



Annual Report 2017





Combined RCN Group annual report and consolidated financial accounts for year ended 31 December 2017

Comprising the Royal College of Nursing of the United Kingdom,
its trading subsidiary (RCNi), and the RCN Foundation.

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Photographs

Cover: RCN members protest against the UK Government’s 1% public
sector pay cap in Parliament Square, September 2017.

Left: Nursing students at the University of Northampton, March 2017.



Janet Davies

Chief Executive & General Secretary

This was the year when the RCN demonstrated as never before how powerful we can be when members come together on a single campaign. Our *Scrap the Cap* campaign to persuade the Westminster Government to remove the cap on nursing pay brought together more members than ever before in campaign events, engaging with the public, meeting MPs, at protests and on social media. I don't believe the Chancellor Philip Hammond would have committed to funding a pay rise for nursing in the Budget if we hadn't led such an effective campaign. It gives us a strong basis on which to continue negotiations on NHS pay. NHS pay levels can be expected to influence pay in the independent sector too. RCN work in this sector has succeeded in protecting or even improving pay and conditions for nursing staff.

Nursing was also at the heart of the General Election campaign, with nurses putting the Prime Minister on the spot at campaign events. As well as the continued underfunding of the NHS, we highlighted the risks posed to patients by the ongoing crisis in nurse staffing levels across the UK. Our report on safe and effective staffing levels calculated the vacancy rate in England alone as at least 40,000 – a figure that has been quoted widely since its publication.

That report launched our important work on securing new or strengthened legislation on safe nurse staffing levels, which will continue to develop in the coming months.

The RCN's work to support and disseminate the best nursing practice saw the launch of our credentialing programme for Advanced Nurse Practitioners, the delivery of a project to showcase nursing innovation, and close working with the NMC on new standards.

The voice of our health care practitioner (HP) members has not always been as strong as it should

be, so we have launched an important piece of work to help us better recognise them as vital members of the health care community and the RCN. This should enable us to offer them the services they need and bring more HPs into membership.

Our new business intelligence strategy puts us in a strong position to take forward our work over the coming months, reinforced by our recognition as one of the best not for profit organisations in the Sunday Times 100 Best Companies awards. We will continue to develop a model of service for members that supports individuals to find the information and help they need themselves, while stepping in with extra assistance when necessary.

Our work to ensure that the RCN Group operates in close coordination to ensure we get the best results for members moved up a gear, with cooperation on a joint strategy. Our new customer relationship management system (CRM) went live in March, and will enable us to deliver a better service to our members. Our work to develop a single project management framework and the appointment of a Business Director is helping us to manage the impact of the current change programme the business is undergoing, ensuring that we continue to deliver RCN Group business priorities.

The year ended with members entering into a more challenging period of winter pressures in the health and care system than we have seen for some years. We will continue to need to call on the strength of our membership to make the case for nursing in these challenging times.



Janet Davies
Chief Executive and General Secretary

The Report of Council

Priority Strengthening our Royal College position

Extensive work took place during 2017 to strengthen our Royal College function. A new programme management approach has led to more collaboration with members, external stakeholders and across many staff disciplines.

Our UK-wide programme of professional work, including 43 projects delivered by RCN forums, has supported the professional development of nurses and HPs, and driven up standards in practice.

We launched credentialing for advanced level nursing practice; created leadership development programmes for HPs and staff nurses; and developed an economic assessment programme to support health care staff to demonstrate the value of innovation. Our professional learning and development teams across the UK have created and delivered professional learning opportunities for nurses and HPs and we have supported applications to a range of nursing scholarships to facilitate the development of professional practice.

Our professional work is informed by and developed through engagement with our membership, including relationships with RCN Fellows and RCN committee and board chairs. Work with RCN forums is being strengthened through the *Value of Forums* project.

We have continued to represent and advocate for nurses and nursing on key strategic groups across the four countries of the UK. We have also engaged extensively with our membership across all sectors to produce robust responses to consultations, including

the NMC Education and Standards review and the Nursing Associate consultation (in England), and the guidance on implementing the Nurse Staffing Levels (Wales) Act 2016.

Library and Archive Services



30,414
eBooks
accessed



105,579
journal articles
downloaded



The team achieved a Customer Service Excellence Award and we became the first Royal College to achieve Archives Accreditation.

Team of the Year at the RCN Awards

Nurse staffing for safe and effective care is a priority for the RCN. We published two reports, bringing together data from nurse leaders, frontline staff and the system. We are working to secure conditions in each country of the UK which enable nursing staff in every health and care setting to provide high quality care. Safe and effective care is important for the wellbeing of both patients and staff. Our work is informed by experts from across the UK as we seek to strengthen law where it already exists, and put it in place where it does not.

We have also strengthened our commercial capability. The programmes and services delivered through the RCN Professional Services brand contribute to the commercial strategy of the Group, selling services into the NHS and independent and charity sectors across the UK.

Following a comprehensive tender process, we appointed the University of Sheffield as our external research partner for the next five years. This alliance will help ensure a robust evidence base underpins core activity, which will support the RCN to deliver UK-wide strategic priorities for 2018 and beyond.

The RCN and RCN Foundation have delivered the *Celebrating Nursing Practice* project, which showcases nursing innovation. The Foundation's research and projects to improve patient care by supporting nursing in care homes has complemented the RCN's promotion of careers in care homes. RCN's portfolio of products and services supports our charter objectives, and RCN's work to develop an online learning capability has continued. Digital engagement has been the focus of much of our work, including partnerships with external agencies to progress the ehealth agenda and the use of social digital campaigns to deliver our commercial activity.

Forums in 2017



48

committee members were recruited across **26 forums**



4

forum chairs were honoured for their contributions to the RCN: **3** were awarded a Fellowship and **1** received an Award of Merit



eHealth Forum

produced the 'Every Nurse an e-Nurse' YouTube film – which has been viewed over **1,000 times to date**



Mental Health Forum

ran the **#OneOfYours** campaign at Congress 2017, to raise awareness of mental health stigma

Scrap the cap in numbers:



Priority

Protecting members, pay, terms and conditions and advocating staff and effective staffing

RCN staff and representatives worked to protect and improve members' pay, terms and conditions across the UK, in both the NHS and the independent sector. Evidence of the link between the quality of working conditions, safe staffing levels and patients' experience and outcomes makes this a priority for the RCN. Despite the significant challenge presented by the UK Government's ongoing public sector pay restraint policy, the RCN has had notable successes in relation to NHS pay. Austerity has impacted on independent sector employers too, but the RCN has also succeeded in protecting – and even improving – pay and conditions for members working in this sector.

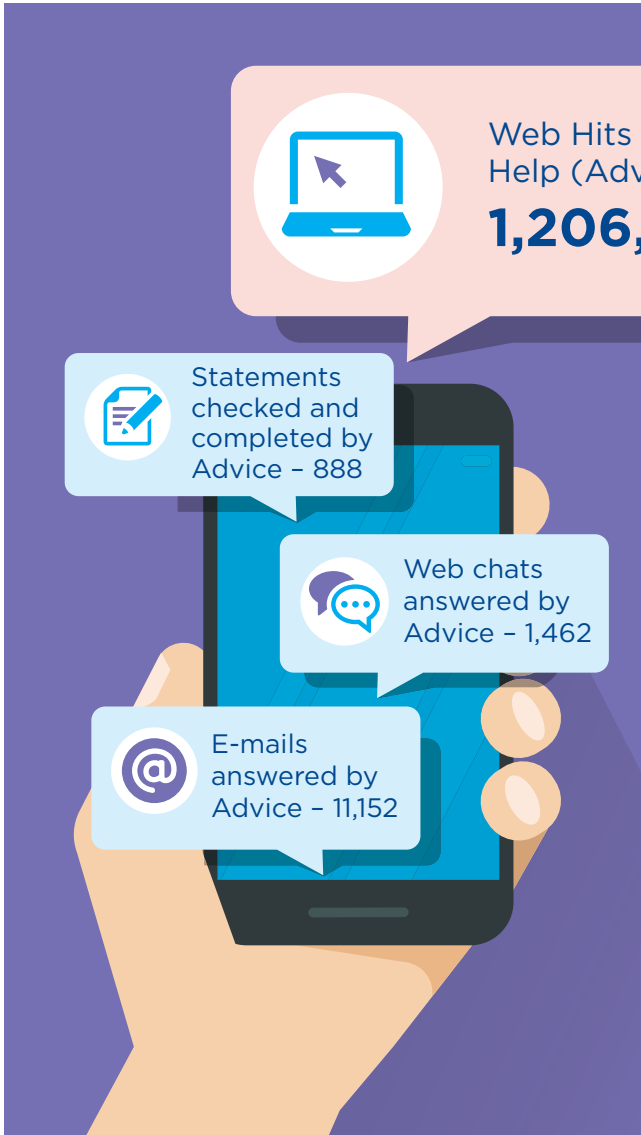
Since the Chancellor's pledge in November's Budget of extra money to fund a pay increase for nursing staff (in return for contract reform), RCN negotiators have

been exploring a possible breakthrough on NHS pay after years of pay cuts. This builds on our specific demands regarding NHS pay for 2018: an above-inflation pay increase in all four countries; a flat rate payment to start to close the gap (with inflation), which is widest in Northern Ireland; and investment in reform of *Agenda for Change*.

Improving low pay, particularly for the large number of HPs working in the independent sector, is at the heart of our pay strategy for the independent sector. The RCN is recognised by 50 England or UK national employers for pay bargaining. Country and regional offices are also making headway, with RCN Northern Ireland in the process of negotiating recognition with a second independent sector employer.

We have also been successful with wider strategic initiatives that protect terms and conditions. These include the change to the regulations of the Regulation and Inspection of Social Care (Wales) Act 2016 regarding 24-hour nursing care, and engagement events across this sector to recruit health care support workers (HCSWs).





The research also guided the *Scrap the Cap* campaign, which saw unprecedented member engagement, including many members who had never campaigned with the RCN before. More than 60,000 members participated in the pay poll, testing appetite for industrial action. National days of action in June and July were attended by members across the UK, including events at the Scottish Parliament,

Welsh Assembly and in Westminster, and members joined pay events in workplaces or town and city centres almost every day of the summer. There were more than 150 MP meetings, including meetings with all Northern Ireland MPs. The campaign culminated in September at a rally in Parliament Square – the largest event of its type ever held by the College.

Social media engagement reached new highs, with *#scrapthecap* tweeted 120,000 times, and a Facebook reach of over 5.4m.

Our safe staffing survey saw high member engagement, with more than 50,000 members submitting responses. Members also responded to our employment survey, and to consultations on NMC changes and a number of other issues.

Member research guided a review of *Bulletin* and other member publications, including the development of fully searchable online versions. Engagement with these has been high, with 16,975 unique page views for the month following the digital launch.

Across the RCN, senior managers have been tasked with building equality and inclusion work into their day-to-day operations as well as their strategic planning. This work is ongoing.

RCN staff, members and accredited representatives across England and Wales have been offered learning and development about the RCN Equality and Inclusion strategy. The sessions build knowledge and skill relating to the importance of equality and inclusion in the workplace.

Priority

Enhancing our engagement with members and championing diversity and inclusion

Member engagement moved significantly up a gear in 2017. Our research on member attitudes shaped a new approach to communications with members, including more positive messages about nursing and development of our work on the value of reps and forums.

Building on our 2016 Scottish prison healthcare report, we worked with members, third-sector partners and politicians to push for equity of provision. Both the Scottish Parliament and Government responded positively to our call for action. Work has continued with a wide range of stakeholders on issues such as tackling disability discrimination, building a coherent career pathway for nurses wishing to specialise in gender identity, and piloting regional approaches to building inclusive workplaces.

Priority

Reviewing and developing the offer to health care practitioners

With around 20,000 HPs in RCN membership from a workforce of several hundred thousand and new roles - such as the nursing associate in England - being created, it is a priority to better recognise HPs as part of the health care community and strengthen their voice as RCN members.

A wide range of both professional and employment relations activity has taken place across the UK to support this priority. The *Supporting Better Care* programme for HCSWs was delivered to Elder care homes in Edinburgh, and two new modules of this programme were developed and successfully piloted. The RCN delivered more care home-specific development sessions in Scotland than in any previous year. Together with activity for Care Home Week in June, five new HCSW programmes delivered in colleges, and visits to NHS and non-NHS organisations, this helped boost HCSW recruitment and retention.

The North West region delivered the first RCN education event for trainee nursing associates in Cheshire, and the other English regions engaged extensively with new trainee nursing associates as they embarked upon their training. This resulted in increased HP membership recruitment.

The RCN in Wales has influenced the all-Wales governance arrangements for HCSWs in primary care. As well as learning and engagement events, an HCSW

category featured at the RCN Wales Nurse of the Year Awards. We worked closely with the Open University in Northern Ireland to support 25 HPs from the independent nursing home sector to complete a Higher Level Apprenticeship award. The RCN Northern Ireland Health Care Practitioners Network hosted a successful learning and development event in the South West Area Hospital, which was attended by HPs from across all sectors.

A comprehensive UK-wide review of the HP membership offer is underway to improve recruitment and retention in this category. It will focus on:

- improving the joining process for HPs, including marketing and communications
- ensuring the RCN's organisational culture is more inclusive of HPs
- improving CPD resources for HPs, possibly to include credentialing
- exploring partnership opportunities with further/higher education colleagues, the Open University and health care providers
- developing a learning and development offer specifically for the independent sector.

Priority

Realising the benefits from the new governance arrangements

Our new governance structure came into effect on 1 January 2018.

The changes were agreed by the membership at the 2016 AGM in response to the findings of an independent review of the RCN's governance arrangements. It was the first review for 40 years and was set up by RCN Council to ensure our governance arrangements are fit for today's fast-changing world.

The review report contained 10 key recommendations. The main purposes of the proposed changes were to strengthen our roles as both a trade union and royal college and at the same time enable Council to focus on the effective governance of the organisation.

To ensure that the new governance arrangements are of benefit to all stakeholders within the Group, RCNi and the RCN governance team colleagues have worked closely to align policies and procedures where appropriate.

During 2017, RCN Council agreed and implemented transitional arrangements and developed an implementation plan for each of the recommendations. This plan will ensure that the different parts of the RCN Group work together in the new structure in order to realise the benefits envisaged in the review report.

At the end of 2019 Council will formally evaluate whether the objectives outlined in the Council Review report are being met and consider whether any further changes are required.

Priority

Ensuring the financial sustainability of the organisation

The RCN's new customer relationship management (CRM) system went live in March and is now being used across the Group as the primary system to hold membership information, process subscriptions and for recording enquiries and other interactions. Some difficulties were experienced with implementation, but this was anticipated as inevitable when dealing with such a complex organisational change. Work continues to fully integrate and develop CRM, including case management.

Throughout 2017 commercial income has remained a key focus with continued income from events, accreditation, sponsorship, leadership programmes and conference services. We have experienced some challenges though – the income from the RCN Shop was below target and has prompted a review of how we approach our physical and online retail function. Council reviewed the commercial strategy and targets for 2018-2021, including the growth of online learning, increasing sponsorship and advertising

across the RCN, and exploring new ways of generating income from the RCN brand.

As the RCN seeks to sustain and increase its income from a variety of different sources and the profile of its membership changes, the business intelligence that it collects and how that intelligence is analysed and shared will become even more important. 2017 saw the launch of the RCN business intelligence strategy, focused on delivering accurate and timely data, analysis and intelligence across the RCN Group. The first phase, which will be implemented in 2018, will focus on examining the key membership-based questions that the RCN needs to answer, including why individuals in each membership category join the RCN and why members leave.

RCNi's business models and teams were restructured to align with its customers and markets. This will enable us to concentrate on core areas of activity and to deliver sales, marketing and customer service excellence. RCNi's costs are being tightly controlled to ensure delivery of financial targets.

In December 2017 the results of the RCN defined benefit pension scheme September 2016 triennial valuation were agreed. The valuation produced a deficit on the scheme of £52.1m (30 September 2013: £58.5m) and, with a one-off amount of £4.9m to be paid into the scheme by March 2018, and continuing the recovery plan payments of £3.1m p.a., the recovery period remains at October 2026.

Despite an increase in the legal indemnity provision in 2017, in general we continue to see a downward trend in the volume of new cases for the member indemnity scheme, reflecting the changes previously made to ensure employed nurses are appropriately covered by their employer. The value of cases continue to fluctuate and is monitored closely.

The RCN Foundation is a grant-maker in perpetuity. Therefore, the Foundation manages its income in a prudent and sustainable way. This means it addresses the needs of the nursing community today whilst aiming to ensure it can meet any future demands made on its resources.

Priority

Implementing our new service model through our Transformational Plan

Work to embed the new service model through our 2017-2021 Transformational Plan began this year, enhancing our services to members and customers whilst improving organisational efficiency and effectiveness.

Improvements to **www.rcn.org.uk** have included upgraded search functionality and better member access to our comprehensive library services and archives collections with the introduction of subject guides, member-led purchasing and video tutorials. Membership letters can now be downloaded from MyRCN, we enabled online payments for credentialing, and launched an online platform for RCN member magazines. 1,350 members used the new webchat service.

New content, including our *Indemnity mythbuster* and an RCN Law contact form, has improved online access to advice services, with member access to our online 'Get Help' content increasing by 62% on 2016.

We have delivered webinars for staff training sessions and will be doing more of these in 2018. We hope to launch externally accessible webinars in 2018.

The development of Facebook groups for specific forums, regions, countries and other membership groups has facilitated member discussion, enabling them to raise issues with one another or ask questions. This enables peer support, where members provide advice or guidance to other members and recommend RCN services where appropriate. This has released staff to deliver other activities in support of our members and customers.

During 2018 we will add more self-service functionality to the website, improving the way members can access advice, support and other essential information online.

Priority

Strengthening information management and protecting our data

Protection of members' data and our IT infrastructure remains of paramount importance, and there is an RCN Group-wide approach to ensure alignment on information management and data protection.

In anticipation of the General Data Protection Regulation (GDPR) legislation coming into force in May 2018, a Group-wide project to properly understand and implement the requirements of GDPR is underway. This will significantly strengthen how the RCN stores and processes data.

The Foundation began implementing the phase of CRM related to its income generation activities. Highlights included the establishment of a new Foundation portal and the ability to record and make Gift Aid claims via the CRM system.

Our programme of upgrades across the business for back end systems and front end clients has continued, delivering 99.5% uptime across all service areas this year. This has been achieved with minimal disruption to users. All 300+ servers are continually maintained, with the latest patches and updates installed to ensure we protect data and members' personal information against malware and hacking. Penetration tests on the RCN website and core public-facing devices were conducted, and this will continue to happen on a twice-yearly basis.

The operational effectiveness of the member communications centre and our data protection processes were rated as 'substantial' in a data protection audit carried out this year.

We continued our programme of upgrading IT provision including the introduction of *ModGov*, a secure, paperless meeting system for members of RCN Council and committees of RCN Council.

Priority

Protecting and building our reputation

2017 was an incredibly successful year for media coverage of the RCN. As well as enhancing the reach, profile and reputation of the RCN, we put nursing at the forefront of the 2017 General Election campaign. The



Westminster

Written evidence to **11** parliamentary and advisory committees. **65** consultation responses.



Northern Ireland

No parliamentary evidence submitted as there was no Assembly for most of 2017. **14** consultation responses.



Scotland

Written evidence to **10** parliamentary committees. Oral evidence to **2** committees. **10** consultation responses.



Wales

Responded to **16** National Assembly for Wales committee inquiries (including **5** oral evidence sessions). **24** consultation responses.

College, its leaders, staff and members featured in over 8,000 pieces of media coverage throughout the year, including high-profile interviews online, on TV and radio and in national newspapers. Our work on safe staffing and effective care and our work to campaign for nursing pay secured much of this media coverage.

More than 122,000 people now follow our corporate Facebook account and 90,000 our corporate Twitter account. We opened new Facebook groups to support the clinical specialisms represented by our forums, and Facebook pages for RCN regions and countries.

Our UK-wide programme *Future Nurse, Future Workforce* has enabled four-country collaboration in the design and delivery of projects that enhance our reputation as a royal college and ‘the voice of nursing’.

Online, the professional clinical topic areas generated over 551,000 page views with an average time on each page of over 2 minutes. We have delivered website resources on subjects including STPs, delirium, mental health, sepsis and alcohol, as well as showcasing the work of our forums. This has helped reinforce our status as the voice of professional nursing.

We engaged with elected officials throughout the year, through briefings on parliamentary debates, and meetings and events with 144 Westminster MPs. We also facilitated round-table events with Government ministers and senior nurses. We held well-attended joint events with the NMC at party conferences.

Wider activity across the whole RCN Group has also helped enhance our reputation. RCNi is extending our brand beyond RCN membership by focussing on business-to-business growth both in the UK and internationally. And during 2017, the RCN Foundation continued to make a positive difference to hundreds of nurses, midwives and HPs through the LampLight Support Service and grants programme. As well as enhancing our reputation for supporting and strengthening nursing, this essential work improves the health and wellbeing of the public.

Internally, we undertook an ISO 27001 compliance assessment and work to achieve this standard will continue in 2018.

Financial review

The RCN Group is made up of RCN UK, a special registered trade union and professional Royal College, RCN Publishing Company (RCNi), the RCN Foundation (RCNF), a registered charity, and RCN Holdco Limited.

RCN Holdco Limited was created in 2015 and has entered into a Limited Liability Partnership (RCN Law LLP) providing personal injury claims to members.

The RCN Group statement of comprehensive income, statement of changes in equity, statement of financial position and statement of cash flows for the year ended 31 December 2017 are set out on pages 27, 28, 29 and 30.

These financial statements are presented in accordance with Financial Reporting Standard 102 (FRS 102), issued by the Financial Reporting Council and the Trade Union and Labour Relations (Consolidation) Act 1992. The RCN Group statements report the consolidation on a line-by-line basis of RCN UK and its subsidiaries RCNi, the RCN Foundation and RCN Holdco Limited.

RCN Group results

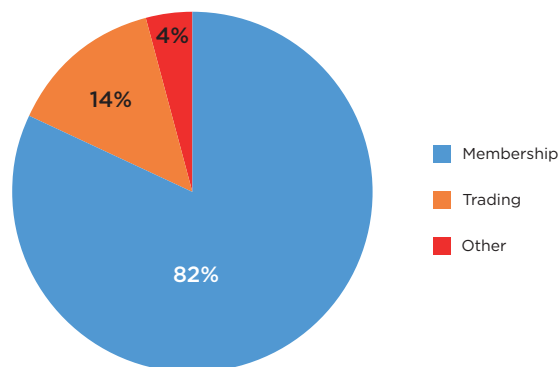
The RCN Group results for the year ended 31 December 2017 report a surplus before taxation of £13.5m (31 December 2016: £10.3m).

The increase in the RCN Group surplus has been driven by gains on investments. This has more than offset a lower operating surplus of £6.6m (31 December 2016: £9.7m) resulting from lower income and increased expenditure in comparison to the previous year.

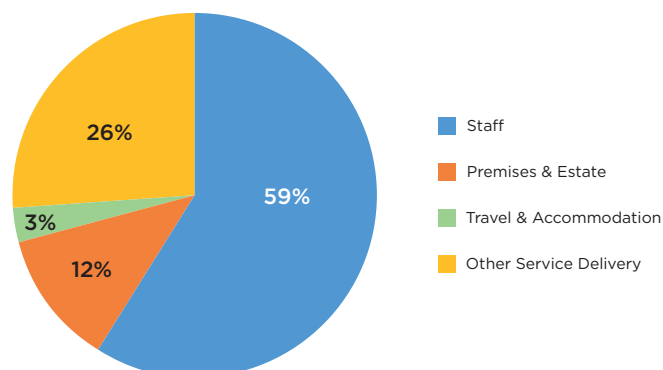
A summary of the RCN Group income and expenditure is shown below:-

- Total income for the RCN Group for the year ended 31 December 2017 of £90.2m (31 December 2016: £91.8m), representing a decrease of 1.7%
- Total RCN Group expenditure for the year ended 31 December 2017 of £83.6m (31 December 2016: £82.1m), representing an increase of 1.8%

2017 Income £90m



2017 Expenditure £84m



- This increase is mainly due to an increase in legal indemnity case expenditure
- The increase in the surplus before taxation incorporating investments and dividends is due to receiving gains of £801k in our foreign exchange on investments, the prior year resulted in foreign exchange losses of £3.8m. Net realised gains on investments have increased by £1.5m.
- The surplus before taxation for the RCN Group excluding the charitable activities of the RCN Foundation was £11.4m, as stated in note 3.1.

Income

Total income for the Group decreased by £1.6m compared to the prior year, primarily due to a £1.4m decrease in RCNi trading income from personal subscriptions, this is reflective of current trends within the sector. RCN UK membership subscriptions increased in 2017 by £400k due to membership growth, generating £73.9m of member income. Although there was an increase, membership numbers steadied towards the end of 2017.

There was also a reduction in other income across the group of £700k compared to the prior year, RCN Foundation has seen a decrease in legacies in comparison with 2016 and a new approach to increase regular donors and legacies will be implemented in 2018. RCN UK trading income reflects the return to normal levels after additional income of £250k from the RCN Centenary celebrations in 2016 which increased sponsorship and grants categories in the prior year.

RCN Holdco Limited's share of the profit from the RCN Law joint venture was £50.8k from personal injury case work and will writing services. RCN Holdco expect to see a larger profit in 2018 from this joint venture, which is forecast to grow over the next three years.

Expenditure

Group expenditure increased by £1.5m in the year. RCNi expenditure reduced by £1.2m in comparison to 2016 due to lower overheads in parallel with the reduced income. The majority of the increase in the group expenditure sits within the parent company RCN UK, a summary of the this movement is shown below:

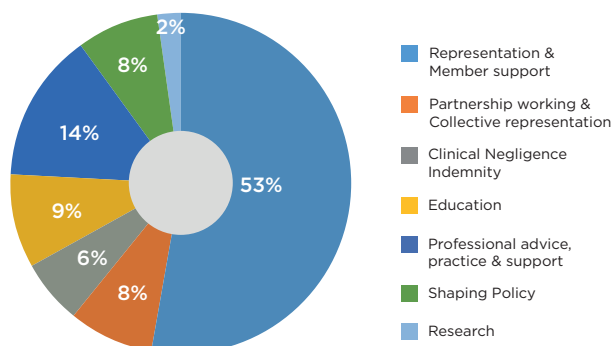
RCN UK Expenditure	2017 £'000	2016 £'000		Movement
Staff	43,558	44,336	↓	Increase in payroll costs of 2% due to a staff pay award, more than offset by a reduction in defined benefit pension charge.
Premises & Estates	9,186	9,063	↑	Increase in costs due to inflationary increases and costs incurred refurbishing the exterior of RCN HQ London office.
Accommodation & Travel	2,811	2,812		Increased travel activity around the Pay Campaign has been offset by increased usage of the Skype telephony system for meetings.
Other Service Delivery *	14,522	11,565	↑	Increase in the provision for legal indemnity cases for clinical negligence of £4.3m compared to prior year. Additional expenditure for the Pay Campaign.
Total RCN UK	70,077	67,776	↑	Overall increase in RCN UK member services of £2.3m.

* The £4.3m swing from 2016 to 2017 on legal indemnity expenditure is reflective of the fact that 2016 was an unusual year with regard indemnity provisions. The value of new cases in 2016 was £582k, compared to £3.39m in 2015 and £3.37m in 2017, as reported within these financial statements. In addition to the low value of cases reported in 2016, an in-depth review of in-year and historic cases took place during 2016 by our legal advisers, resulting in a net reduction in reserves of £2.2m on these cases.

The RCN has seen a decline in the overall volume of new indemnity cases over the last four years, however the average cost per case has increased in 2017 due to changes in the discount factor applied when calculating the value of potential damages awarded, which came into force in March 2017.

RCN UK continues to report by products and services. The graph below represents RCN UK expenditure, split into products and services for the 2017 financial year. Further information can be found in note 9.

2017 Products & Services



Net assets

The non-charitable assets of the RCN Group as at 31 December 2017 were £89.8m, compared to £76.1m in the prior year.

The total net assets of the RCN Group, including the effect of the RCN Pension Scheme deficit, increased from £107.7m to £123.5m. This includes charitable funds of the RCN Foundation of £33.7m (31 December 2016: £31.6m), which are not available for general use.

Investments, policy and performance

The RCN Group holds two investment portfolios, one in the RCN UK and the other within RCN Foundation. The two portfolios have distinct investment strategies and share the same ethical policies. The RCN Foundation adopts a low to medium level of risk to investing, compared to a medium level of risk by RCN UK.

The RCN UK investment objective is to achieve capital growth over time. The portfolio will be subject to short-term volatility but nevertheless will aim to achieve its target.

The Finance & Investment Committee agreed to adopt a segregated approach, investing in fixed interest issues and individual shares rather than funds as being the most efficient way of achieving the agreed asset allocation and the ethical requirements. The fund managers have discretion over the selection of stocks

but the contract with Sarasin & Partners stipulates the requirement for the investments to be managed in a socially responsible manner in line with the RCN values and corporate policies and to avoid any investment in companies with a direct link to the manufacture of tobacco products.

The RCN Group investment income for 2017 reported £2.4m (2016: £2.4m). Further information can be found in note 4.

Pension

The RCN Group defined benefit pension scheme liability at 31 December 2017 was £12.2m (31 December 2016: £14.6m).

This reduction is predominately due to the strong performance of scheme assets over the period. The growth in assets outweighed the growth in liabilities which was due to lower discount rates due to lower bond values as at 31 December 2017.

Council continues to be committed to reducing the deficit. The funding requirement of the pension scheme is incorporated into the financial strategy and budget to ensure the scheme obligation can be met.

Further details of pension scheme matters can be found in note 15 of the financial statements. The full pension scheme deficit is recognised in the RCN UK balance sheet, although RCNi, which has staff members in the scheme, contributes to the annual deficit payment.

Financial resilience

The RCN Group is considered to have sufficient resources to meet its obligations as they fall due for at least 12 months after the signing of the financial statements and there is no indication that the Group would not be able to operate as a going concern for the foreseeable future.

Managing our risks

The RCN Group’s risk management framework is used to test the organisation’s key decisions and influence the use of its resources.

In 2017 the risk register was reviewed and redesigned. The result is a tool that evaluates a wide range of additional factors, including our degree of risk preparedness and our risk appetite. It is presented in a way that encourages a new way of identifying and managing the emerging and changing risks to our business priorities.

In addition, the relative location of mitigated risks on the bubble chart below shows where resources can be directed for maximum effect. Two of our principal risks have been identified as exceeding our risk appetite:

- the scale of, and dependence on, our current change programme affects our ability to deliver

- the Group business priorities; and
- the RCN staff pension scheme continues to be a financial burden, diverting us from other priorities.

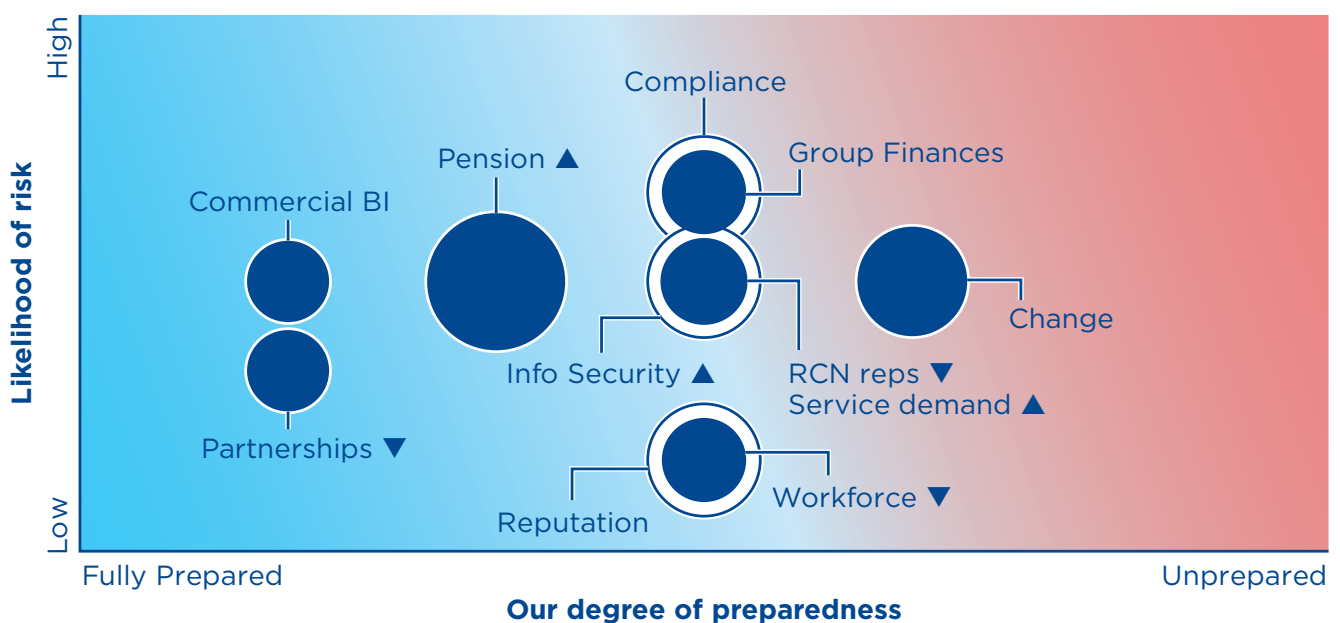
Four further significant risks are recorded on our corporate risk register:

- the effective management of our information;
- the recruitment and retention of active members;
- the achievement of target revenue; and
- the growing demands on our services, including the member indemnity scheme.

The Group risk register is reviewed monthly by the Executive Team and quarterly by Council with input from the Audit and Finance committees, to ensure that adequate measures are in place to manage the identified risks.

Relative positions and sizes of our mitigated risks

(arrows show direction of risk likelihood)



Preparedness definitions

Fully Highly prepared. Effective mitigating actions in place completely remove impact

Largely Mitigating actions in place, removing most of the risk.

Partly Mitigating actions in place, but can only remove half the risk

Minimally Mitigating actions in place, but only removing small part the risk

Unprepared No mitigating actions in place.

Risk appetite status

Excessive Risk requires active management: an immediate threat with significant impact.

Wary Potential to move to excessive. Requires management, mitigation and close monitoring. No immediate threat.

Under control No immediate threat or impact. Controlled.

Environmental and social review



As part of our property strategy in 2017, we commenced a major project to refurbish the outside of our headquarters building in Cavendish Square. We replaced the lift and boilers in our Cardiff Gate office with more efficient systems and placed new contracts for the supply of stationery and mechanical and electrical maintenance. Both of these projects have an emphasis on corporate and social responsibility.

Our policy is to assess and address anti-modern slavery laws in our own business and we expect organisations we work with to adopt and enforce policies to comply with the legislation.

We also secured new leases for our offices in Croydon, Glasgow, Cardiff Gate and Colwyn Bay, as well as starting negotiations for new leases with the landlords of our offices in Nottingham and Bury St Edmunds. New premises are currently being sought for the RCN South East team based in Newbury.

The RCN entered into a major three-year UK-wide partnership with *The Big Issue*, which has seen the RCN logo appearing on the iconic red tabards of *Big Issue* vendors across the country. The initiative highlights the links between mental and physical health issues and homelessness, as well as both organisations' shared commitment to a more equal society. The partnership, which includes regular editorial features in the magazine from the RCN, offers further opportunities for the RCN to support *The Big Issue's* cause including a corporate subscription.

The biennial RCN Staff Awards for Excellence took place in November. A hugely enjoyable evening in central London was enjoyed by the nearly 300 staff and members who attended, but that was just the highlight of an exceptional year of engagement. More staff submitted more nominations than ever before, to recognise and celebrate some of the exceptional work which takes place on behalf of our members.



660
nominations submitted for the 2017 Staff Awards for Excellence



6,526
'Gems' awarded by staff to recognise exceptional work and commitment of colleagues



15th
The Sunday Times Best Not-For-Profit Organisations to work for

Thank you to our supporters

We would like to express our warmest thanks to the companies listed below, for their substantial support of the RCN in 2017. The same thanks go to all the other companies, groups and individuals – far too numerous to list here – who help to make our work possible.

3M Littmann Stethoscopes	Lighthouse Financial Advice	Norgine
ACT Academy, NHS Improvement	LV=	PaxVax
BD	Medinet	Pfizer Ltd
Bio-Oil	Medisa	Primary Care People
BWB	My Improvement Network	Standex Systems Ltd
Defence Medical Services	New Care Models Programme	Ubitrac
Elysium Healthcare	NHS Blood & Transplant	Veinplicity
Excel Recruitment	NHS Employers	Wiley
Exemplar Health Care	NHS England	
Hotboard by Ward-Hendry	NHS Professionals	
Leeds NHS Trust	NHS Wales	

The RCN would also like to thank Rachel Armitage, Deepa Korea, the boards and trustees of RCNi and the RCN Foundation and all of their staff for their tireless work for the RCN Group.

Reference and administrative details

Registered office

20 Cavendish Square, London W1G 0RN

Company registration number: RC000459

Trade Union list number: 528T

The main educational centre, library and central administrative office of the Royal College of Nursing of the United Kingdom (RCN) is 20 Cavendish Square, London W1G 0RN.

Bankers

National Westminster Bank PLC
250 Regent Street, London W1B 3BN

Independent auditor

Deloitte LLP
Statutory Auditor
2 New Street Square, London EC4A 3BZ,
United Kingdom

Investment managers

Sarasin & Partners LLP
Juxon House, 100 St Paul's Churchyard,
London EC4M 8BU

Lawyers

Bates Wells and Braithwaite LLP
10 Queen Street Place, London EC4R 1BE

Chief Executive & General Secretary

Janet Davies, FRCN

The RCN also has two offices in Scotland, three in Wales and one in Northern Ireland, as well as 10 regional offices in England.

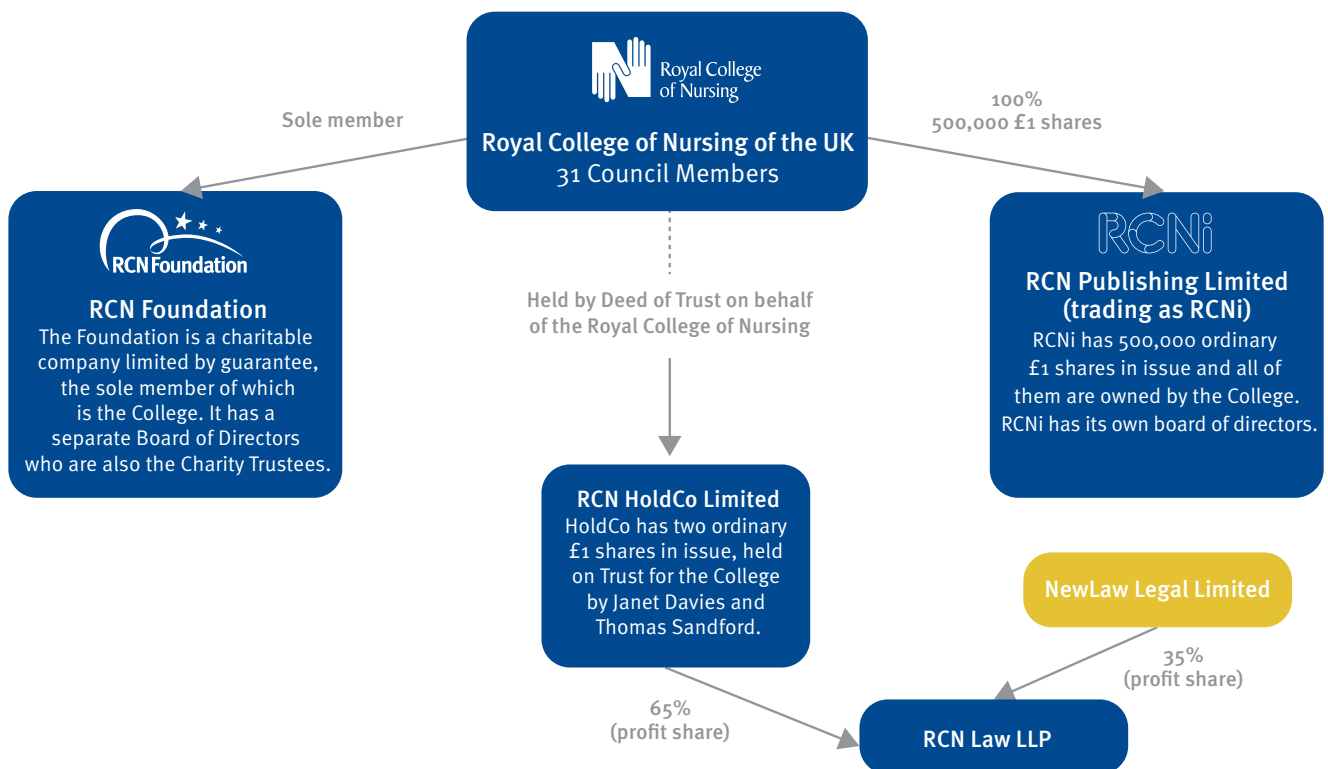
Corporate Governance - 2017

RCN Council photographed at Cavendish Square, 12 December 2017



RCN Council: Brian Murphy (1), Maria Trewern (2), Michael Brown (3), Cecilia Akrisie Anim (4), Carol Popplestone (5), Elspeth Caithness (6), Richard Jones (7), Matthew Hodson (8), Dave Dawes (9), Sue Warner (10), David Cardwell (11), Lors Allford (12), David Miller (13), Vicky Brotherton (14), Trevor Allen (15), Carol Evans (16), Rod Thomson (17), Gill Cort (18), Trevor Peel (19), Sylvia Simmons (20), Anne Kennedy (21), Fiona Devlin (22), Siobhan Donald (23), Cynthia Davis (24), Gaynor Jones (25), Janet Marsden (26), Tracey Budding (27), Charlotte Hall (28), Gordon Lees (29).

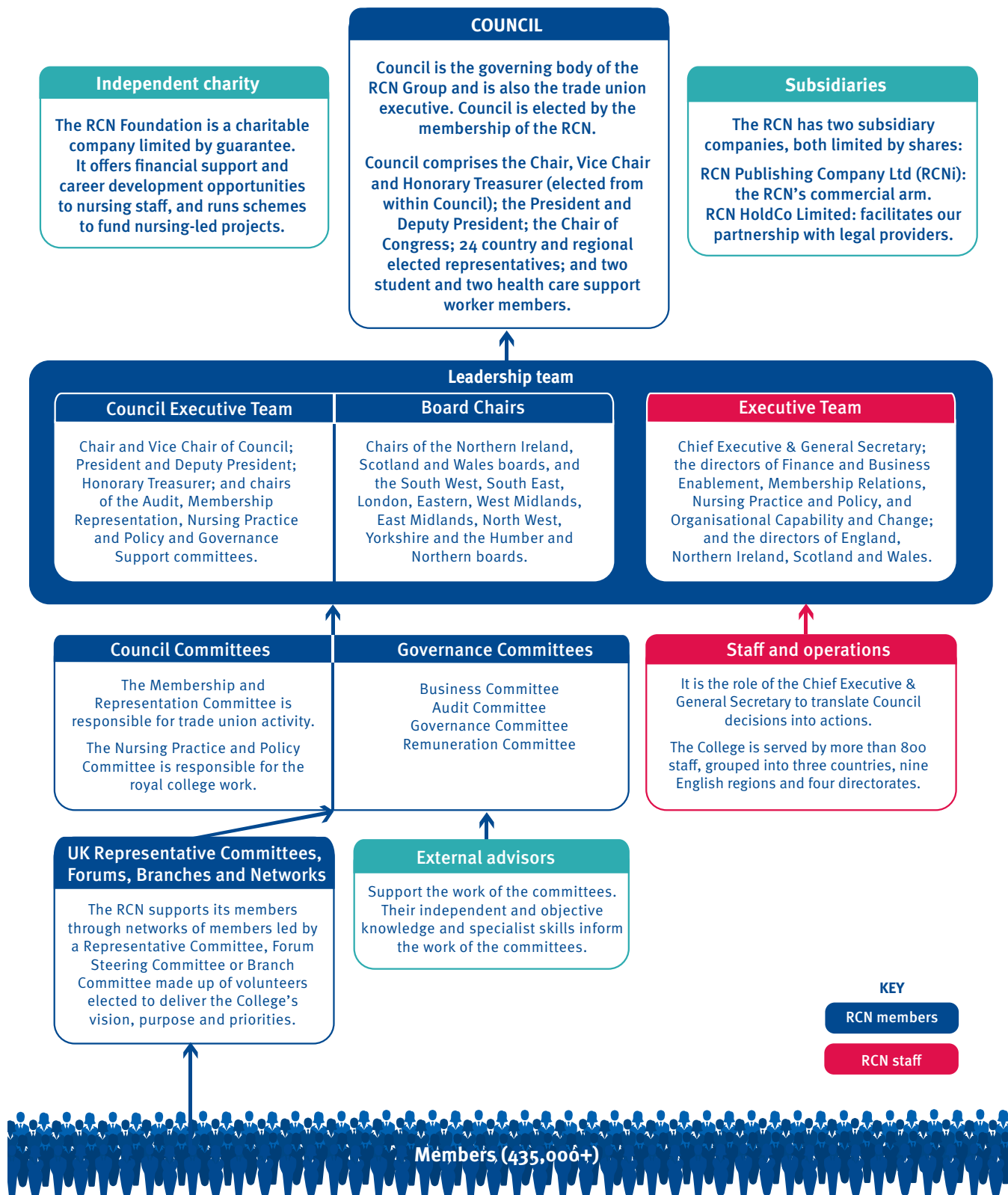
Royal College of Nursing Group structure and relationships



NB: NewLaw Legal Limited is a co-investor in RCN Law LLP and is not part of the RCN Group structure.

Corporate Governance Framework 2017

The Royal College of Nursing is a corporate body established by Royal Charter. It is one of a small number of special register trade unions allowed to have a corporate status. The College is the parent of the RCN Group with control over the RCN Foundation, RCN Publishing Limited (RCNi) and RCN HoldCo Limited.



Corporate Governance – 2018

Looking forward

Plans and priorities for 2018

Our new governance structure came into effect on 1 January 2018. The main purposes of the proposed changes were to strengthen our roles as a trade union, royal college and charitable foundation and at the same time enable Council to focus on the effective governance of the organisation and operate in a more business-like way.

During 2017 RCN Council agreed and implemented transitional arrangements and developed an implementation plan for each of the recommendations to ensure that the different parts of the RCN Group will work together in the new structure in ways that will realise the benefits envisaged in the review report.

2018 will be about ensuring the changes are embedded and the benefits are realised in the future.

One of the first tasks of the Council will be to work with the boards of the RCN Foundation and RCNi to agree our first Group Strategy for 2019 - 2021. This will be focused on our current organisational priorities to:

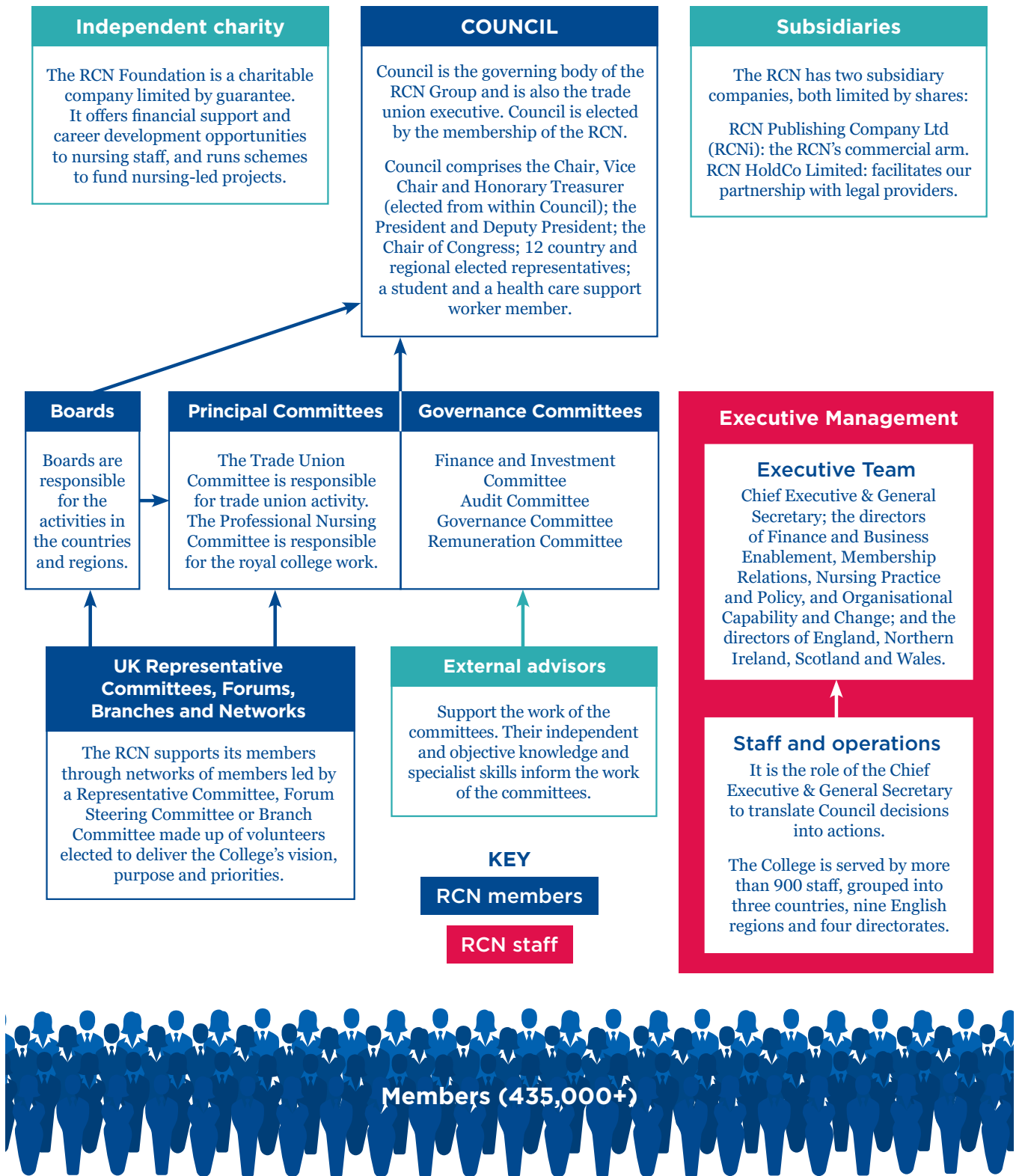
- be the 'go-to' place for professional services, knowledge, policy and products;
- be a modern progressive trade union;
- engage members in the right way and champion diversity and inclusion;
- add value from our commercial activity;
- adapt resources beyond the NHS;
- realise the benefits of the new governance arrangements; and
- ensure the financial sustainability of the organisation.

2018/19 RCN Council photographed at Cavendish Square, 12 December 2017



RCN Council 2018/19: Carol Popplestone (1), Maria Trewern (2), Elspeth Caithness (3), Cecilia Akrisie Anim (4), Sue Warner (5), David Miller (6), Richard Jones (7), Trevor Allen (8), Dave Dawes (9), Rod Thomson (10), Brian Murphy (11), Vicky Brotherton (12), Trevor Peel (13), Siobhan Donald (14), Charlotte Hall (15), Cynthia Davies (16)

Corporate Governance Framework 2018



Statement of Council members' responsibilities

The Council members are responsible for preparing the report of Council and the financial statements in accordance with Financial Reporting Standard 102 (FRS 102) the financial reporting standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the Trade Union and Labour Relations (Consolidation) Act 1992.

The Trade Union and Labour Relations (Consolidation) Act 1992 requires the Council members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the organisation. In preparing these financial statements, the Council members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business;
- prepare an annual return to the Certification Officer; and
- provide members of the RCN with financial statements for each year.

The Council members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the organisation and enable them to ensure that the financial statements comply with the Trade Union and Labour Relations (Consolidation) Act 1992 and the Royal College of Nursing of the United Kingdom's standing orders. They are also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



Maria Trewern
Chair of Council

Independent auditor's report to the members of the Royal College of Nursing of the United Kingdom

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 December 2017 and of the Group's and College's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992 and Section 25 of the Royal College of Nursing Standing Orders.

We have audited the financial statements of the Royal College of Nursing which comprise:

- the Group and College Statement of Comprehensive Income
- the Group and College Statement of Changes in Equity
- the Group and College Statement of Financial Position
- the Group Statement of Cash Flows; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Council members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Council members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Council members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Council Members

As explained more fully in the Statement of Council members' responsibilities, the Council members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council members are responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council members either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the College's members, as a body, in accordance with Section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992 and Section 17 of the Royal College of Nursing Royal Charter. Our audit work has been undertaken so that we might state to the members 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 College and the College's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Trade Union and Labour Relations (Consolidation) Act 1992 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept with respect to the College's transactions and its assets and liabilities; or
- the College has not established and maintained a satisfactory system of control over its accounting records, cash holdings and all receipts and remittances; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Reza Motazedhi (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

Date: 5 April 2018



Financial statements

Statement of comprehensive income for the year ended 31 December 2017

	Note	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Income					
Membership income	3	73,854	73,440	73,854	73,440
Trading income		–	–	12,879	14,243
Other income	3	3,897	4,150	3,456	4,157
Total income		77,751	77,590	90,189	91,840
Expenditure					
Staff costs	8	43,558	44,336	49,556	50,242
Premises and estate costs		9,186	9,063	9,603	9,471
Travel and accommodation		2,811	2,812	2,830	2,827
Other service delivery costs		14,522	11,565	21,595	19,575
Total expenditure	9	70,077	67,776	83,584	82,115
Operating surplus		7,674	9,814	6,605	9,725
Investment income	4	1,415	1,398	2,434	2,399
Net realised gains on investments	11	2,568	1,402	3,635	1,965
Dividends received from subsidiary	5.1.b	450	356	–	–
Foreign exchange gains/(losses) on investments		661	(3,138)	801	(3,831)
Surplus before taxation	2	12,768	9,832	13,475	10,258
Taxation	7	–	–	(79)	(67)
Surplus after taxation		12,768	9,832	13,396	10,191
Actuarial (losses)/gains on defined pension scheme	15.2	(938)	23,949	(938)	23,949
Revaluation reserve adjustment	19	(63)	(63)	(63)	(63)
Net unrealised gains on fixed asset investment	11	1,893	5,721	3,244	7,919
Net unrealised gains/(losses) on joint venture		–	–	51	(35)
Total comprehensive income for the period		13,660	39,439	15,690	41,961
Reserves brought forward		71,760	32,321	107,737	65,776
Reserves carried forward		85,420	71,760	123,427	107,737

All the above results derive from continuing operations. There is no difference between the surplus before tax for the periods stated above and the historical cost equivalent.

Notes on pages 31 to 55 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2017 | RCN UK

	Revaluation reserve £'000	Accumulated funds £'000	Pension reserve £'000	Total funds £'000
Accumulated funds at 1 January 2016 as previously reported	2,181	70,507	(40,367)	32,321
Surplus in period	–	7,999	1,833	9,832
Other comprehensive income	(63)	5,721	23,949	29,607
Accumulated funds at 31 December 2016	2,118	84,227	(14,585)	71,760
Surplus in period	–	9,409	3,359	12,768
Other comprehensive income	(63)	1,893	(938)	892
Accumulated funds at 31 December 2017	2,055	95,529	(12,164)	85,420

Statement of changes in equity for the year ended 31 December 2017 | RCN Group

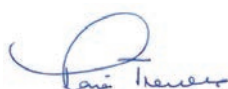
	Reserves for charitable purposes £'000	Revaluation reserve £'000	Accumulated funds £'000	Pension reserve £'000	Total funds £'000
Accumulated funds at 1 January 2016 as previously reported	29,228	2,181	74,734	(40,367)	65,776
Surplus in period	153	–	8,205	1,833	10,191
Other comprehensive income	2,198	(63)	5,686	23,949	31,770
Accumulated funds at 31 December 2016	31,579	2,118	88,625	(14,585)	107,737
Surplus in period	765	–	9,272	3,359	13,396
Other comprehensive income	1,351	(63)	1,944	(938)	2,294
Accumulated funds at 31 December 2017	33,695	2,055	99,841	(12,164)	123,427

Statement of financial position as at 31 December 2017

	Note	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Fixed assets					
Property, plant and equipment	10	20,780	22,903	21,111	23,306
Intangible assets	10.3	–	–	5	8
Long term financial assets	11.1	62,646	57,521	94,962	87,295
Investment in joint venture	5.2	–	–	16	(35)
Total		83,426	80,424	116,094	110,574
Current assets					
Inventory		27	37	27	37
Debtors and prepayments	12	2,128	2,035	3,153	3,045
Short term financial assets	11.2	–	–	1,001	1,000
Short-term deposits	17	21,816	17,735	25,008	22,017
Cash at bank and in hand	17	5,253	92	6,639	1,311
Total		29,224	19,899	35,828	27,410
Creditors – amounts falling due within one year					
Creditors and accrued charges	13.1	(9,111)	(9,133)	(10,299)	(10,712)
Net current assets		20,113	10,766	25,529	16,698
Total assets less current liabilities		103,539	91,190	141,623	127,272
Provisions for liabilities and charges	13.2	(5,955)	(4,845)	(6,032)	(4,950)
Net assets (excluding pension scheme liability)		97,584	86,345	135,591	122,322
Defined benefit pension scheme liability	15.2	(12,164)	(14,585)	(12,164)	(14,585)
Net assets (including pension scheme liability)		85,420	71,760	123,427	107,737
Represented by:					
Revaluation reserve	19	2,055	2,118	2,055	2,118
Accumulated funds	19	95,529	84,227	99,841	88,625
Reserves excluding reserves for charitable purposes and pension liability		97,584	86,345	101,896	90,743
Pension reserve	15.2	(12,164)	(14,585)	(12,164)	(14,585)
Total reserves excluding reserves for charitable purposes		85,420	71,760	89,732	76,158
Reserves for charitable purposes	6.2	–	–	33,695	31,579
Total reserves		85,420	71,760	123,427	107,737

Notes on pages 31 to 55 form part of these financial statements.

The financial statements were approved by Council on 5 April 2018.



Maria Trewern
Chair of Council



David Dawes
Honorary Treasurer



Janet Davies
Chief Executive & General Secretary

RCN Group statement of cash flows for the year ended 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Surplus from operating activities		6,605	9,725
Depreciation		3,030	2,648
Amortisation of intangible assets		3	1
Write off property, plant and equipment		192	–
Net realised investment gains		4,436	(1,866)
Taxation		(79)	(67)
Total pension contributions less current service and finance costs		(3,359)	(1,833)
Revaluation reserve adjustment		(63)	(63)
Decrease/(increase) in inventories		10	(21)
(Increase)/decrease in debtors		(108)	944
(Decrease)/increase in creditors		(413)	598
Increase/(decrease) in provisions		1,082	(2,110)
Net cash generated from operating activities		11,336	7,956
Investing activities			
Interest received	4	2,434	2,399
Purchase/disposal of property, plant and equipment and intangible assets		(662)	(5,823)
Acquisition of financial assets		(27,665)	(31,167)
Disposal of financial assets		23,475	34,573
(Increase)/decrease in financial asset cash		(599)	1,249
Net cash inflow		8,319	9,187
Management of liquid resources		(2,991)	(9,014)
Increase in cash		(5,328)	(173)
Cash and cash equivalents at beginning of year		23,328	14,141
Cash and cash equivalents at end of year		31,647	23,328
Components of cash and cash equivalents			
Cash		6,639	1,311
Cash equivalents		25,008	22,017
Total		31,647	23,328

Notes to the financial statements

1. Accounting policies and assessment of going concern

The consolidated financial statements presented show the consolidated statement of comprehensive income, statement of changes in equity, statement of financial position and the statement of cash flows of the RCN Group for the year ended 31 December 2017.

The RCN Group financial statements consolidate the accounts of the RCN UK, RCN Foundation, RCN UK's wholly owned trading subsidiary RCNi, RCN Holdco. The transactions of the RCN UK include amounts relating to activities as a Trade Union registered under the Trade Union and Labour Relations (Consolidated) Act 1992 as reported in these financial statements. RCN UK represents the combined Trade Union (representation) and professional college (other college) activities of the RCN UK.

These accounts are prepared on the going concern basis. The Council considers that there are no material uncertainties about the Royal College of Nursing's ability to continue as a going concern and the Council members have a reasonable expectation that the RCN Group has adequate resources in operational existence to meet obligations as they fall due for at least 12 months from the date of signing and beyond.

The most significant areas of adjustment and key assumptions that affect items in the accounts are to do with financial asset investments and pensions. With respect to the next reporting period 2018, the most significant area of uncertainty that affect the carrying values of assets held by the Royal College of Nursing are due to worldwide economic uncertainty and proximity of Brexit.

a. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at market value, and are in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. There were no material departures from that standard. The financial statements are prepared in Sterling and rounded to the nearest £'000.

The financial statements have been prepared in accordance with the accounting policies set out below, all of which have been applied consistently.

b. Income

Income is accounted for on an accruals basis. Any tax credit arising on income received net of tax is accrued as

part of the income arising. Membership and other income is apportioned between representation activities and other college activities in line with expenditure.

Revenue grants for specific purposes in the Foundation are recognised when measured reliably and on receipt as restricted income. Legacy income is accrued when the amount can be measured reliably, the receipt of the funds is probable and entitlement becomes known.

c. Deferred income

Subscription and membership income relating to the current year is recognised on receipt, and any portion relating to future periods is deferred. Commission received in advance is recognised as income when it is earned. Government grants are recognised as income when any specific conditions are met.

d. Accrued income

Income is accrued and included in the income and expenditure accounts when there is a probable future economic benefit that can be reliably measured.

e. Basis of consolidation

The RCN Group financial statements consolidate the accounts of the RCN UK, RCN Foundation, RCN Holdco Limited and RCNi on a line-by-line basis. Financial transactions between group entities are eliminated on consolidation.

f. Expenditure

Expenditure is recognised on an accruals basis. Expenditure reported in the income and expenditure statement is analysed under the following headings:

Staff costs

All payroll related costs including basic pay, employer's contributions to National Insurance and pensions cost incurred by the RCN of running the staff pension schemes. Other costs included in this category include the cost of temporary agency staff and staff seconded to the RCN UK from external organisations.

Premises and estate costs

This includes all premises maintenance and running costs including rent, rates, general maintenance, stationery, telephony, IT revenue costs and depreciation.

Travel and accommodation

This includes all travel and accommodation costs incurred by staff, Council, other office holders, activists and other members when carrying out their duties on behalf of the RCN UK and other RCN Group entities.

1. Accounting policies and assessment of going concern (continued)

f. Expenditure (continued)

Other service delivery costs

This includes legal representation costs, the cost of the member indemnity scheme, campaigns and communications, member newsletters and publications and the cost of delivering RCN UK events and conferences including Congress.

g. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial performance date and the amounts reported for income and expenditure during the year. However, the nature of the estimates means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

Pensions

The RCN UK operates defined benefit and defined contribution schemes.

Defined benefit pension schemes

Pension asset and liabilities are recorded in line with FRS 102, with scheme valuations undertaken by independent actuaries. FRS 102 measures the value of pension assets and liabilities at the statement of financial performance date and determines the benefits accrued for the year and the interest on assets and liabilities.

Since 1 June 2007, the RCN UK offered its employees a defined benefit career average pension scheme, relating to salary and service. This scheme was closed to new entrants on 31 October 2013. Existing active members can continue to contribute to the scheme, albeit with reduced benefit accruals going forward. Prior to June 2007 the scheme offered was a defined benefit final salary scheme.

For defined benefit schemes, the amount charged to the statement of comprehensive income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. Current and past service costs and net interest are included within expenditure, allocated on the same basis as the staff costs of the scheme members. Gains

arising on a curtailment not allowed for in the actuarial assumptions are recognised in the statement of comprehensive income under incoming resources.

Actuarial gains and losses arising from new valuations and from updating valuations to the statement of financial position date are recognised in the statement of comprehensive income under the heading of actuarial gains and losses on defined benefit pension scheme. Defined benefit schemes are funded, with the assets held separately from the group in separate trustee administered funds.

Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and the data used is updated to reflect current conditions at each statement of financial position date. The pension scheme assets are measured at bid value. The costs, assets and liabilities of the defined benefit schemes operating by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 15. The resulting pension scheme deficit is included on the statement of financial position. A pension scheme asset is recognised on the statement of financial position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the statement of financial position date.

The triennial valuation determines the funding levels required over the expected life of the scheme. The requirements of FRS102 report the RCN's obligation to the scheme at a specific point in time.

Defined contribution pension scheme

Since 1 November 2013 the RCN UK offers its employees a defined contribution pension scheme. The scheme has three levels of employee and employer contribution. This scheme is used to fulfil the auto enrolment obligations. All new employees and those not in the deferred benefit scheme are automatically enrolled into the lowest contribution level. Once in the scheme employees can opt to move to a higher level of contribution. Please see note 15.1 for more information. All employer contributions made to the scheme are charged to the statement of comprehensive income as incurred.

Legal provision

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. However, legal indemnity fluctuates with changes in the status of legal cases that can be unforeseen, giving rise to estimation uncertainty. The uncertainty is linked to

1. Accounting policies and assessment of going concern (continued)

the progress of cases and the percentage likelihood of success.

Reorganisation

The provision for restructuring has a lower degree of uncertainty and is likely to be realised within three months of signing the accounts.

Dilapidations

Similarly the provision for dilapidations has a lower degree of uncertainty but amounts are subject to changes in wear and tear of leasehold properties and negotiations with landlords.

h. Irrecoverable Value Added Tax

Irrecoverable Value Added Tax is expensed in the related income and expenditure accounts.

i. Direct tax

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

j. Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion for gains and losses in tax assessments in periods difference from those in which they are recognised in the financial statements.

k. Property, plant, equipment and intangible assets

Property, plant and equipment are included at cost except the long leasehold building of 20 Cavendish Square, which is held at the revalued amount. The re-valued book amounts have not been updated as the RCN UK has adopted the transitional arrangement under FRS 102, and continues to take the existing revaluation as the deemed cost. The long leasehold property of UK headquarters was revalued on 31 March 1997 on an open market basis by Drivas Jonas, Chartered Surveyors.

Expenditure in the RCN UK of a capital nature over £1,000 is capitalised as Property, plant and equipment. Expenditure in RCNi of a capital nature over £500 is capitalised as Property, plant and equipment.

Minor items of furniture and equipment below £1,000 (£500 for RCNi) are charged to the income and expenditure account in the year of purchase.

l. Depreciation

Depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation of the assets less any residual value over their estimated useful lives.

Freehold buildings	50 years
Leasehold improvements	50 years or based on expected economic life of works done, or the period of the lease if less
Components:	
— Equipment	5 years
— External works	20 years
— Library works	20 years
— Other works including electrical and mechanical works	10 years
Computer software	3-5 years RCN Group estimates the useful life of software at five years but RCNi uses the shorter useful life of three years due to the rapid technological change in their sector.
Computer equipment	3 years (included in furniture and equipment in note 10)
Furniture and other equipment	5 years

m. Impairment of Property, plant and equipment

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use when there is an indication of a reduction in the carrying value. Any impairment is recognised in the income and expenditure account in the year in which it occurs.

n. Financial assets

Financial assets are stated at market valuation, where market value represents the bid market price on the last trading day of the year. Unlisted securities are stated at original cost. Financial assets purchased as part of treasury management, which are intended to be held for less than one year are shown as short term deposits; financial assets held to generate longer term income and capital growth are shown within property, plant and equipment. Realised gains and losses are charged to the income and expenditure account; unrealised gains and losses are charged to other comprehensive income. Foreign currency transactions within the investment

1. Accounting policies and assessment of going concern (continued)

portfolio are recorded at the exchange rate ruling on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Income and Expenditure account.

Investments in subsidiaries are stated at cost less provision for any impairment. Impairments are charged to the income and expenditure account. The investment in RCN Holdco Limited is valued at its original cost, adjusted at the reporting date for the RCN Group's share of the gains/(losses) recognised by RCN Law LLP. This has been treated as an unrealised gain on the investment.

o. Leasing

Assets held under leasing arrangements which transfer substantially all the risks and rewards of ownership to the RCN Group are capitalised as fixed assets at the fair value of the leased asset. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the income and expenditure account so as to produce a constant periodic rate of charge. Rentals for other leased assets, held under the terms of operating leases are charged directly to the income and expenditure account on a straight-line basis over the term of the lease.

p. Liquid resources

Liquid resources are defined as being cash balances held on deposit that are readily available (they usually require less than 24 hours notice in order to be accessed).

q. Provisions

Provisions for future liabilities are recognised when there is a legal or constructive financial obligation that can be reliably estimated and for which there is an expectation that payment will be made.

Costs arising from the provision of legal services to members are charged to the income and expenditure account in the accounting period in which they are incurred under representation activities. Because of the prolonged nature of litigation, and the uncertainty of the outcome of any particular case, no attempt is made to estimate future legal costs, or recoveries of legal costs, for ongoing cases. In cases where there is litigation which falls within the professional indemnity, RCN UK includes a provision within the financial statements to cover the RCN UK's proportion of the potential liability. Information received after the statement of financial performance date is considered when measuring provisions and where new information is material, provisions are re-measured.

r. Financial Instruments

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

2. Surplus on activities

Surplus on activities is stated after charging:

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Depreciation	2,723	2,444	2,909	2,649
Operating leases:				
Land and buildings	988	1,036	1,153	1,201
Other leased assets	172	182	176	188
Auditors' remuneration:				
Audit services*	106	104	133	131
Non-audit services	4	–	4	–

* RCN UK have funded the 2016 and 2017 audit fees on behalf of RCN Holdco as they had not generated sufficient reserves.

3. Income – RCN UK

	Representation activities £'000	Other college activities £'000	Total 31 December 2017 £'000	Total 31 December 2016 £'000
Membership income	50,169	23,685	73,854	73,440
Other income	2,647	1,250	3,897	4,150
Total	52,816	24,935	77,751	77,590

Representation is defined as relating to Trade Union activities.

Membership and other income is split – 67.93% representation and 32.07% other college activities in line with expenditure. See note 9 for basis of allocation. Included under other college activities is the Lamplight grant and management fees for the RCN Foundation.

3.1. Group results less charitable activities

Total RCN Group results less RCN Foundation charitable activities before taxation were equal to £11.4m (31 December 2016: £12.7m).

4. Investment income

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
UK equities	204	283	721	748
Overseas equities	739	730	987	995
UK fixed interest	469	378	700	646
Bank interest	3	7	26	10
Total	1,415	1,398	2,434	2,399

Investment income is split – 46.24% representation (£654,000) and 53.76% other college activities (£761,000) in line with investment holdings. See note 18 for allocation of investment assets.

5. RCN UK trading subsidiary undertakings

5.1.a Trading results (RCNi)

RCNi produces a portfolio of nursing journals, learning and decision support products, career services and events to the nursing community. RCNi is incorporated in the United Kingdom and wholly owned by the Royal College of Nursing of the United Kingdom. Details of the trading activities are set out below.

	RCNi 31 December 2017 £'000	RCNi 31 December 2016 £'000
Income	13,498	14,846
Costs	(13,063)	(14,201)
Profit	435	645
Taxation	(79)	(67)
Profit after tax	356	578

5.1.b Summarised statement of financial position RCNi

	RCNi 31 December 2017 £'000	RCNi 31 December 2016 £'000
Property, plant and equipment and intangible assets	322	363
Current assets	5,072	5,640
Creditors: falling due within one year		
Creditors and accrued charges	(1,299)	(1,820)
Provisions for liabilities and charges	(106)	(101)
Total net assets	3,989	4,082
Capital and reserves	3,989	4,082
Ordinary share capital held by the RCN UK (£) is:	500,000	500,000

During the year a dividend was paid from RCNi of £450,000 (31 December 2016: £356,000).

5.2. RCN Holdco Limited

RCN Holdco Limited does not trade directly but is a member of a jointly-controlled entity, RCN Law LLP, which provides legal services to members of the Royal College of Nursing.

	RCN Holdco Limited 31 December 2017 £'000	RCN Holdco Limited 31 December 2016 £'000
Investment in joint venture	16	(35)
Total net assets/(liabilities)	16	(35)
Capital and reserves	16	(35)

The trading subsidiary RCN Holdco Limited reported in the table above is wholly owned by shareholders on trust for the Royal College of Nursing of the United Kingdom.

6. RCN Foundation

RCN UK is the sole member of the RCN Foundation. RCN Foundation is a charitable company providing grants that supports nursing to improve health and well-being of the public.

6.1. Summarised statement of financial activities

Details of the charitable activities of the RCN Foundation are set out below.

	RCN Foundation 31 December 2017 £'000	RCN Foundation 31 December 2016 £'000
Income and endowments	1,430	1,524
Expenditure	(1,872)	(1,241)
Net gains on investment	2,558	2,068
Net movement in funds	2,116	2,351

6.2. Summarised balance sheet of RCN Foundation

	RCN Foundation 31 December 2017 £'000	RCN Foundation 31 December 2016 £'000
Tangible property, plant and equipment	15	48
Investments	32,316	29,773
Current assets	2,169	2,190
Creditors: falling due within one year		
Creditors and accrued charges	(708)	(372)
Total assets less current liabilities	33,792	31,639
Creditors due after more than one year	(97)	(60)
Total net assets	33,695	31,579
Revaluation reserve	5,013	3,665
Other funds	28,682	27,914
Reserves	33,695	31,579

7. Taxation note

Taxation on surplus/(loss)

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
UK corporation tax				
Current tax on surplus	–	–	85	61
Adjustments in respect of prior years	–	–	(1)	–
Total current tax	–	–	84	61
Deferred tax				
Movement in period	–	–	(5)	5
Taxation on surplus	–	–	79	66

The tax assessed for the period is lower (31 December 2016: higher) than the main rate of corporation tax in the UK.

7. Taxation note (continued)

The differences are explained below:

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Surplus before tax	12,768	9,765	13,475	10,197
Surplus at the main rate of corporation tax in the UK of 19.25% (December 2016: 20%)	2,457	1,953	2,594	2,033
Expenses not deductible for tax purposes	12,631	13,316	12,590	13,366
Income not taxable	(14,280)	(14,773)	(14,280)	(14,773)
Adjustments to brought forward values	(894)	(560)	(894)	(560)
Other tax adjustments, reliefs and transfers	221	247	221	247
Group income	(87)	(71)	(87)	(71)
Group relief surrendered/ (claimed)	12	58	–	–
Deferred tax not recognised	(53)	(170)	(57)	(170)
Change in tax rates	(7)	–	(7)	(3)
Adjustments to tax charge in respect of previous periods	–	–	(1)	–
Adjustments to tax charge in respect of previous periods - deferred tax	–	–	–	(3)
Total tax charge	–	–	79	67

Deferred tax asset balance

The RCN Group has a deferred tax asset arising from timing differences as set out below, shown at 17% rate for the current year (31 December 2016: 17%).

	31 December 2017 £'000	31 December 2016 £'000
Analysis of deferred tax asset/(liability)		
Fixed asset timing differences	(41)	(44)
Short-term timing differences	13	11
Losses and other deductions	–	–
Carried forward as at period end	(28)	(33)

There are also unrecognised deferred tax assets as at 31 December 2017 totalling £356,000 (31 December 2016: £394,000) in respect of tax losses and other short term timing differences in relation to the Royal College of Nursing.

8. Staff costs — RCN Group

	31 December 2017 £'000	31 December 2016 £'000
Wages and salaries	39,927	39,356
Social security costs	4,144	3,852
Other pensions costs	5,485	7,034
Total	49,556	50,242

Of the total staff costs £29,587,465 (31 December 2016: £28,896,000) has been allocated to RCN UK representation activities.

The total pension cost comprises:

	31 December 2017 £'000	31 December 2016 £'000
RCN defined benefit scheme (see note 15.2)	4,328	6,137
Expense charge	(306)	(344)
RCN defined contribution scheme (see note 15.1)	1,463	1,241
Total	5,485	7,034

RCN Group staffing numbers

Representation and other college activities: full time equivalent (FTE)

	2017 Average FTE	2016 Average FTE
Representation activities	569	551
Other college activities	267	264
RCNi	96	98
Total	932	913

Total staff numbers: average headcount

	2017 Average	2016 Average
RCN UK (including staff that support the RCN Foundation)	903	901
RCNi	101	102
Total	1,004	1,003

Total emoluments for the Chief Executive & General Secretary, members of the Executive Team and RCNi Directors

	31 December 2017 £'000	31 December 2016 £'000
RCN Chief Executive & General Secretary	183	178
RCN Executive Team	1,035	997
RCNi Directors	482	410
Total	1,700	1,585

The above table incorporates basic pay London Weighting where applicable and pension costs. The RCN Chief Executive & General Secretary is a member of the RCN defined benefit pension scheme.

RCN UK staff with the exception of the Chief Executive & General Secretary are paid on RCN UK pay scales. The Council is responsible for setting the pay of the Chief Executive and General Secretary on the advice of the Remuneration Committee. The Chief Executive & General Secretary normally receives an annual increase at the same amount agreed for all staff.

RCN Foundation does not employ any staff. A Service Level agreement between the two organisations for the provision of services to the RCN Foundation.

The RCN's commercial subsidiary RCN Publishing Company (RCNi) has recently completed an independent review and implemented a new remuneration package which includes a performance related pay process benchmarked against comparator organisations.

RCN UK staff costs in the year include £167,106 (31 December 2016: £275,077) in respect of compensation for loss of office due to restructuring and redundancies arising from changes following reviews of some of the RCN UK's operations.

There are no RCNi staff costs in the year in respect of compensation for loss of office due to restructuring and redundancies arising from continued changes to RCNi operations. Prior year, 31 December 2016: £131,143.

The number of staff whose annual gross pay within the RCN Group is over £60,000 is reported below:

	31 December 2017			31 December 2016		
	RCN	RCNi	Total	RCN	RCNi	Total
£60,000–£70,000	49	7	56	50	8	58
£70,000–£80,000	26	–	26	16	2	18
£80,000–£90,000	11	2	13	6	2	8
£100,000–£110,000	5	1	6	5	–	5
£110,000–£120,000	2	–	2	2	–	2
£120,000–£130,000	1	–	1	3	–	3
£130,000–£140,000	1	–	1	1	1	2
£150,000–£160,000	–	–	–	1	1	2
£160,000–£170,000	1	1	2	–	–	–
Total	96	11	107	84	14	98

Gender pay gap

All organisations with over 250 employees are required to publish their gender pay gap data.

The RCN's gender pay gap has been calculated at :

Mean pay gap	12.6%
Median pay gap	13.7%

When gender pay gap data is analysed grade by grade (to take account of equal work), the pay gap all but disappears. Equal pay audits carried out over the past 10 years have concluded that the main driver behind the RCN's gender pay gap was not related to the rates of pay for men and women doing similar work. Instead it was driven by the greater proportion of men in more senior roles.

The new reporting requirements also include a breakdown of the profile of men and women in the organisation's four pay quartiles. The chart below shows the preliminary figures for the RCN's pay quartiles.

Profile of men and women within the organisation's four pay quartiles

Quartile	Men	Women
Upper	34%	66%
Upper middle	31%	69%
Lower middle	24%	76%
Lower	16%	84%

9. Breakdown of RCN UK expenditure linked to the trade union return (AR21)

Products and services – split by representation and other college activities 2017

	2017 Representation activities £'000	2017 Other college activities £'000	Total 31 December 2017 £'000
Representation and member support	37,237	–	37,237
Partnership working and collective representation	5,764	–	5,764
Clinical negligence indemnity	4,601	–	4,601
Education	–	6,129	6,129
Professional advice, practice and support	–	9,521	9,521
Shaping policy	–	5,386	5,386
Research	–	1,439	1,439
Total expenditure	47,602	22,475	70,077

Products and services – split by representation and other college activities 2016

	2016 Representation activities £'000	2016 Other college activities £'000	Total 31 December 2016 £'000
Representation and member support	37,917	–	37,917
Partnership working and collective representation	5,993	–	5,993
Clinical negligence indemnity	263	–	263
Education	–	6,461	6,461
Professional advice, practice and support	–	10,261	10,261
Shaping policy	–	5,344	5,344
Research	–	1,537	1,537
Total expenditure	44,173	23,603	67,776

It is felt these categories best represent the broad categories of the products and services the RCN provides to its members' and other stakeholders in its roles as a Royal College and a special registered Trade Union.

Further analysis of RCN UK expenditure

	Representation activities £'000	Other college activities £'000	Total 31 December 2017 £'000	Total 31 December 2016 £'000
Staff costs	29,588	13,970	43,558	44,336
Premise and estate costs	6,240	2,946	9,186	9,063
Travel and accommodation	1,909	902	2,811	2,812
Other service delivery costs	9,865	4,657	14,522	11,565
Total expenditure	47,602	22,475	70,077	67,776

Representation is defined as relating to trade union activities.

Direct costs are allocated to the relevant products and services categories. Infrastructure and support costs have been apportioned over products and services as a percentage of their total spend.

10. Property, plant, equipment and intangible assets

10.1. Property, plant and equipment – RCN UK

	Freehold land and buildings £'000	Leasehold improvements £'000	Furniture and equipment £'000	Computer software £'000	Assets under construction £'000	Total £'000
Cost or valuation						
Balance at 1 January 2017	3,432	28,364	4,266	4,240	3,327	43,629
Additions	–	5	164	587	124	880
Disposals	–	–	(12)	–	(159)	(171)
Transfer of assets under construction	–	69	242	2,870	(3,181)	–
Balance at 31 December 2017	3,432	28,438	4,660	7,697	111	44,338
Accumulated depreciation						
Balance at 1 January 2017	1,899	12,462	3,800	2,565	–	20,726
Charge for year	121	1,393	337	993	–	2,844
Disposals	–	–	(12)	–	–	(12)
Balance at 31 December 2017	2,020	13,855	4,125	3,558	–	23,558
Net book value at 31 December 2017	1,412	14,583	535	4,139	111	20,780
Net book value at 31 December 2016	1,533	15,902	466	1,675	3,327	22,903

Transfer of assets under construction includes the CRM (customer relationship management) system which became operational in 2017. The capitalised value reflects the costs incurred in building and developing the live functionality of the CRM, but costs of updating the system have been expensed. The software assets relating to the CRM in RCN UK, RCN Foundation and RCNi are all being depreciated over an estimated useful life of five years ending in 2023. At the balance sheet date no impairment to the capital value is considered necessary.

The historical cost of the revalued asset is:

	31 December 2017 Leasehold improvements £'000	31 December 2016 Leasehold improvements £'000
Cost	22,167	22,167
Accumulated depreciation based on historical cost	(9,146)	(8,702)
Historical cost net book value	13,021	13,465

10.2. Property, plant and equipment – RCN Group

	Freehold land and buildings £'000	Leasehold improvements £'000	Furniture and equipment £'000	Computer software £'000	Assets under construction £'000	Total £'000
Cost or valuation						
Balance at 1 January 2017	3,432	28,750	4,719	4,823	3,433	45,157
Additions	–	5	207	691	124	1,027
Disposals	–	–	(139)	(4)	(192)	(335)
Transfer of assets under construction	–	69	242	2,937	(3,248)	–
Balance at 31 December 2017	3,432	28,824	5,029	8,447	117	45,849
Accumulated depreciation						
Balance at 1 January 2017	1,899	12,848	4,153	2,951	–	21,851
Charge for year	121	1,393	383	1,133	–	3,030
Disposals	–	–	(139)	(4)	–	(143)
Balance at 31 December 2017	2,020	14,241	4,397	4,080	–	24,738
Net book value at 31 December 2017	1,412	14,583	632	4,367	117	21,111
Net book value at 31 December 2016	1,533	15,902	566	1,872	3,433	23,306

10.3. Intangible assets

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Cost or valuation				
Cost as at 1 January 2017	–	–	9	–
Additions	–	–	–	9
Balance as at 31 December 2017	–	–	9	9
Depreciation				
Accumulated depreciation at 1 January 2017	–	–	1	–
Charge for year	–	–	3	1
Balance as at 31 December 2017	–	–	4	1
Net book value at 31 December 2017	–	–	5	–
Net book value at 31 December 2016	–	–	8	8

RCNi has purchased domain names which it is treating as intangible assets, which are being depreciated over three years.

11. Financial assets

11.1. Long-term financial assets

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Market value at start of period	57,188	49,440	86,696	76,383
Additions at cost	16,511	17,917	23,664	27,156
Disposals at carrying value	(15,707)	(16,778)	(22,751)	(25,482)
Redemptions	(687)	(514)	(724)	(1,245)
Net realised gains	2,568	1,402	3,635	1,965
Net unrealised gains	1,893	5,721	3,244	7,919
Financial assets at market value at period end	61,766	57,188	93,764	86,696
Cash held for reinvestment	880	333	1,198	599
Market value at period end	62,646	57,521	94,962	87,295
Historical cost at period end	52,839	49,608	80,142	75,716

Financial assets at market value comprise:

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Listed financial assets				
Fixed interest (Government securities and bonds)	19,149	17,492	24,938	22,740
UK equities	3,685	16,004	13,934	26,213
Global equities	29,389	15,088	40,229	25,584
Alternative assets	8,832	7,332	11,131	8,929
Property	585	605	2,303	2,638
Liquid assets	1,006	1,000	2,427	1,191
Total	62,646	57,521	94,962	87,295

Holdings over 5%

The following investments represented holdings in excess of 5% of the investment portfolio at 31 December 2017.

	RCN UK 31 December 2017	RCN UK 31 December 2016	RCN Group 31 December 2017	RCN Group 31 December 2016
Treasury 1.25%	3.4%	6.2%	3.4%	6.2%
Treasury 3.25%	5.2%	5.6%	5.2%	5.6%

11.2. Short-term financial assets

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Market value at start of period	–	3,000	1,000	4,000
Additions at cost	–	–	4,001	4,000
Redemptions	–	(3,005)	(4,000)	(7,005)
(Losses)/gains on short-term investments	–	5	–	5
Financial assets at market value at period end	–	–	1,001	1,000
Cash held for reinvestment	–	–	–	–
Market value at period end	–	–	1,001	1,000
Historical cost at period end	–	–	1,000	1,000

11.3. Investment in joint venture

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Investment in RCN Law LLP	–	–	16	(35)
Total	–	–	16	(35)

12. Debtors

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Trade debtors	132	139	735	863
Amount due from subsidiaries and associated undertakings	76	89	–	–
Other debtors	273	226	453	378
Taxation	204	148	204	148
Prepayments and accrued income	1,443	1,433	1,761	1,656
Total	2,128	2,035	3,153	3,045

All amounts included in debtors are receivable within one year except deferred tax of £(28,000) included within RCN Group taxation (31 December 2016 deferred tax of £(33,000) included within RCN Group taxation).

13. Creditors and accrued charges

13.1. Amounts falling due within 1 year

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Bank overdrafts and loans	45	160	45	160
Trade creditors	1,010	892	1,412	1,044
Amount due to subsidiaries and associated undertakings	510	14	–	–
Pension contribution	630	556	689	620
PAYE, social security and taxation	1,034	969	1,268	1,138
Other creditors	599	1,362	1,312	1,921
Accruals and deferred income	5,283	5,180	5,573	5,829
Total	9,111	9,133	10,299	10,712

13.2. Provision for liabilities and charges

	RCN UK 31 December 2017 £'000	RCN UK 31 December 2016 £'000	RCN Group 31 December 2017 £'000	RCN Group 31 December 2016 £'000
Provision for dilapidations	174	166	251	234
Professional indemnity claims	5,429	4,112	5,429	4,112
General provision	–	151	–	151
Provision for holiday pay	352	416	352	453
Total	5,955	4,845	6,032	4,950

RCN UK Movements - provision for liabilities and charges

	31 December 2016 £'000	New provisions £'000	Net adjustments £'000	Utilised £'000	31 December 2017 £'000
Provision for dilapidations	166	–	8	–	174
Professional indemnity claims	4,112	3,372	(1,307)	(748)	5,429
General provision	151	–	(151)	–	–
Provision for holiday pay	416	–	(64)	–	352
Total	4,845	3,372	(1,514)	(748)	5,955

RCN Group Movements - provision for liabilities and charges

	31 December 2016 £'000	New provisions £'000	Net adjustments £'000	Utilised £'000	31 December 2017 £'000
Provision for dilapidations	234	–	17	–	251
Professional indemnity claims	4,112	3,372	(1,307)	(748)	5,429
General provision	151	–	(151)	–	–
Provision for holiday pay	453	–	(101)	–	352
Total	4,950	3,372	(1,542)	(748)	6,032

Provision for dilapidations relates to the expected cost of alterations, wear and tear on 9 leasehold properties. Amounts are uncertain and are payable at the end of the lease term.

Provision for professional indemnity cases for members who are subject to claims of clinical negligence. The nature of these cases are of uncertain timing and amount until settled.

Provision for holiday pay outstanding as at year ended 31 December 2017.

14. Leasing commitments

14.1 Operating leases – RCN UK

The total future minimum lease payments as at 31 December 2017 under non-cancellable operating leases were:

	Assets 31 December 2017 £'000	Assets 31 December 2016 £'000
Within one year	288	225
Within two to five years	408	600
Over five years	651	440
Total	1,347	1,265

14.2 Operating leases – RCN Group

The total future minimum lease payments as at 31 December 2017 under non-cancellable operating leases were:

	Assets 31 December 2017 £'000	Assets 31 December 2016 £'000
Within one year	463	225
Within two to five years	663	1,195
Over five years	651	440
Total	1,777	1,860

15. Pensions

15.1. RCN Group defined contribution pension scheme

From 1 November 2013 all new employees are auto enrolled into a defined contribution scheme. The scheme is a Group Personal Pension plan managed and administered by Standard Life. The scheme has three contribution levels:

	Employee	Employer
Level 1	3%	8%
Level 2	5%	10%
Level 3	7%	12%

All new employees are automatically enrolled into level 1 under auto enrolment regulation. Employees may then choose a higher contribution level.

RCN Group employer contributions paid during the year ended 31 December 2017 were £1,463,000 (year ended 31 December 2016: £1,241,000). The increase in employer contributions is due to the number of employees enrolled increasing year on year. Contributions outstanding at 31 December 2017 in respect of this scheme amounted to £nil (31 December 2016: £nil).

15.2. RCN Group defined benefit pension scheme

The RCN Group operates a defined benefit pension scheme with the assets of the scheme being held in separate trustee administered funds. This scheme was closed to new members with effect from 1 November 2013. Existing active members as at 31 October 2013 can still contribute to the scheme.

The pension cost is assessed in accordance with FRS 102: Retirement benefits, based on the advice of independent qualified actuaries using the projected unit method, also known as accounting valuation.

The pension scheme was subject to an triennial valuation at 30 September 2016 by a qualified independent actuary. The valuation reported a deficit of £52.1m, compared to a deficit of £58.5m in September 2013. The 30 September 2016 valuation was finalised in December 2017.

The September 2016 valuation has resulted in a revised deficit-funding plan which included a one-off lump sum payment of £4.9m to be paid before 31 March 2018. The revised deficit recovery plan maintained annual deficit payments at current levels continuing to rise annually by

Retail Price Index (RPI). From 1 April 2018 the annual deficit recovery payment will be £3.18m. Combined contribution rates have increased by 0.4% as a result of the September 2016 valuation, effective 1 April 2018, which has been shared equally by the employee and employer.

The scheme data in the September 2016 valuation forms the basis of the requirements by FRS102 and reported in the RCN's statement of financial position.

The market value of the fund assets as at 31 December 2017, net of additional voluntary contributions was £306,163,000. There was no investment holding greater than 5% of the value of the fund at 31 December 2017.

Employer

From 1 November 2013, changes to the scheme were implemented resulting in an employer's annual average contribution of 10.5%. From 1 April 2018, the average contribution will rise to 10.7%. Estimated employer contributions to be paid by the RCN for the year ending 31 December 2018 are £7,774,000 plus £4,900,000 one-off lump sum payment (total: £12,674). The total deficit funding paid in the year ended 31 December 2017 was £3,064,000.

The defined benefit plan contributions paid and received by the scheme were £7,547,000. At the end of the year, £616,000 representing the unpaid contributions for December 2017 were outstanding.

	RCN Group 31 December 2017 £'000
2017 actual Pension contribution payments (excluding accruals)	
Agreed annual deficit payment	3,064
Individual CARE contributions (excluding December 2017)	4,483
Total contribution paid	7,547
Payments in transit	
December 2016 contributions paid in January 2017	(634)
December 2017 contributions paid in January 2018	616
Total contributions	7,529

Contributory employees

From 1 November 2013 current members contributions were set out in the schedule of contributions at 6%, 8% or 13% (depending on employee opted retirement age). From 1 April 2018 current member contributions have been set at 6.2%, 8.2% or 13.2% (depending on employee opted retirement age).

From 1 June 2007, benefits are no longer accrued under the final salary defined benefit pension scheme. RCN UK now provides benefits on a Career Average Revalued Earnings (CARE) basis via the occupational pension scheme. All benefits and liabilities accrued as at 1 June 2007 in the final salary defined benefit pension scheme were transferred to the CARE scheme.

FRS 102 Retirement benefits

The tables below state the FRS 102 actuarial assumptions upon which the valuation of the scheme was based.

Under the provision of FRS 102 the current deficit in the defined benefit scheme of £12,164,000 has been included as a separate liability on the statement of financial position. The valuation used for FRS 102 disclosures has been based on the most recently completed actuarial valuation by a qualified independent actuary at 30 September 2016 to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2017. The next actuarial valuation by a qualified independent actuary for the period ending 30 September 2019, will be finalised in December 2020.

The principal actuarial assumptions were as follows:

	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Discount rate	2.45%	2.7%	3.8%	3.6%	4.6%
Inflation assumptions (RPI)	3.25%	3.25%	3.1%	3.1%	3.5%
Inflation assumptions (CPI)	2.25%	2.25%	2.1%	2.1%	2.6%
Allowance for revaluation of deferred and CARE pensions accrued before 1 November 2013 (with LPI of 5%)*	3.25% (RPI)	3.25% (RPI)	3.1% (RPI)	3.1% (RPI)	3.5% (RPI)
Allowance for CARE revaluation of pensions accrued after 1 November 2013 (with LPI cap of 2.5%)*	1.7% (CPI)	1.7% (CPI)	1.7% (CPI)	1.7% (CPI)	2.1% (CPI)
Allowance for pension payments increases accrued before 1 June 2007 (with LPI cap of 5%)*	3.1% (RPI)	3.1% (RPI)	3.0% (RPI)	3.0% (RPI)	3.5% (RPI)
Allowance for pension payments increases accrued after 1 June 2007 (with LPI cap of 5%)*	2.3% (CPI)	2.3% (CPI)	2.1% (CPI)	2.1% (CPI)	2.6% (CPI)
Allowance for pension payments increases accrued after 1 June 2007 (with LPI cap of 3%)*	1.95% (CPI)	1.9% (CPI)	1.9% (CPI)	1.9% (CPI)	2.4% (CPI)
Allowance for commutation of pension for cash at retirement	60% of Post A Day	100% of Post A Day	No allowance	No allowance	No allowance

* where Limited Price Index (LPI) is a measure of Retail Price Inflation (RPI) or Consumer Price Index (CPI) with a cap of 5% per annum and floor of 0% per annum

	31 December 2017 Years	31 December 2016 Years	31 December 2015 Years	31 December 2014 Years	31 December 2013 Years
Life expectancies					
Longevity at age 65 for current pensioners					
– Men	22.1	22.2	23.0	23.3	23.0
– Women	23.7	23.9	24.7	24.9	25.0
Longevity at age 65 for future pensioners					
– Men	23.5	23.9	24.7	25.1	25.2
– Women	25.0	25.4	26.2	26.4	26.9

The analysis of assets in the Pension Fund is as follows:

	31 December 2017 £'000	31 December 2016 £'000	31 December 2015 £'000	31 December 2014 £'000	31 December 2013 £'000
Equities	173,176	166,085	137,835	128,120	116,721
Bonds	115,737	93,017	70,152	63,777	51,591
Property	15,114	14,539	13,629	12,355	10,853
Other	1,432	999	1,199	10,312	383
Insured pensioners	704	726	788	862	574
Total market value of assets	306,163	275,366	223,603	215,426	180,122
Actuarial value of liability	(318,327)	(289,951)	(263,970)	(269,884)	(229,799)
Net pension liability	(12,164)	(14,585)	(40,367)	(54,458)	(49,677)

The percentage of assets held in each asset class is as follows:

	31 December 2017 %	31 December 2016 %	31 December 2015 %	31 December 2014 %	31 December 2013 %
Equities	56	60	62	59	64
Bonds	38	34	31	30	28
Property	5	5	6	6	6
Other	1	1	1	4	1
Insured pensioners	–	–	–	1	1
Total market value of assets %	100	100	100	100	100

The above asset values are at bid value, as required under FRS102.

The analysis of amounts charged to income and expenditure is as follows:

	31 December 2017 £'000	31 December 2016 £'000
Current service cost*	3,985	4,667
Interest on obligation	7,800	9,990
Interest on assets	(7,457)	(8,520)
Total	4,328	6,137

* The cost of death in service insurance premiums and PPF levies are paid in addition by the employer. The current service cost includes the cost of administration expenses.

Analysis of amounts charged to Statement of comprehensive income

	31 December 2017 £'000	31 December 2016 £'000
Return on plan assets	21,729	41,998
Experience gains and losses arising on the plan liabilities - gain (loss)	8,830	–
Changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(31,497)	(18,049)
Actuarial gains/(losses) charged to other comprehensive income	(938)	23,949

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since adoption of FRS102 are shown below:

	Actuarial gains/(losses) charged to comprehensive income £'000	Cumulative actuarial gains and (losses) £'000
2014	(14,192)	(14,192)
2015	8,598	(5,594)
2016	23,949	18,355
2017	(938)	17,417

Change in the present value of the defined benefit obligation

	31 December 2017 £'000	31 December 2016 £'000
Opening defined benefit obligation	289,951	263,970
Service cost	3,985	4,667
Interest cost	7,800	9,990
Contributions by employees	900	961
Actuarial losses	22,667	18,049
Benefits paid	(6,976)	(7,686)
Closing defined benefit obligation	318,327	289,951

Change in the fair value of the scheme assets

	31 December 2017 £'000	31 December 2016 £'000
Opening fair value of the scheme assets	275,366	223,603
Expected return	7,457	8,520
Actuarial gains	21,729	41,998
Contributions by employer	7,687	7,970
Contributions by employees	900	961
Benefits paid	(6,976)	(7,686)
Closing fair value of the scheme assets	306,163	275,366
Actual return on scheme assets	29,186	50,518

The history of experience gains and losses are as follows:

The impact of using a more recent valuation is to introduce gains and losses that arose between 30 September 2013 and 30 September 2016, resulting in the experience gain arising on the liabilities during 2017 in the disclosures, which amounts to around 2.77% of the liabilities.

	31 December 2017 £'000	31 December 2016 £'000	31 December 2015 £'000	31 December 2014 £'000	31 December 2013 £'000
Defined benefit obligation	(318,327)	(289,951)	(263,970)	(269,884)	(229,799)
Scheme assets	306,163	275,366	223,603	215,426	180,122
(Deficit)	(12,164)	(14,585)	(40,367)	(54,458)	(49,677)
Experience gains/(losses) on scheme liabilities:					
Amount	8,830	–	–	(4,148)	–
Percentage of the present value of scheme liabilities	2.77%	–	–	1.5%	–
Actual return less expected return on scheme assets:					
Amount	(21,729)	(41,998)	(4,881)	14,987	(3,370)
Percentage of scheme assets	(7.1%)	(15.3%)	(2.2%)	5.5%	(1.9%)

16. Management of liquid resources

	31 December 2016 £'000	Cash flow £'000	31 December 2017 £'000
Cash invested in UK money market and deposit accounts	22,017	2,991	25,008

17. Analysis of changes in net funds

	31 December 2016 £'000	Cash flow £'000	31 December 2017 £'000
Short-term deposits	22,017	2,991	25,008
Cash at bank and in hand	1,311	5,328	6,639
Bank overdrafts and loans	(160)	115	(45)
Total	23,168	8,434	31,602

18. Allocation of RCN UK balance sheet between representation and other activities

	Representation activities	Other college activities	Total 31 December 2017	Representation activities	Other college activities	Total 31 December 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment						
Tangible assets	–	20,780	20,780	–	22,903	22,903
Investments	28,965	33,681	62,646	31,164	26,357	57,521
Total property, plant and equipment	28,965	54,461	83,426	31,164	49,260	80,424
Current assets						
Stock	–	27	27	–	37	37
Trade debtors	1,446	682	2,128	143	76	219
Other debtors	–	–	–	250	134	384
Prepayments and accrued income	14,820	6,996	21,816	934	498	1,432
Cash and short term deposits	3,568	1,685	5,253	10,970	6,856	17,827
Total current assets	19,834	9,390	29,224	12,297	7,601	19,899
Liabilities						
Bank overdraft	(31)	(14)	(45)	(104)	(56)	(160)
Trade creditors	(673)	(336)	(1,009)	(1,820)	(796)	(2,616)
Other creditors	(1,750)	(1,024)	(2,774)	(606)	(571)	(1,177)
Accruals and deferred income	(3,397)	(1,886)	(5,283)	(3,363)	(1,817)	(5,180)
Total liabilities	(5,851)	(3,260)	(9,111)	(5,893)	(3,240)	(9,133)
Total assets less current liabilities	42,948	60,591	103,539	37,568	53,621	91,190
Provisions	(4,101)	(1,854)	(5,955)	(4,589)	(256)	(4,845)
Net assets (excluding pension deficit)	38,847	58,737	97,584	32,979	53,365	86,345

For assets and liabilities in the name of the RCN UK there is no distinction between representation and other college activities.

Current assets and liabilities which can be identified as representation or other college activities are allocated directly to the appropriate activity type. Other current assets and liabilities are apportioned based on direct income/expenditure.

Representation activities are disclosed in the RCN's Annual Return for a Trade Union (AR21).

19. Reserves

19.1. Reserves – RCN UK

	Revaluation reserve £'000	Accumulated funds £'000	Pension reserve £'000	Total £'000
At 1 January 2017	2,118	84,227	(14,585)	71,760
Surplus in period	–	8,959	3,359	12,318
Investment unrealised gains	–	1,893	–	1,893
Revaluation reserve	(63)	–	–	(63)
Dividends	–	450	–	450
Actuarial gain	–	–	(938)	(938)
At 31 December 2017	2,055	95,529	(12,164)	85,420

The revaluation reserve relates to the leasehold improvements. See note 10.1 for further detail.

19.2. Reserves – RCN Group

	Reserves for charitable purposes £'000	Revaluation reserve £'000	Accumulated funds £'000	Pension reserve £'000	Total £'000
At 1 January 2017	31,579	2,118	88,625	(14,585)	107,737
Surplus in period	765	–	9,272	3,359	13,396
Investment unrealised gains	1,351	–	1,944	–	3,295
Revaluation reserve	–	(63)	–	–	(63)
Actuarial gain	–	–	–	(938)	(938)
At 31 December 2017	33,695	2,055	99,841	(12,164)	123,427

20. Commitments

20.1. Capital commitments

The value of contracts committed to but not provided for was £297,000 (31 December 2016: £429,000). This figure relates to continued progress on CRM, alongside a commitment for security software for the customer contact centre (PCI DSS, Payment card Industry Data Security Standard).

20.2. Pension commitments

The pension scheme was subject to an actuarial valuation at 30 September 2016 by a qualified independent actuary. The valuation reported a deficit of £52.1m, compared to a deficit of £58.5m in September 2013. The latest actuarial valuation of the CARE pension scheme has resulted in a revised deficit-funding plan of £3.18m per annum from 1 April 2018 rising by RPI annually thereafter. Also included in the revised deficit-funding plan was a one-off lump sum payment of £4.9m to be paid by the 31 March 2018.

The latest actuarial valuation of the defined benefit (CARE) scheme based on 30 September 2016 was finalised in December 2017.

21. Contingent liabilities

RCN UK contingent liabilities are estimated at £704,185 as at 31 December 2017 (31 December 2016: £1,924,000). The estimated liability arises from member cases within the professional indemnity scheme that have a lower than 50% chance of success.

22. Trade union and labour relations (consolidation) act 1992

A member who is concerned that some irregularity may be occurring, or have occurred, in the conduct of the financial affairs of the union may take steps with a view to investigating further, obtaining clarification and, if necessary, securing regularisation of that conduct.

The member may raise any such concern with such one or more of the following as it seems appropriate to raise it with: the officials of the union, the auditors of the union, the Certification Officer (who is an independent officer appointed by the Secretary of State) and the police.

Where a member believes that the financial affairs of the union have been or are being conducted in breach of rules of the law or in breach of the union and contemplates bringing civil proceedings against the union or responsible officials, he should consider obtaining independent legal advice.

23. Council expenses and remuneration

23.1. Council expenses

Out of pocket expenses paid to Council members while carrying out their governance duties in the year ended 31 December 2017 amounted to £108,000 (31 December 2016: £131,000). Out of pocket expenses related predominantly to travel expenses incurred while carrying out Council duties. The number of Council members who received reimbursement within the period was 31 (31 December 2016: 32).

23.2. Council remuneration

Council members do not receive remuneration for undertaking the role, however a total of £66,000 was paid to the employers of the current President and former Chair of Council as recompense for time spent on services for the RCN UK (31 December 2016: £73,000). Breakdown as follows:

	31 December 2017 £'000	31 December 2016 £'000
Chair of Council (former)	39	39
President	27	34
Total	66	73

24. Related party transactions

The RCN Group has taken the exemption under FRS 102 not to disclose any transactions of balances between wholly-owned subsidiary entities, which have been eliminated on consolidation.



20 Cavendish Square
London W1G 0RN
Tel: 020 7409 3333
www.rcn.org.uk

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