</u>
Total creditors	<u>(1,099)</u>	<u>(1,350)</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 operating profit for the year ended 31 December 2015 of £599K (2014: £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.

## Notes to the financial statements continued

## 22 Pension schemes

Total pension costs charged for the year were £40k (2014: £40k) for the defined benefit pension scheme and employer pension contributions of £1,264k (2014: £1,186k) 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 benefit pension scheme is closed to new members and closed to future accrual. There is no further salary linkage. For the purposes of FRS 102 the valuation of the defined benefits scheme has been calculated under FRS 102 as at 31 December 2015 by a qualified actuary.

The valuation, details of which are given below, shows £13.8 million of assets and £18.9 million of liabilities. The deficit of £5.06 million represents a decrease of £1.4 million compared to 2014. There is mostly due to actuarial adjustments.

The scheme's assets and liabilities as at 31 December 2015, analysis of pension costs and details of the valuation were as follows:

Principal assumptions	2015	2014	2013	2012
	% per annum	% per annum	% per annum	% per annum
Discount rate	3.7	3.5	4.6	4.6
Aggregate long-term expected rate of return on assets	3.7	3.5	6.0	5.3
Rate of increase of salaries	n/a	n/a	n/a	n/a
RPI inflation assumption for pensions in payment	3.4	3.3	3.7	3.0
CPI inflation assumption for deferred pensions	2.4	2.5	2.8	2.2
Pension increases	3.3	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	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 and General Investment Management, together with the trustees' bank account. The assets in the scheme and the expected rate of return were:

Assets breakdown	31.12.15	31.12.14
	%	%
Real return and absolute return funds	58.7	57.8
UK Government Index-linked gilts	30.3	30.4
UK Corporate bonds	10.3	10.2
Hedge funds	0.1	0.1
Other	0.0	0.0
Cash	0.6	1.5
<b>Total market value of assets</b>	<b>100</b>	<b>100</b>

The pension scheme has not invested in any of Royal College of Physicians' own financial instruments, nor in properties or other assets used by the Royal College of Physicians.

## Notes to the financial statements continued

## 22 Pension schemes continued

<b>Movement in deficit during the year</b>	<b>2015</b>		<b>2014</b>
	<b>£000</b>		<b>£000</b>
Pension scheme liability at the beginning of the year	(6,487)		(4,925)
Actuarial gains and losses on present value of obligations	1,515	(2,404)	
Gains/(losses) on return of scheme assets	(350)	634	
	1,165		(1,770)
Employer contributions	485		425
Net interest on the net defined benefit liability	(218)		(217)
	(5,055)		(6,487)

<b>Reconciliation of the opening and closing balances of scheme liabilities</b>	<b>2015</b>		<b>2014</b>
	<b>£000</b>		<b>£000</b>
Present value of scheme liabilities at beginning of the year	20,355		17,635
Interest cost	701		801
Actuarial (loss)/gain on scheme liability assumption changes	(1,515)		2,404
Benefits paid	(616)		(485)
Present value of scheme liabilities at the end of the year	18,925		20,355

<b>Reconciliation of the opening and closing balances of the fair value of assets</b>	<b>2015</b>		<b>2014</b>
	<b>£000</b>		<b>£000</b>
Fair value of scheme assets at beginning of the year	13,868		12,710
Interest Income	483		584
Return on scheme assets	(350)		634
Employer contributions	485		425
Benefits paid	(616)		(485)
Fair value of scheme assets at the end of the year	13,870		13,868

<b>Reconciliation of the present value of scheme liabilities and fair value of assets to the asset and liability recognised in the balance sheet</b>	<b>2015</b>		<b>2014</b>
	<b>£000</b>		<b>£000</b>
Fair value of scheme assets	13,870		13,868
Value of liabilities (defined benefit obligation)	(18,925)		(20,355)
Funded status	(5,055)		(6,487)
Recognised pension scheme liability	(5,055)		(6,487)

<b>Analysis of pension scheme assets and liabilities for the current and previous four financial periods</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of scheme liability	(18,925)	(20,355)	(17,635)	(15,065)	(15,025)	(13,087)
Fair value of scheme assets	13,870	13,868	12,710	12,496	11,499	10,498
Deficit	(5,055)	(6,487)	(4,925)	(2,569)	(3,526)	(2,589)

At the date of the last statutory actuarial assessment as at 1 January 2015, the market value of the scheme was £13.8 million and the actuarial value of those assets represented 74% of the value of the benefits which had accrued at that date, allowing for future pension increases.

## Notes to the financial statements continued

**23 Lease obligations**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Operating leases on office equipment and computers, by expiry date:		
Under one year	1	1
One to two years	50	3
Two to five years	64	129
Total future minimum operating lease commitments	<b>115</b>	<b>133</b>

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 (2014: £301k).

The RCP also has commitments in relation to approved trust and legacy funding applications of £500k.

**24 Transition to FRS 102**

<b>Reconciliation of reserves</b>	<b>at 1 Jan 2014</b>	<b>at 31 Dec 2014</b>
	<b>£'000</b>	<b>£'000</b>
Reserves (as previously stated)	46,436	47,792
Impact of:		
Holiday accrual	(184)	(143)
Reserves (as restated)	46,252	47,649

<b>Reconciliation of 2014 surplus for the period</b>	<b>2014</b>
	<b>£'000</b>
2014 surplus as previously stated	1,356
Pension	-
Holiday accrual	41
2014 surplus as stated	<b>1,397</b>

**Holiday pay accrual**

Prior to applying FRS 102, the RCP did not make any provisions for holiday pay (ie holiday earned by its staff but not yet taken prior to the year-end).

FRS 102 requires the costs of such short-term compensated absences to be recognised when employees render the service that increases their entitlement.

Consequently an additional accrual of £184k was made at 1 January 2014 to reflect this, as shown above. The provision as at the 31 December 2014 stood at £143k with the subsequent release of the provision recognised through the statement of financial activities.

### **Defined benefit pension valuation**

The defined benefit contribution scheme was revalued under the new FRS 102 requirements by the actuaries. The review resulted in no overall change to the previous stated liability, further details of the pension scheme valuation can be found in note 22.

### **Intangible assets**

Assets previously held in fixed assets to the value of £1,785k have been reclassified to intangible assets. The transfer had no net impact on the opening reserves value.

## **25 Prior year adjustments**

The prior year comparatives have been amended to reflect a change in policy for the recognition of events income. The adjustment has no overall impact on the net surplus for that year, but reduces both income and expenditure as previously reported by £449,000.

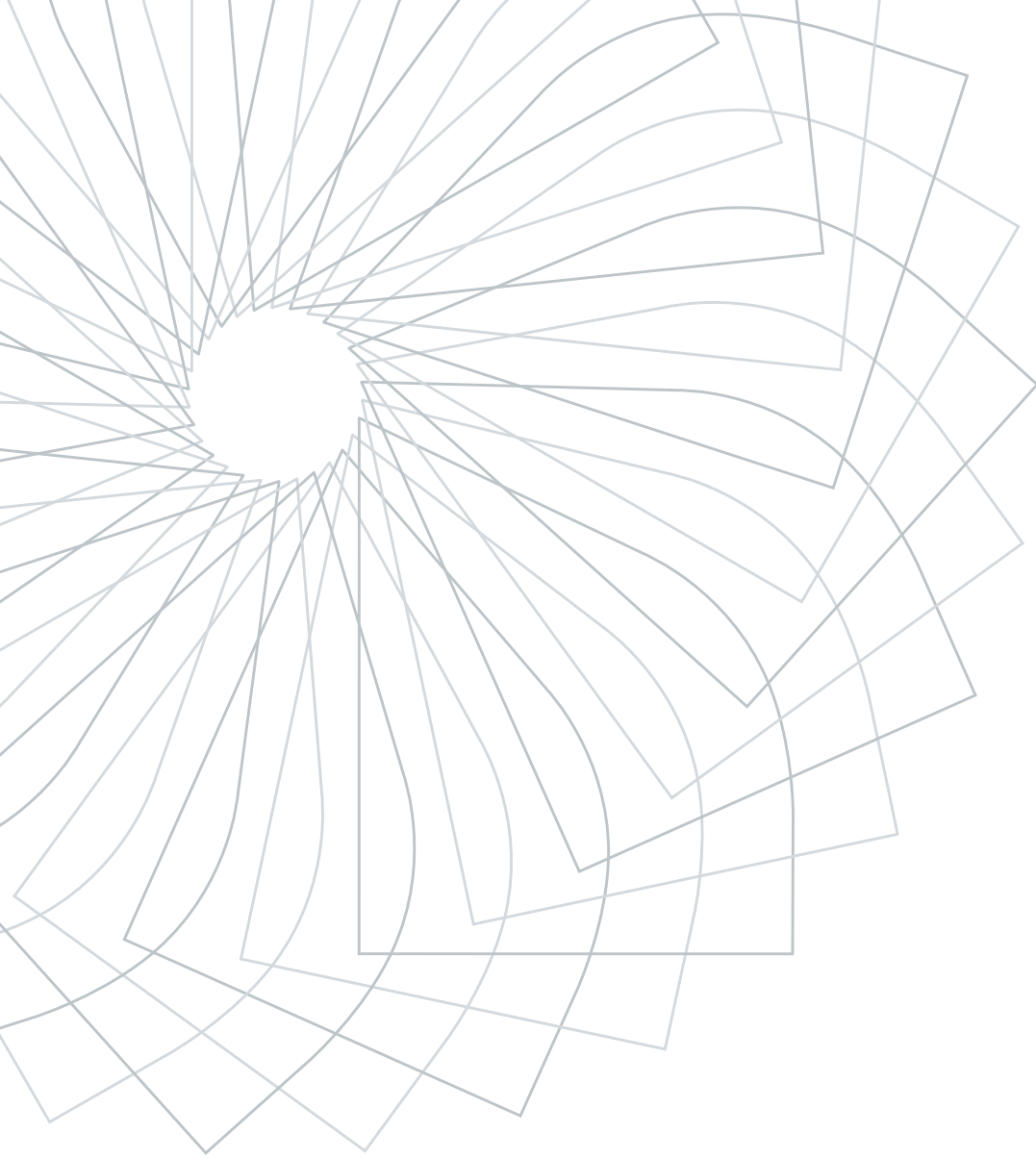
A comparative statement of financial activities has been shown in note 1 of the accounts.

## **26 Related party transactions**

The Royal College of Physicians, a charity registered (charity number 210508) in England and Wales, is the ultimate controlling parent of its subsidiary undertaking, The RCP Regent's Park Limited, which is consolidated on a line by line basis in these group accounts.

During the year the subsidiary owed a balance of £685k (2014: £956K) to the charity. In addition, the charity charged the subsidiary a total of £298k (2014: £336k) of operating costs, which represents the level of costs incurred by RCP on its behalf.





**Royal College  
of Physicians**