

BAPS Treasurer's Report by Mr Alex Lee

BAPS Council Meeting

July 2017, London

Introduction

This report is written based on previous Charity Commission reports, meetings with our investment manager (Tcam Asset Management) and accountant (PEM), and discussions at the four Executive Committee Meetings and two Council Meetings in the past 12 months.

BAPS has achieved its charitable objectives during the year and supported its members in a number of activities, including upgrading of the IT systems and websites. As discussed at the Council Meetings in Amsterdam and London, the financial challenges require support from the membership at large in order to continue our current level of work and to initiate new projects. This is particularly so as the donation income has dropped in recent years and the impact of any initiatives/changes may take 2-3 years to become obvious.

I have previously mentioned the importance of balancing 3 aspects of focus - most importantly, in advancing our specialty while benefiting our membership thereby enhancing the reputation and profile of our association. In doing so, we also need the mechanisms to enable operational efficiency and financial stability of BAPS. However, it must be acknowledged that a lot of work are done without direct financial cost (i.e. as volunteered by members), with BAPS providing administrative support for the members.

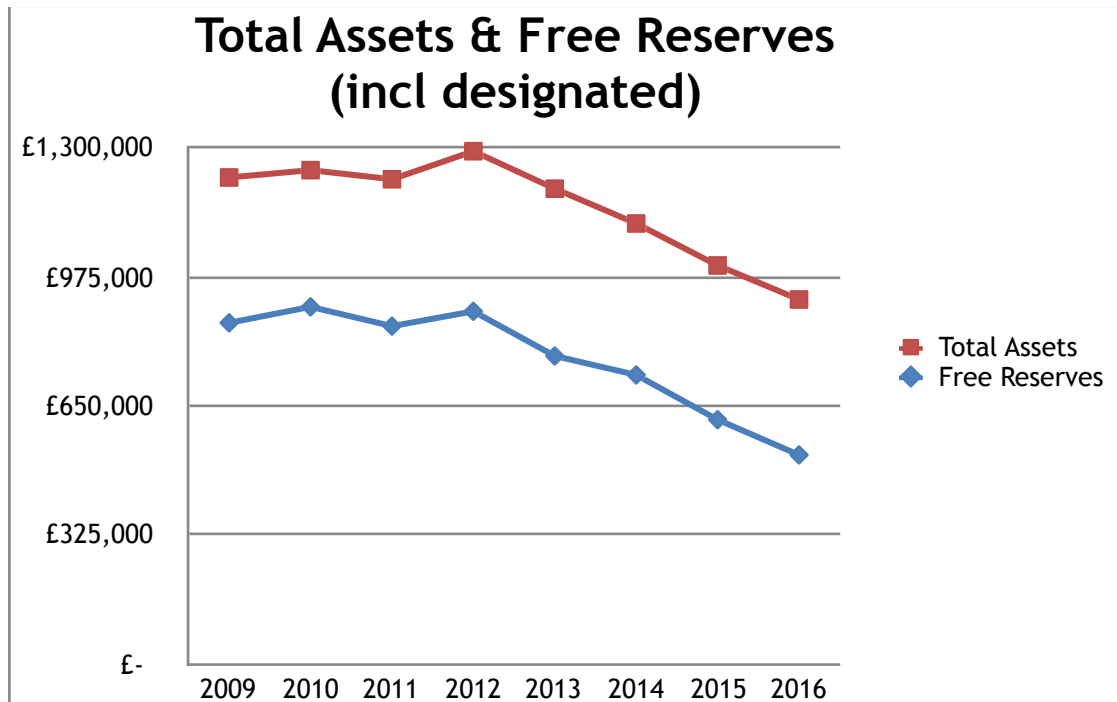
Annual Financial Report for Year 2016 to the Charity Commission (Draft prepared by PEM)

The unaudited financial report draft was received from PEM in May 2017 following a meeting in April. Minor modifications will still need to be made and confirmed with the trustees before submitting to the Charity Commission before October. The information presented here is based on the latest draft.

As of the end of 2016, we have a total asset of **£919,313** (2015: £1,004,926). In addition to the investment portfolio, this also included our creditors/debtors and fixed assets. The restricted funds within the investment portfolio were earmarked for specific purposes. The **free reserves** of BAPS (total minus fixed assets minus restricted funds) as of Dec 2016 was **£527,200** (2015: £616,057). We consider approximately £300,000 to be the minimal appropriate level to meet our financial obligations and ensuring financial stability.

The 2016 expenditure was at its highest level (£403k), with a total income (including investment dividends) of £218k and investment gains of £99k.

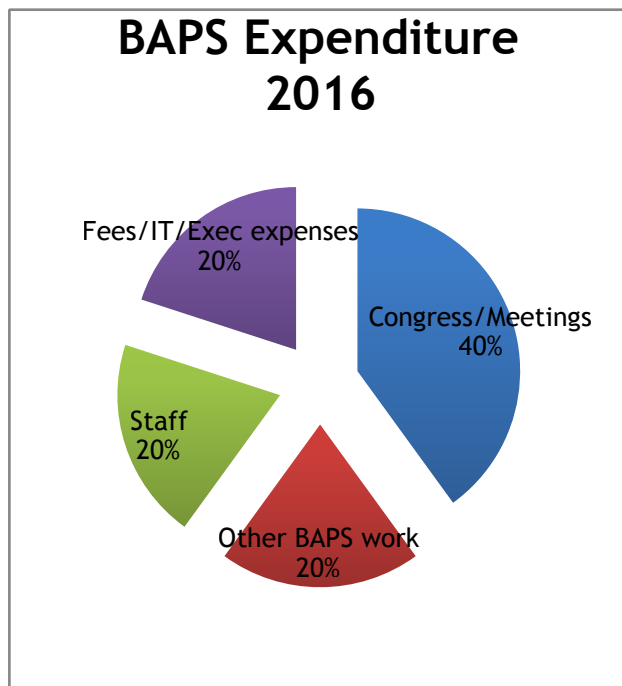
We plan to continue use P.E.M. as our accountant and independent examiner for the preparation of our accounts in 2018.



300k

2016 Expenditures

As expected, the Annual Congress was the main area of expenditure, about 40% of the total. The approximate proportions are as illustrated in the pie-chart.



Investment Portfolio (Managed by TCAM)

By the end of December 2016, our total investment portfolio value was **£975,408** (2015: **£1,069,413**).

It was £921,397 as of 30 June 2017. It has increased slightly in the past 2 weeks, and as of 12 July 2017 the total investment portfolio was **£923,423**.

The actual monthly returns since we started investing with TCam since Oct 2008 compares favourably against the market returns in cash or inflation.

Monthly Returns

Table Chart

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2009	-0.53%	-0.82%	1.76%	2.95%	2.10%	0.99%	2.95%	2.74%	1.95%	0.15%	0.07%	1.32%	16.68%
2010	0.47%	0.41%	2.51%	0.17%	-2.15%	-0.47%	2.45%	0.24%	2.78%	1.30%	-1.48%	1.97%	8.36%
2011	-0.04%	0.72%	0.87%	1.51%	0.03%	-0.12%	-0.16%	-3.23%	-2.65%	3.78%	-2.13%	1.55%	-0.06%
2012	2.72%	2.34%	0.01%	-0.35%	-2.26%	2.01%	2.05%	1.14%	1.34%	0.61%	1.17%	0.56%	11.82%
2013	2.63%	1.82%	1.24%	0.64%	0.78%	-2.73%	2.48%	-1.44%	0.23%	2.63%	-0.63%	0.31%	8.09%
2014	-0.78%	2.10%	-0.26%	-0.28%	1.42%	-0.60%	0.31%	1.75%	-0.36%	0.27%	2.60%	-0.45%	5.79%
2015	2.32%	1.16%	1.70%	-0.68%	1.41%	-3.22%	0.85%	-2.56%	-1.17%	3.03%	0.85%	0.69%	4.25%
2016	-1.96%	1.18%	2.74%	-0.25%	1.20%	2.08%	4.66%	1.52%	0.85%	1.94%	-2.19%	2.11%	14.57%
2017	0.28%	2.19%	0.83%	0.11%	2.87%	-1.41%							4.91%

BAPS Portfolio Monthly returns since 2009 (excl. fees)

Total Return Indices	Report (01/01/17 - 30/06/17)	1 Year (01/07/16 - 30/06/17)	2 Years (01/07/15 - 30/06/17)	3 Years (01/07/14 - 30/06/17)	Annualised (01/01/09 - 30/06/17)
Portfolio (Ex. Fees)	4.9% ↑	14.5% ↑	22.1% ↑	30.5% ↑	8.7% ↑
Long Term Target	3.3% ↑	6.8% ↑	14.0% ↑	21.7% ↑	6.8% ↑
Cash	0.2% ↑	0.4% ↑	1.0% ↑	1.5% ↑	0.7% ↑
Inflation	0.7% ↑	2.1% ↑	2.5% ↑	2.5% ↑	2.2% ↑
Alternatives	1.1% ↑	2.2% ↑	4.7% ↑	7.3% ↑	2.6% ↑
Gilts	0.3% ↑	-1.0% ↓	13.0% ↑	23.4% ↑	5.4% ↑
Corporate Bonds	2.7% ↑	6.8% ↑	16.6% ↑	23.8% ↑	8.6% ↑
UK Equities	5.4% ↑	17.8% ↑	20.7% ↑	22.9% ↑	10.8% ↑
Global Equities	5.1% ↑	21.5% ↑	40.4% ↑	55.6% ↑	13.3% ↑

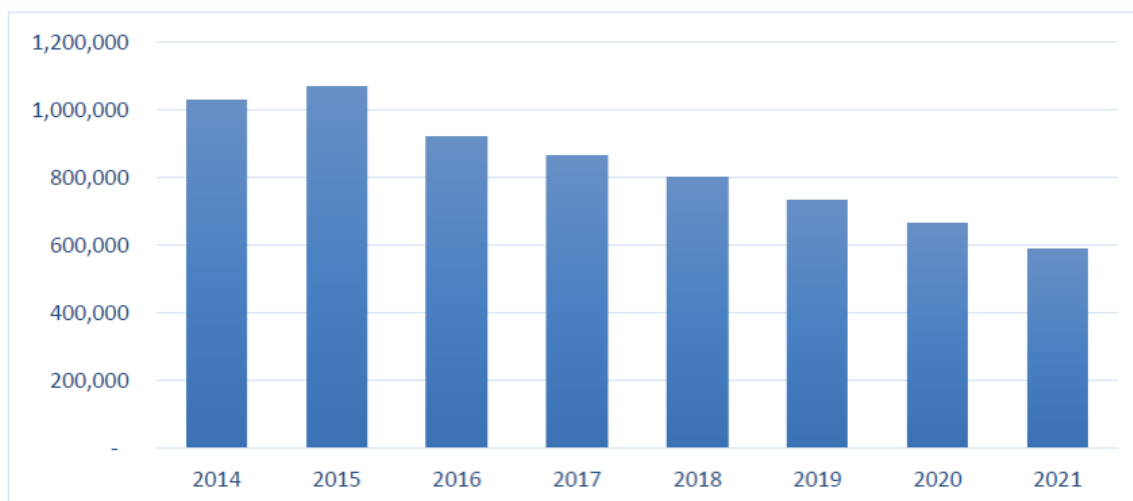
BAPS Portfolio compared with Long Term Target & some broad comparator indices

The portfolio generated a return of 4.9% in the past 6 months. (Annualised yield in 2016 was 14.5%). Since 2009, the portfolio has achieved annualised returns of 8.7%.

Due to the increased work done by BAPS in the past few years, with significant drawings in 2016 with a total of £184k (e.g. to pay for the Amsterdam Congress and the deposits for the London Congress). Using the data in the past 3 years, TCAM projected the annual drawings and investment growth in the next few years with the graph below, which showed the investment growth will not be sufficient to keep pace with drawings should they remain the current levels. This will result in erosion of capital at an increasing rate as the drawings come to account for a greater proportion of the portfolio over time.

Year	Opening Value £	Drawings £	Drawings %	Net Investment Growth %	Closing Value £
2014	1,038,318	60,000	5.78%	4.70%	1,027,434
2015	1,027,434	94,000	9.15%	3.01%	1,069,413
2016	1,069,413	184,084	17.21%	11.84%	922,006
2017	922,006	112,695	12.22%	5.76%	862,419
2018	862,419	112,695	13.07%	5.76%	799,400
2019	799,400	112,695	14.10%	5.76%	732,750
2020	732,750	112,695	15.38%	5.76%	662,262
2021	662,262	112,695	17.02%	5.76%	587,714

Closing Portfolio Value



The figures from 2017 onwards are based on the following assumptions:-

- Projected drawings of £112,695 based on the average amount withdrawn over the past 3 years.
- Net Growth of 5.76% based on the annualised long term target for a Risk Group 6 portfolio less management fees (Turcan Connell legal fees are not taken into consideration).
- The impacts of inflation have not been taken into consideration.

Our investment has continued to perform well and we plan to continue with Tcam Asset Management to look after our investment portfolio.

Membership subscription

The CEO and honorary secretary, together with Kate and the regional Executive representatives are working hard to collate a more accurate database of the current membership. It is important to have accurate numbers and membership categories to ensure the appropriate income from subscriptions.

The current 2017 subscription rates and proposed 2018 rates is as detailed below. This will be confirmed at the winter Council meeting.

Membership subscription rates

	2017	2018	
Full GBI – consultants who are Council Members	£275	£310	
Full GBI/ BAPU – consultants who are members of BAPU as well as BAPS, also Council Members of BAPS	£175	£210	
Associate Members – consultants who work in non-Paediatric Surgery	£125	£150	
Trainees in UK <u>training programme at any level</u>	£125	£150	
Full International – equivalent to UK consultant level BAND ONE.	£125	£150	
International trainees BAND ONE. Not available to anyone working in the UK.	£60	£70	
Full International – equivalent to UK consultant level BAND TWO. Not available to anyone working in the UK.	£20	£25	
International trainees BAND TWO. Not available to anyone working in the UK.	nil	nil	
Senior Grade – consultant surgeons who have retired	nil	nil	
Honorary – VIP level of membership	nil	nil	

From 1st January

Donation

A donation page has been set up in the BAPS website, including a crowd funding portal (Just Giving) to enable members to use as a portal to raise funds for the association. Mr David Drake, past BAPS president has taken the lead in raising funds (£1,530) for a BAPS-sponsored 2018 IAC visiting fellow. Very well-done!

All donations to BAPS can have Gift Aid incorporated with the benefit for both the UK tax-paying donor and BAPS. We are particularly keen for members who have benefited from BAPS sponsored activities (with IAC work, research fellowship, etc) to contribute back to the association in order to support future work. Information on our website can also be used to showcase our work to potential donors.

For further information, please go to <http://www.baps.org.uk/about/donate/>

Budget / Forecasting

We have set up and discussed at the Executive meetings a detailed budget for 2017, in addition to the yearly congress budget, taking into consideration of the requests from subcommittee chairs as well as the changes in legislation (e.g. pension for staff). With the amount of work we have already committed to, 2017 is likely to be challenging especially if the market falls later in the year.

in thousands GBP		2016	2017	2018
Expenditure		Actual	Predict	Forecast
	Congress	154	150	120
	UK meetings costs/training	12	11	6
	Research Fellow	28	38	38
	IAC	29	13	15
	Journal	12	0	0
	FSSA	1	1	1
	Staff	89	50	60
	Exec meetings	9	7	8
	Expenses Trustees	11	6	6
	Professional fees	7	13	10
	Invx manager	12	12	12
	Office	24	15	15
	Bank/Forex	-5	1	1
	Database	9	15	11
	Website/IT/storage	10	21	20
	elearning	1	30	1
	TOTAL	403	383	324
Income				
	Donations	51	14	15
	Investment Dividends	19	56	30
	Membership	49	60	62
	Congress	98	100	100
	UK meetings	1	12	6
	TOTAL	218	242	213

Gains	Investments	99	50	40
	Total	99	50	40
<hr/>				
	Net movement in funds	86	91	71

Other work / Internal Control Policy / Hon Treasurer 2018-2021

We have benefited from the weakened pound and bullish market in the recent months. However, the continual political and economic uncertainties may have direct and indirect effects to the financial health of BAPS.

The executive committee will implement a series of measures to ensure financial stability and at the same time maximising the benefits to the membership, which includes:

- To work on the set budget, with the help from subcommittee chairs, to minimise excessive drawings from the investment portfolio
- To set up a Internal Control Financial Policy, together with the help from our accountants to ensure accuracy/transparency in our financial dealings and reporting.
- To seek sponsorship from various sources to support our work and assisting members to attract donations to support BAPS.

I have enjoyed being the BAPS honorary treasurer in the past 2 years and will continue to work with the rest of the Executive/Administrative team for the next year. I will be most pleased to speak to any member who wish to take on the role from July 2018 and I will help to ensure a smooth transition next year.

Prepared by

Mr Alex Lee, BAPS Honorary Treasurer

Oxford, 12 July 2017