



## **Hon. Treasurer's Report to Annual General Meeting June 2010**

In presenting the report I would like to thank all staff working in the College, including particularly those colleagues in the Finance and Operations department.

It is also appropriate to highlight the generous donation of £117K from Ms Helen Stevenson, part of which will be used for the Psychiatrist of the year awards in 2009.

Overall College income in 2009 amounted to £15m. Expenditure totalled £14.4m and the College concluded the year with an operational surplus of £598k, before unrealised gains on investments of £111k were included.

Overall membership of the College has continued to grow. There has been an 8.25% increase in membership. At the end of the financial year 2009 the total number was 15,097. Income from membership subscriptions generated approximately £4.25m.

Following publication of the Summarised Annual Accounts I was pleased to receive a letter from a group of colleagues from East London. These colleagues seemed to suggest that the 8.2% growth in membership income in 2009 resulted in a £4.25 million increase in subscription income. A review of accounts will confirm that this figure was in fact the total income generated in 2009. The 8.2% increase in membership contributed an extra £323,000. This is a significant but much smaller amount.

The College spent £3.4 million in 2009 on leading, representing and supporting psychiatrists. This has been through actively promoting psychiatry as a career, providing dedicated support to our members, Faculties, Sections and Divisions and representing the expertise of the psychiatric profession to government and other agencies.

Financial markets finished 2009 at close to highs reached at the end of the third quarter. At the end of December, the College's investment portfolio had a value of £993k to give an annual return of 11% compared with a loss of 21% in 2008. Due to the College's prudent financial management most of the College's assets were in

cash (£5.3m) and as a result the College has been less affected by the adverse market conditions.

I would like to take this opportunity to highlight the wise financial advice, in the broadest sense, that the Director of Finance and Facilities, Paul Taylor has given to Trustees and the College. Indeed the Trustees might wish in the future to consider again his advice that the rate at which development fund contribution is charged on certain activities be increased. This is because although the College has a surplus, it's dependence on restricted funds and policy of maintaining multiple designated funds means that it continues having some difficulty in meeting its reserves policy.

I will turn now to some changes in financial flows.

Increases in income included the following:

The network subscription income from College Centre for Quality Improvement (CCQ I) has increased by 28% (315k) compared to the same period in 2008. The College Education and Training Centre (CETC) generated an overall surplus of £260k (cf. £65k in 2008) before overheads and Development Fund contributions were taken into account. Net income from Online Continuing Professional Development has doubled to approximately £131k (2008 - £68k). Income from the MRCPsych Examinations has reversed the previous year's losses.

Increases in expenditure have included the following:

In 2009 there has been an increase in staff numbers from 166 to 172 whole time equivalents, with staff costs amounting to £6.5m in 2009 compared to £6m in 2008. Some of this increase has been externally funded, e.g. the College Centre for Quality Improvement. However, Division offices have also continued to expand, their total cost to the College in 2009 amounting to £871K. Additional part time staff have been recruited for the Eastern, London, Northern Ireland, South Eastern and South West Divisions in 2009. The cost for Divisional staff totalled £438k. The Welsh Division will also gain additional staff in 2010.

Direct support for the Faculties and Sections has also increased from £214k to £235k.

The costs of the Policy Unit in 2009 were £383k compared to £238k in 2008. This was a planned expansion of a new activity.

Whilst noting recent increases in staffing, it is important to note that over the years the College has been careful with its staffing. 63% of staff costs are funded externally and not by membership fees or other income generated by its own activities. Central College support department numbers (e.g. Human Resources,

Finance, Facilities and IT) have remained relatively static during the last decade despite marked increases in annual turnover and numbers of other staff.

Whilst reviewing increased expenditure it is also important to highlight that the downward pressure achieved on travel expenses over the previous two years has been effectively maintained and catering costs have come in significantly below budget.

Reductions in income have been modest.

Investment income decreased by £263K. The net income generated from Faculty, Sections, Divisions and Special Interest Group (FSDIG) conferences has also decreased by circa £129k despite an increase in support.

And now to the New Building.

The College is faced with the long-term challenge of raising significant funds to secure new premises beyond the expiry of the lease on 17 Belgrave Square in 2034. This would inevitably necessitate a higher cash commitment. The current terms of the lease are extremely favourable with a ground rent of only £500 a year!

Council is considering New Building issues cautiously and systematically.

In 2008 architecture and design consultants Tilney Shane were appointed to carry out an accommodation review and develop a strategy for the future needs of the College. They contacted Chairs of Divisions and Faculties as well as College Officers, Trustees and staff to assess requirements. They presented their detailed findings in 2009. As a result of the review three models were considered;

Model A: retaining a concise HQ presence in central London and consolidating staff accommodation and training to a single location outside Central London zone or elsewhere in the UK.

Model B: consolidating the main facilities for the College into one location, within the M25 ring or elsewhere in the UK.

Model C: sharing with similar organisations. This would provide the College with its own Reception, Council Chamber, Staff Workspace and Members room. The shared facility would consist of Auditorium, Staff catering, main reception, and centralised conference/training facilities.

The College is in the process of formulating a strategy taking into account the advice from the consultants, the College's solicitors Payne Hicks Beach and its own further research. At present Council supports the active pursuit of purchasing a single property in London. If a suitable building can be identified it would provide an investment for the College going forward.

Although the College had not allocated resources to the New Building fund in 2007 and 2008, it has compensated for this by allocating £500k in 2009. Council has agreed that each year a 1% increase in membership fee should go to the New Building fund. Exceptionally this year, because of the national financial crisis and uncertainty in the country's finances, Council has advised an additional 1% contribution from membership fees, i.e. a total of 2%. The remaining 3% increase is proposed to go to general funds, at a time that inflation is running at 4-5% and is unpredictable.

In addition to the challenge of identifying appropriate accommodation, the College faces the immediate challenge of the national recovery from debt. There is no doubt that the College needs to face the new reality of austerity. Council has instructed the Chief Executive to work with the Officers and Senior Management Team to identify savings of approximately 10%.

College will maintain and seek to enhance the successful downward pressure on travel and catering activities that have been achieved over the last two years. Trustees and management are actively reviewing again the frequency and costs of meetings including reception and similar activities. There will be more modest arrangements for the reception of new members. It has been decided to terminate the lease on 15 Belgrave Square (next to 17 BS). This will save £70K annually. Further savings will be required.

The College should also be looking at new opportunities for income generation. Though both the international and national financial crises are real and savings need to be identified as a matter of priority, this should not lead to undue pessimism in relation to attracting funds for the new building fund, for example. Even though the crisis has hit many hard, it has also been an opportunity for some to gain financially. It is reasonable to assume at this stage that some such winners might chose to support a successful charity that is dedicated to working in favour of some the most vulnerable in society, both in the UK and abroad.

Looking at the crisis even more positively, compared to other organisations, the forthcoming austerity should be seized as an opportunity to increase College influence through comparative strength; for example through a strong Policy Unit, influential local Division links and effective working with Service Users and Carers.

Professor George Ikkos

Hon. Treasurer

June 2010

