

Fees increase Q&A

Why has the College increased fees again?

This is necessary to keep pace with CPI, given there were a number of years before and during the pandemic in which fees did not increase. If we do not increase fees to keep up with inflation, our costs grow significantly, and it becomes increasingly difficult year on year to cover those expenses.

The College has \$60 million in reserves. Why can't we use some of that money to pay additional expenses and keep fee increases lower for members?

That's not good financial practice. It is both an Australian Charities and Not-for-profits Commission Governance Prudent Financial Management Standard and Chartered Professional Accountants Guidance not to use reserves to cover ongoing operating expenses. Reserves are for contingencies and strategic investment, not operating expenses. We also benchmark our fees annually against other Colleges, and the RACP sits in the middle of the range.

We've been told in the past that the IT uplift would be funded from retained earnings. Why has there been a change to using a loan?

Our invested retained earnings have been performing well. We could have used the investments to pay for the IT uplift, as it's a strategic investment.

But we are investigating the loan option as the interest costs of a loan are now cheaper than the cost of breaking the investments. It makes financial sense to take this approach.

Has the College drawn down on any of the credit yet?

No. As prudent financial management we are looking to have the loan in reserve to draw on if we need to. Initial drawdowns are limited to \$10 million, with Finance and Risk Committee and Board approval required for anymore.

We may not need to use the full \$30m, but it's there in reserve.

Is the College in financial trouble?

No, our balance sheet remains strong. We have relatively low short-term debt and no long-term debt. The beginning of work on our IT uplift and the timing of subscription payments mean it is wise to have this loan available in advance, should we need it.

You had financial discussion when there were only three Directors on the Board. Is College management acting without proper oversight?

No, we have followed all College and Governance processes. The Board is quorate, as is the Finance and Risk Management Committee. The timing is due to the beginning of work on the IT uplift coinciding with subscription payments and is part of the project planning.