

# Annual Report

For the year ended 31 July 2018



ROYAL  
HOLLOWAY  
UNIVERSITY  
OF LONDON



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## Financial Highlights

|  | Year ended<br>31 July<br>2018<br>£000 | Year ended<br>31 July<br>2017<br>£000 |
|--|---------------------------------------|---------------------------------------|
| <b>Results, Cash Flows and Reserves</b>  |                                       |                                       |
| Total income   | <b>173,828</b>                        | 166,907                               |
| Operating surplus before other gains and losses<br>as % of income  | <b>4,247</b><br><b>2.4</b>            | 5,663<br>3.4                          |
| Net liquidity (cash plus current asset investments)<br>Net liquidity/(total expenditure – depreciation) days | <b>23,287</b><br><b>55</b>            | 50,972<br>125                         |
| External borrowing (including repayable within one year)<br>as % of income                                   | <b>116,429</b><br><b>67.0</b>         | 119,567<br>71.6                       |
| General reserve<br>as % of income  | <b>94,265</b><br><b>54.2</b>          | 93,122<br>55.8                        |
| Net cash flow from operating activities<br>as % of income  | <b>17,402</b><br><b>10.0</b>          | 23,672<br>14.2                        |
| Payments to acquire tangible and intangible fixed assets<br>as % of income                                   | <b>40,441</b><br><b>23.3</b>          | 83,760<br>50.2                        |
| <b>Other Key Statistics</b>  |                                       |                                       |
|  | <b>Number</b>                         | Number                                |
| Number of full-time equivalent students  | <b>9,615</b>                          | 9,515                                 |
| Average number of full-time equivalent staff   | <b>1,534</b>                          | 1,476                                 |

# Strategic Report

## Constitution

Royal Holloway, University of London (“the College”) is a multi-faculty Higher Education Institution, offering undergraduate and postgraduate degrees and carrying out academic research. It is one of eighteen self-governing Colleges and nine smaller specialist research institutes of the University of London. It is financially independent, competes internationally, and has a diverse student population from over 140 countries. The College is a Charity Incorporated in the United Kingdom by Act of Parliament: Royal Holloway and Bedford New College Act 1985.

## Vision and strategy

The College’s strategy is set out in its Strategic Plan 2013/20 – Our Future [royalholloway.ac.uk/ourfuture](http://royalholloway.ac.uk/ourfuture)

The vision for 2020 is:

- Our strengths and achievements are known worldwide
- Our students are independently-minded and socially responsible leaders
- We are placed amongst the top research universities
- We take full advantage of our size and flexible structures
- We work collaboratively with key partners to achieve greater mutual benefit
- Our campus environment stimulates, inspires and refreshes

The College’s goal is to maintain its current ranking amongst the world’s top 200 universities and to be recognised consistently as a top UK university in major league tables. Research excellence will inform high-quality taught courses. Moderate student growth of about 1,500 students to 10,500 is envisaged over the plan period. This growth will be achieved mainly through undergraduate student numbers, achieved by the introduction of a range of new disciplines and programmes and expansion of existing programmes. There will continue to be an emphasis on maintaining a strong sense of community and on strengthening collaborations and academic partnerships. Major improvements to facilities have been, and are being made including a flagship new library and student services building.

Four **strategic themes** have been identified to realise the vision. Objectives and key performance indicators have been identified for each of the themes.

- **Reputation, impact and engagement:** raising the profile of the College, increasing the number of undergraduate entrants making Royal Holloway their first choice, and developing a range of high impact partnerships
- **Our Education:** improving satisfaction levels for taught courses in undergraduate and postgraduate surveys, and increasing the proportion of graduates in graduate level employment
- **Our Student Experience:** raising the overall satisfaction level in the National Student Survey and the Student Barometer for living experience and the level of participation in the Passport scheme which recognises non-academic achievements

- **Our Research:** maintaining research excellence as measured in the Research Excellence Framework (REF) and growth in research income and research students.

College keeps its strategy under review. The UK market for Higher Education has changed considerably in a number of ways since the strategy was formulated i.e.:

- Current developments around the Teaching Excellence Framework,
- The future funding of research,
- The implications of Brexit, and
- Government policy towards international student entry into the UK etc.

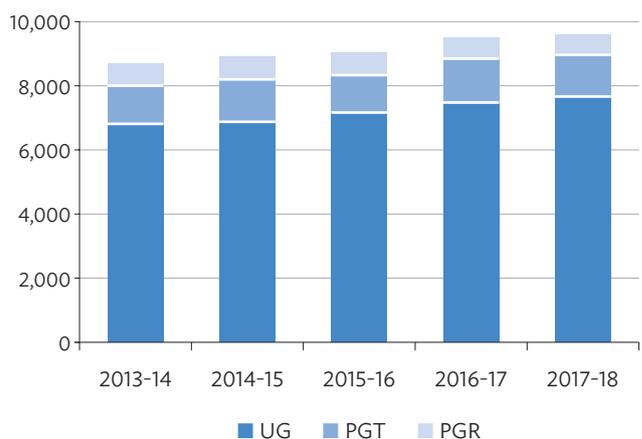
All of these factors potentially have profound implications for UK based Higher Education institutions. College is committed to its core vision and values but is reworking these to optimise its impact in the coming years.

## Student numbers

Over the strategic plan period it is intended to grow student numbers to 10,500. The College remains on target to meet this number although it is of course noteworthy that the combination of the outcome of the vote to leave the European Union and the Government’s policy towards immigration and its possible impacts on the recruitment of international students, may over time necessitate some recalibration of this element of the plan.

In 2017/18 student numbers were 9,615 full-time equivalents (FTEs) compared with 9,515 FTEs in 2016/17. Postgraduate (PG) student FTEs were 20.3% of the total, including research postgraduates at 6.8% (figure 1).

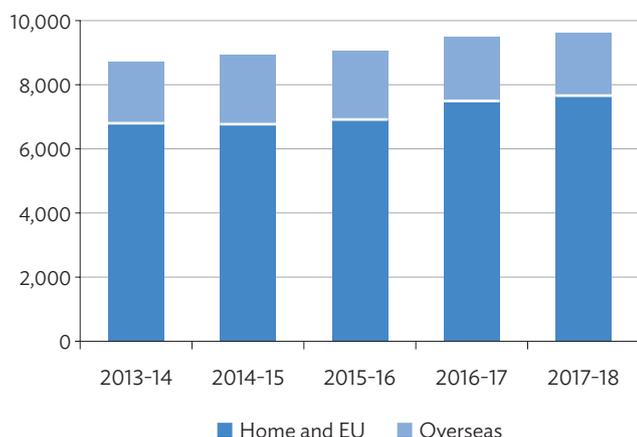
Figure 1: Student FTEs by category of undergraduate and postgraduate teaching and research



## Strategic Report

There was an increase of 176 Home and EU (HEU) FTEs and a decrease of 75 overseas students (figure 2). Overall, the annual growth in total students FTE was 1.1%.

Figure 2: Student FTEs by domicile



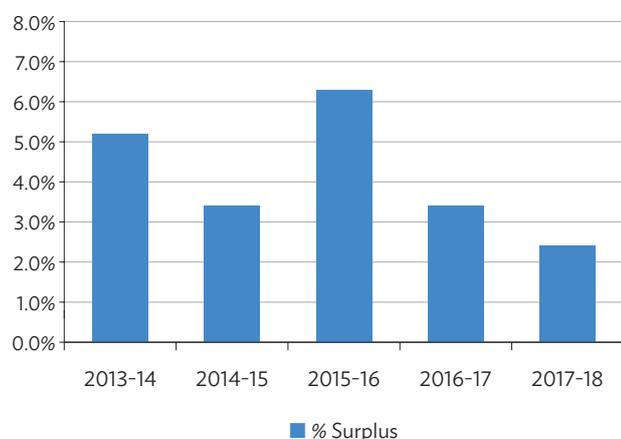
### Scope of the financial statements

The financial statements comprise the consolidated results of the College (including funds for which the College is a trustee) and its subsidiary company Royal Holloway Enterprise Limited, for the year ended 31 July 2018.

### Operating results

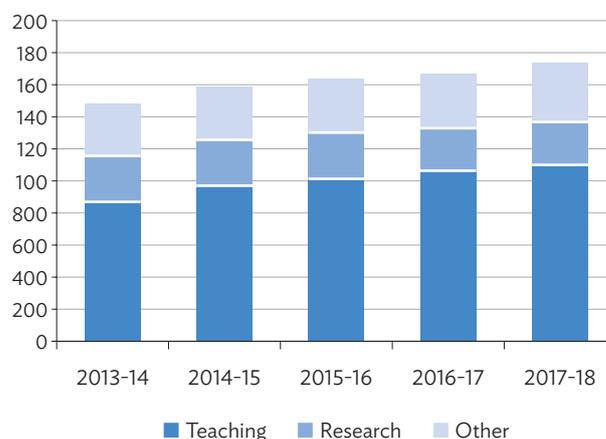
The College's financial performance in 2017/18 was sound. In 2017/18 the surplus before other gains and losses was £4.2m (2.4% of income) compared with £5.7m in 2016/17 (3.4%). In figure 3, the surplus before other gains and losses/operating surplus as a proportion of income is set out for the last five years. 2013/14 is on the basis of former UK GAAP so the results over the five years are not strictly comparable.

Figure 3: Annual operating surplus as a proportion of income



Total income increased by 4.1% from £166.9m in 2016/17 to £173.8m in 2017/18. In 2017/18 teaching accounted for 63% of total income and research was 15% of the total (figure 4).

Figure 4: Annual income by major category (£m)



“Teaching” is defined as Higher Education Funding Council for England (HEFCE) and Office for Students (OfS) teaching grant plus tuition fees and contracts and “research” as HEFCE and Research England grant plus research grants and contracts.

### Results for the year

In summary, the consolidated results were:

| £m                                    | 2017/18      | 2016/17 | Change % |
|---------------------------------------|--------------|---------|----------|
| Income                                | <b>173.8</b> | 166.9   | 4.1      |
| Expenditure                           | <b>169.6</b> | 161.2   | 5.2      |
| Surplus before other gains and losses | <b>4.2</b>   | 5.7     | -26.3    |

The surplus before other gains and losses for the year was £4.2m compared with £5.7m in 2016/17.

### Tuition fees

Income from tuition fees and education contracts increased by £3.6m (3.5%) to £105.5m from £101.9m in 2016/17. Home/EU fee income increased by £3.7m (6.1%). Overseas fee income was broadly the same as 2016/17.

Research Training Support Grants were £5.7m, compared with £5.3m in 2016/17. These include grants from Research Council Doctoral Training Centres (DTC) which increased due to new programmes and additional students on some existing programmes.

### HEFCE, OfS and RE grants

Income from the HEFCE, OfS and RE increased by £0.5m (2.9%) to £20.6m. The main movements was the introduction of the Global Challenges Research Fund (£0.4m) and Industrial Strategy funding.

# Strategic Report

## Other income

Income from research grants and contracts was £0.1m lower at £13.8m in 2017/18 compared with £13.9m in 2016/17. Income from Research Council awards was broadly the same while income from other funders was £0.1m higher.

Other operating income was 9.4% higher at £31.2m compared with £28.6m in 2016/17.

Endowment and investment income was £0.7m higher at £1.7m in 2017/18 compared with £1.0m in 2016/17. Donations and new endowments were £0.5m lower at £1.0m compared with £1.5m in 2016/17.

## Expenditure

Total expenditure increased by £8.4m (5.2%) to £169.6m from £161.2m in 2016/17.

Staff costs increased by £2.0m (2.2%) to £93.9m reflecting a full year of increased contributions to its USS and SAUL pensions schemes in accordance with the revised funding plan to fund the accumulated deficit, based on the 2014 valuation. A nationally agreed pay increase from August 2017 of 1.7% for all staff was paid. Average staff FTEs were 3.9% higher at 1,534 compared with 1,476 in 2016/17.

Other operating expenses increased by £1.9m (3.5%) to £56.8m from £54.9m in 2016/17. This included £1.1m increased expenditure on student maintenance and awards, and additional block grant to the Students' Union. In addition there was additional expenditure of £0.8m due to the new buildings that were opened during the course of the year.

Depreciation costs were £2.3m higher at £14.3m compared with £12m in 2016/17. This was due to the completion of the Emily Wilding Davison Building, the Beatrice Shilling Building and the George Eliot Halls of residence in 2017/18.

Interest cost on loans was £4.2m. Exposure to variable interest rates for £35m of the loans is hedged by fixed rate interest swaps. There is some exposure to LIBOR interest rate movements on the remaining borrowing, but rates were stable during the year.

## Capital investment and the Estate plan

A plan for the long-term development of the main campus, most of which is located on Green Belt land, was approved by the Local Authority in January 2015.

The George Eliot Halls of residence were completed in September 2017. The new halls provide 621 additional places at a cost of £40m.

The new Beatrice Shilling Building to house the Department of Electronic Engineering (opened in July 2018) and other science activities, together with a 250-seat lecture theatre. This was awarded £5m of HEFCE capital funding. The building has been named after the female British aeronautical engineer.

Total capital investment in the year was £40.4m compared with £83.8m the previous year. This reflects the major estate investment and renewal programme in progress.

Equipment related expenditure of £4.4m included £1.6m on academic equipment and £1.5m on IT projects.

## Investment property

In July 2016 College acquired Rusham Park, a site of great strategic importance to College based on its proximity, value and development potential, adjacent to its campus in Egham. The acquisition cost was £20.4m.

The site was acquired with tenants. At the time of acquisition it was anticipated that over time these tenants would leave the site. The tenants were specialist tenants in the sense that they had been long time occupiers and that the facilities on the site were customised for their occupation. The specialist nature of the site means that it is impractical and contrary to the tenants' leases for the site to be leased to another occupier. Inevitably, a consequence of the departure of the tenants impacts, in the short term, the carrying value of the investment. The College takes a long-term view about the strategic importance of Rusham Park. It is in the process of developing a long term development plan for the site which it anticipates will realise significant value.

## Cash flow, liquid assets and treasury Management

The net cash flow generated from operating activities was £17.4m compared with £23.7m in 2016/17. Capital expenditure was £40.4m, for which there were capital grants of £1.6m. There were loan repayments of £3.0m. The total of current asset cash and current asset investments (cash held on deposit) decreased by £27.7m to £23.3m.

The College's treasury management policy has been kept under active review by the Finance Committee, partly in the light of changing credit ratings and also in view of the additional debt funding. The main principles of the policy are to place cash only with AAA-rated Money Market Funds and UK regulated banks and building societies that meet agreed credit rating criteria, to achieve diversification of deposits between counterparties and in relation to maturity, and to limit exposure to a single counterparty or Fund.

## Endowment assets

College's endowment assets comprise the Art Collection and investment assets managed by professional fund managers. The balance sheet value of the College's endowment assets at the year-end increased from £79.6m to £80.4m due to investment appreciation. A full professional revaluation of the Art Collection was last carried out in July 2016 and was valued at £27.1m.

The endowment investments (excluding the Art Collection) are managed by two fund managers, Standard Life Aberdeen Asset Management and Rathbone Investment Management. Their market value at 31 July 2018 was £53.3m.

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Endowment asset investment performance is monitored by the Investment sub-Committee. The primary objective is to achieve a total return of RPI+4% per annum before fees, measured over rolling three to five-year periods, with a secondary objective of an income return of 3%.

## Trade Union facility time

Under the Trade Union (Facility Time Publication Requirements) Regulations 2017; the College, as a public sector employer is required to collate and publish a range of data on the amount and cost of time spent by Trade Union Officials on facility time. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities.

The publication year runs from 1 April 2017 to 31 March 2018. This information is to be published every year by 31 July. The relevant Trade Unions with whom the College has a Collective Bargaining Agreement are GMB, Unite and Universities and Colleges Union (UCU). Number of employees who were relevant union officials during the relevant period was 14 with an FTE of 13.

Number of employees who were relevant union officials during the relevant period who spent the following percentages of their working hours on facility time:

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0%                 | 4                   |
| 1-50%              | 10                  |
| 51%-99%            | 0                   |
| 100%               | 0                   |

The total cost of facility time was £123k of a total pay bill of £95,411k.

Percentage of the total pay bill spent on facility time: 0.13%.

## Principal risks and uncertainties and future prospects

The College proactively manages the risks it faces through its Executive Committee and Council. The strategic plan identifies the top five risks as:

- lack of awareness of Royal Holloway;
- failing to achieve student number targets;
- a decline in research ranking through the REF;
- changes to funding which threaten research income; and
- facilities not matching our needs.

One other major challenge facing the College is the position of the pension schemes.

Whilst various announcements regarding contribution levels have been made by the USS trustees, these are still subject to consultation and agreement. This includes the level of deficit contributions. Therefore as these are only proposals at the moment, and the interim arrangements to April 2020 do not contain any change to the deficit funding levels, the legal obligation to pay 18% employer contributions which includes 2.1% deficit contributions until 2031 (as set out in the existing Schedule of Contributions) still remains and this is the basis upon which the year end provision has been calculated.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

The College is satisfied that it is managing these risks effectively.

In addition over the past year there has been new government policy emerging around:

- The Teaching Excellence Framework,
- Tuition fees
- The future funding of research,
- The introduction of the Office for Students
- The implications of the vote to leave the European Union, and
- Government policy towards immigration in general and specifically the implications for international student entry into the UK
- The Knowledge Exchange Fund

All of these factors potentially have profound implications for UK-based Higher Education institutions. The College is committed to its core vision and values and is revisiting its strategic plan to optimise its impact in the coming years in the changing political, social and economic environment.

Professor P Layzell  
Principal

Mr Jeremy McIlroy  
Chair of Finance Committee

## Public Benefit Statement

The College wishes to make a report on how it has delivered its charitable purposes for the public benefit. In making this statement, the Trustees (Council Members) have had regard to the Charity Commission's guidance on public benefit.

### Charitable status

The College is an exempt charity and, as such, is exempt from registration with the Charity Commission. The College is monitored by the Office for Students as its Principal Regulator, in accordance with the Charities Act 2011.

The College was incorporated by the Royal Holloway and Bedford New College Act 1985. This defined the College's charitable objectives to be "to promote for the public benefit education and scholarship and...for that purpose to provide instruction leading to degrees of the University of London, to superintend postgraduate studies and to promote research."

### Education, access and widening participation

The College provides education at undergraduate and postgraduate level across its three faculties of Science, Arts and Social Sciences, and Management, Economics and Law. Students are selected based on their ability to successfully complete their programme of study to the required standards. In the Sunday Times Good University Guide 2018, the College has been ranked as 24th in the UK, up four places from last year.

Fees to Home and EU (HEU) students are charged at the rates permitted by the regulations, and overseas student fees and other discretionary fees take account of the competitive market and the requirement for activities to cover their full costs. A wide range of support for fees and living costs is provided in order to give opportunities to study at the College to those who cannot afford the fees. Under the arrangements for charging fees of £9,250 to full-time undergraduate HEU students which are, overseen by the Office for Fair Access, awards to students totalled £2.7m in 2017/18. Other awards funded from the College's resources and endowment income, mainly to support postgraduates, were £6.4m in 2017/18.

The College provides opportunities to students with non-traditional qualifications to study at the College. For example, Access Bursaries provide additional financial support to students with non-traditional educational backgrounds and who are often mature learners. In addition, there are bursaries available to support students who face barriers to entering Higher Education because of their low household incomes or because they are leaving care.

Her Royal Highness The Princess Royal formally opened the Emily Wilding Davison Building, a state-of-the-art library and student services centre in October 2017. In the summer of 2018, the College opened the Beatrice Shilling Building to help encourage more female engineers and begin to address the national shortage. The College received a £5m grant from HEFCE for the new 3-storey building which includes a 268-seat lecture theatre and a creative learning suite.

For students whose first language is not English, the College provides English language support through pre-sessional programmes which aim to improve students' English language skills and prepare them for degree level study. In addition, English language and extensive study skills support is provided to students once they have enrolled on their degree programme.

The College provides counselling support to students through a counselling service, and an educational support office assists students with disabilities and learning difficulties. Hardship funding is provided through earmarked funds and grants, and endowment fund income is used to provide additional support, including temporary loans.

### Research

The contribution of the College's research to the advancement of knowledge and understanding was reflected in the outcome of the REF 2014 in which 81% of the research submitted was rated as world-leading or internationally excellent. The following examples give an indication of the variety of the public benefits that are produced by the College's research and academic engagement activities:

- 2018 saw the death of the Venezuelan conductor and music educator, Jose Antonion Abreu, who founded the world-renowned youth music programme, El Sistema. Abreu's death furthered interest in Professor Geoff Baker's 2014 book – *El Sistema: Orchestrating Venezuela's Youth* – that exposed institutionalised abuse and inequality in the El Sistema model, attracting global media coverage. Professor Baker is now almost as widely referenced a name in music education as Abreu himself: any media mention of Abreu or El Sistema is typically accompanied by a reference to Professor Baker's work.
- An example of our research influencing policy is the work on evidence statements for the UK Government Department for Environment, Food and Rural affairs, led by Dr Alice Milner. Dr Milner developed a methodology for synthesising research to underpin policy decisions, to ensure that Government decision makers have evidence in a format that enables them to access the body of evidence for that particular issue. This approach lays out evidence in a policy-neutral way, avoiding bias and indicating the overall certainty of the evidence, and the quality of the body of evidence.
- Dr Tom Wainwright in our School of Management specialises in researching open data and open innovation. He's interested in how firms can utilise freely available data to create novel products and services, the risks of sharing open data and how they can be minimised and the benefits maximised, and which business models create value. A Massive Open Online Course (MOOC), co-branded with the globally pioneering Open Data Institute, was run in 2017 based on Dr Wainwright's ongoing research with over 4,000 participants from over 130 countries, ranging from high school students, to experienced tech entrepreneurs.

## Public Benefit Statement

The dissemination of research is a vital aspect of the College's academic purpose, and this has been improved by the implementation of an Open Access Repository. The provision of openly available research outputs and research data sets will be substantially enhanced as the College begins to make preparations for the Research Excellence Framework (REF) 2021.

### Business and community engagement

Consultancy and technical services activity, which primarily provides advice and services to a specific customer, are carried out through the College's trading company Royal Holloway Enterprise Limited, as these are non-charitable activities. However, this commercial engagement with business is an important aspect of the College's activities, as it builds relationships and creates potential opportunities for further engagement involving research and teaching.

In May, the College participated in the unveiling of Egham-by-Runnymede's Arts and Heritage Festival, which launched in summer 2018. Egham Museum, in partnership with Royal Holloway and Egham Town team marked 100 years of women's suffrage with its inaugural event.

In June 2017 the College was awarded The Queen's Award for Voluntary Service for helping build strong communities by inspiring our students to volunteer and lead projects to support local organisations. This award was presented to the College in October 2017 by HRH The Princess Royal and Chancellor of the University of London. Some 2,300 students are registered with the College's Volunteering Scheme and take part in a range of activities working with over 250 community partner organisations.

### Enriching the student experience and employment

The College and the Students' Union provide opportunities for students to engage in a broad range of social, sporting, volunteering and intellectual activities. These enrich the student experience and are an important aspect of preparing students for their lives after graduation.

The value of co-curricular activities is recognised by the Royal Holloway Passport. Students earn points through participation in co-curricular activities many of which impact positively on the local community. There were 268 diverse activity streams in 2017/18 and students attended a compulsory coaching session to help equip them with interview presentation skills.

For our 2017/18 graduates, six months after graduation 74% (72% comparative figure in previous year) of the College's full-time first degree UK students were in graduate-level work or postgraduate study. Around 220 employers visited the campus in 2017-18, often represented by enthusiastic alumni.

### Acting responsibly

The College carries out its activities with the intention of avoiding detriment or harm. A Health and Safety Officer is employed to ensure that there is best practice in health and safety standards including sound risk assessment practices. Research proposals involving human participants must be approved by an Ethics Committee before they can proceed.

As part of our responsibility to the environment, the College set a target to reduce carbon emissions to below the levels of 2005/06. We continue to operate a zero waste to landfill policy. At our Egham campus we continually invest to maintain and enhance the natural beauty and biodiversity of 135 acres of parkland.

# Responsibilities and Membership of Council

## Statement of Primary Responsibilities

In accordance with the Royal Holloway and Bedford New College Act 1985, the Council is the governing and executive body of the College. It has adopted the CUC Code of Governance and its Statement of Primary Responsibilities.

## General Principles

1. The Royal Holloway and Bedford New College Act 1985 (RHBNCA '85) established the College as a body corporate with perpetual succession and a common seal. The College is a Statutory Corporation, i.e. a legal body that has the power to sue or be sued, own property and enter into contractual obligations. The Council is its governing body, with responsibility for the oversight of the business of the College and for ensuring that it is done consistently with the Act and statutes and with the statutes, regulations and ordinances of the University of London.

## Status of members

2. All members of the Council shall have equal status, rights, powers and duties and shall share collective responsibility for all the acts and decisions of the Council but subject to the limitation on the participation of student members specified in Statute 27 (exclusion from Reserved Area Business). All members shall speak and act in their own right contributing to the deliberations of the Council whatever special knowledge and advice they can, and exercising their own judgement to the best of their ability in the interests of and for the good of the College as a whole. (RHBNCA '85 S8).

## Duties of Council Members

3. In order to fulfil its role and demonstrate effective governance the Council and the College require that all members of Council contribute fully by fulfilling their duties individually and collectively:

- a. Council members are expected to comply with the seven principles of Standards in Public Life (the Nolan Principles) namely; Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty and Leadership.
- b. Members of Council have an overriding duty to act in the best interests of the College by ensuring that funds and property are used only in accordance with the RHBNC Act and standing Orders, the Memorandum of Assurance and Accountability between the College and the HEFCE and OfS and the College's charitable status. There is an obligation to act reasonably and this includes taking into account any guidance issued by such bodies as HEFCE and OfS, CUC, the National Audit Office, the Public Accounts Committee et al (comply or explain).

- c. All Members of Council have equal status and exercise their responsibilities in the interests of the University as a whole. No member of Council should act in a way that represents any particular internal or external constituency. Council members should participate in open and honest debate and all members have collective responsibility for the decisions reached by Council.
  - d. Members have a duty to attend the Council meetings and the meetings of any committees to which they have been appointed and to give timely apologies for absence on any occasion when they are unable to attend. Meeting dates are planned well in advance to support attendance.
  - e. Members are expected to use their knowledge and skills to make constructive and rational contributions to debate, to apply strategic insight to complex issues and to offer constructive challenge to the College, recognising the proper separation between governance and management. To this end members are expected to have prepared in advance of the meeting in order to be able to contribute to discussion, ask questions and influence informed collective decision making.
  - f. Members are expected to have a strong commitment to Higher Education and the values, aims and objectives of the College and take an interest in, and keep themselves up to date on, issues affecting the business of the College. They are expected to act as ambassadors and advocates for the College, promoting its activities and strategic aims in the wider community.
4. Council aims to conduct its business so far as possible in an open manner. Where particular items of business preclude this all members must respect the confidentiality of Council business.
5. External members have a wide range of expertise and specialist skills, and apply balanced and independent judgement to the Council's deliberations. Staff and student members bring the same broad range of qualities as external members and in addition they bring specific and general knowledge and understanding of the College work and culture.
6. It is recognised that the particular knowledge and understanding that staff and student members bring to Council debate, while valuable, can give rise to perceived conflicts of interest, and the fact that they are internal stakeholders of the College as well as governing body members can sometimes lead to uncertainty as to their role on Council. This duality should not, however, be allowed to confuse the key principle that all Council members have a corporate responsibility and that this overrides their role as representatives of particular groups within the College.

## Responsibilities and Membership of Council

7. Council promotes equality and diversity throughout the institution, including in relation to its own operation and members are required to submit an annual return to the skills register.
8. Members have a general duty to avoid perceived or actual conflicts of interest between their own private, public and professional life and that of the College. Members are required to submit an annual declaration of interests and to declare, as soon as it arises, any conflict of interest with an agenda item.
9. Members may from time to time, and in accordance with the Regulations of Council and Financial Regulations, be asked to witness the application of the College seal and act as a formal signatory to sealed documents on behalf of the College.

### Time Commitment

10. Membership of Council requires attendance, normally, at five Council meetings per year in addition to a 1.5 day residential Strategy day meeting. Council meetings usually last for no more than three hours and preparation in advance is required.
11. Members may be asked to serve on a Committee of Council. Committees meet throughout the year and the frequency of meetings varies dependent upon the committee's role; normally between two and five times per academic year. Committee meetings usually last for no longer than two hours and preparation in advance is required.
12. All Council members are required to attend an induction at the College before they may participate at Council. Members will be required to attend externally organised briefings or training if appropriate.

### Professional indemnity of members of Council

13. Individual members of Council are covered by the College's Directors' and Officers' Liability insurance policy in respect of the costs of any claim of negligence which may be made against them in the carrying out of their duties as a member of Council.

### Trustee responsibilities

14. The College has charitable status, and members of Council are charitable trustees, subject to the obligations this imposes under charity law. They are expected to discharge their duties of compliance, prudence and care and to accept ultimate responsibility for the affairs of the College and for ensuring that it delivers its charitable objectives for the public benefit.
15. **The Founder's Endowment Fund:** All Members of Council are automatically Trustees of the Founder's Endowment Fund and are responsible for the administration and management of the Trust fund.
16. **The Hilda Martindale Trust:** Council is responsible for the appointment of the Trustees of the Hilda Martindale Trust and receives annual accounts and a report of awards made.

The Charity Commission provides detailed information about the responsibilities of charitable trustees.

# Responsibilities and Membership of Council

## Membership

During the period from 1 August 2017 and up to the date of the signing of the Financial Statements, the Council had the following membership:

### Independent members

Mr Stephen Cox  
(Chair of Council to 21 November 2018)  
Dame Margaret Hodge  
(Chair of Council from 22 November 2018)  
Mr Alistair Buchanan (from 1 August 2018)  
Mr Gurpreet Dehal (to 21 February 2018)  
Ms Ann Ewing  
Mrs Christine Goodyear  
Ms Tina Harris  
Mr Majid Hawa (to 5 October 2017)  
Mrs Margaret Jack  
Ms Sarah King  
Mr Jeremy McIlroy  
(Chair of Finance Committee)  
Mr Mark Newlands (to 5 October 2017)  
Mr Gerry O'Hagan  
Mr Nick Perryman  
Ms Chris Shoukry  
Mr David Spence  
Mr David Williams  
Ms Colette Wilson

### Elected staff members

Professor Sarah Ansari  
Professor Bob Fitzgerald  
(from 1 October 2017)  
Mr John Gregory  
Ms Hazel Jessop (from 1 October 2018)  
Mrs Denise Keable  
Dr Nicole Rickett (to 23 November 2017)  
Professor Elizabeth Schafer

### Elected student members

Ms Emilie Ancelin (Academic year 2017/18)  
Ms Willow Wong (Academic year 2018/19)

### Ex officio members

Professor Paul Layzell, Principal  
Ms Natasha Barrett, President Students' Union (Academic year 2017/18)  
Mr Clem Jones (Academic Year 2018/19)

## Membership of Committees

### Audit and Compliance Committee

**Chair** Ms Colette Wilson

#### Other members

Mr Majid Hawa (to 5 October 2017)  
Mr Gerry O'Hagan (to 30 September 2017)  
Ms Tina Harris  
Ms Chris Shoukry (from 1 October 2017)

#### Co-opted member

Ms Fiona O'Donnell (from 1 October 2017)

### Capital Projects Assurance Committee

**Chair** Mr Nick Perryman

#### Other members

Ms Ann Ewing  
Ms Sarah King  
Mr Jeremy McIlroy  
Ms Chris Shoukry  
Ms Colette Wilson

### President of the Students' Union

Ms Natasha Barrett  
(Academic Year 2017/18)  
Mr Clem Jones (Academic Year 2018/19)

### Council Academic Quality Assurance Committee

**Chair** Mr David Spence

#### Ex officio

Mr Stephen Cox (to 21 November 2018)  
Dame Margaret Hodge  
(from 22 November 2018)  
Professor Sarah Ansari

#### Other members

Mr Gurpreet Dehal (to 21 February 2018)  
Ms Ann Ewing  
Mrs Margaret Jack

### Council Executive

**Chair** Mr Stephen Cox  
(to 21 November 2018)

**Chair** Dame Margaret Hodge  
(from 22 November 2018)

#### Ex officio

Ms Ann Ewing  
Mr Jeremy McIlroy  
Ms Colette Wilson  
Professor Paul Layzell

#### Other members

Mrs Margaret Jack (to 30 September 2017)  
Mrs Christine Goodyear  
(from 1 October 2017)  
Mr Nick Perryman  
Faculty Dean in attendance for business relating to Honorary Awards

### Equality & Diversity Committee

**Chair** Mrs Christine Goodyear

#### Ex officio

Professor Rosemary Deem  
(from 7 March 2017)

### Students' Union Vice President Welfare & Diversity

Ms Willow Wong

### Members

Mrs Margaret Jack (from 1 October 2017)  
Mr Majid Hawa (to 30 September 2017)  
Dr David Ashton

#### Co-opted member

Dr Katie Perry (from 1 October 2018)

### Finance Committee

**Chair** Mr Jeremy McIlroy

#### Ex officio

Ms Ann Ewing  
Professor Paul Layzell  
Dr David Ashton  
Mr Stephen Avery

#### Other members

Mr Gurpreet Dehal (to 30 September 2017)  
Mrs Margaret Jack  
Mr Nick Perryman  
Mr David Williams  
Mr Gerry O'Hagan (from 1 October 2017)

#### Co-opted member

Mr Kevin Meehan (from 1 August 2018)

### Health & Safety Assurance Committee

**Chair** Ms Chris Shoukry

#### Other members

Mr Mark Newlands (to 5 October 2017)  
Mr Gurpreet Dehal (to 21 February 2018)  
Mr Gerry O'Hagan

#### Co-opted external adviser

Mr Simon Whitehead

### Remuneration Committee

**Chair** Ms Ann Ewing

#### Ex officio

Mr Stephen Cox (to 21 November 2018)  
Dame Margaret Hodge  
(from 22 November 2018)  
Mr Jeremy McIlroy

#### Other members

Mrs Christine Goodyear  
Mr Nick Perryman

# Corporate Governance

## Statement of Primary Responsibilities

The Council of Royal Holloway has adopted the CUC Code of Governance (2014) and its Statement of Primary Responsibilities as follows:

### Planning Monitoring and Control:

- To approve the mission and strategic vision of the College, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of the stakeholders and are compliant with the RHBNC Act (the Act) and the charitable objectives of the College.
- To delegate authority to the Principal, as Chief Executive, for the academic, corporate, financial, estate and personnel management of the College. To establish and keep under regular review the policies and procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
- To ensure processes are in place to monitor and evaluate the performance and effectiveness of the College against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.
- To conduct its business in accordance with best practice in higher education corporate governance and the principles of public life drawn up from the Committee on Standards in Public Life.
- To safeguard the good name and values of the College.
- To ensure that the Act and statutes of the College, and the statutes, regulations and ordinances of the University of London are followed at all times and that appropriate advice is available to enable this to happen.

### Appointment and employment:

- To appoint the Principal as Chief Executive and to put in place suitable arrangements for monitoring his/her performance.
- To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the College, there is an appropriate separation in the lines of accountability.
- To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

### Financial and Legal:

- To be the principal financial and business authority of the College, to ensure that proper books of accounts are kept, to approve the annual budget and financial statements and to have overall responsibility for the College's assets, property and estate and investment policy.
- To be the College's legal authority and, as such, to ensure that systems are in place for meeting all the College's legal obligations, including those arising from contracts and other legal commitments made in the College's name.
- To act as trustee for any property, legal endowment, bequest or gift, in support of the work and welfare of the College. All Council Members are charitable trustees of the College and act as Trustees for the Founder's Endowment Fund.

### Student Welfare:

- To receive assurance that adequate provision has been made for the general welfare of Students.

### Financial Statements and Accounting Records

Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the College's Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and UK Generally Accepted Accounting Practice (UK GAAP). In addition, within the terms and conditions of the Terms and Conditions of Funding agreed between the Office for Students, Research England and the Council of the College, Council through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable UK accounting standards have been followed; and
- financial statements are prepared on the going concern basis. Council is satisfied that the College has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

## Corporate Governance

Council has taken reasonable steps to:

- ensure that funds from the Office for Students and Research England are used only for purposes for which they have been given and in accordance with the Terms and Conditions of Funding with the Office for Students and Research England with the Funding Council and any other conditions which they may from time to time prescribe;
- ensure management controls are in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and to prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College system of internal financial control, which are designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by income and expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for the approval and control of expenditure, with major investment decisions being subject to detailed appraisal and review;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee and the Council; and
- a professional Internal Auditor whose annual programme of work is approved by the Audit and Compliance Committee.

All of the current Council members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the College's auditors for the purposes of their audit and to establish that the auditors are aware of that information. Council members are not aware of any relevant audit information of which the auditors are unaware.

The governing body of the College is Council. Council has a Chair and Vice-Chair, who are not members of staff or students. The Principal, who is the chief academic and administrative officer of the College, is appointed by Council.

Council ensures that the College is governed in accordance with the Royal Holloway & Bedford New College Act 1985, its Statutes and Regulations, and under the Terms and Conditions of Funding with the Office for Students and Research England. The Council's role is to set the strategic direction of the College and, through the receipt of reports from its committees and officers, to be assured that its day to day operation is proceeding satisfactorily.

Council has responsibility for maintaining and reviewing an effective system of internal control and for supporting the achievement of the College's policies, aims and objectives, while safeguarding the public funds and other assets for which it is responsible. The system of internal control is designed to manage rather than eliminate the risk of not achieving policies, aims and objectives; it can, therefore, only provide a reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements, and accords with Office for Students guidelines. The process is reviewed by the Council Executive Committee and the Audit and Compliance Committee, which reports directly to Council.

The College's strategy for the management of major operational, compliance and finance risks has been approved by Council. A group of senior officers has analysed the risks facing the College, and has developed a system of key risk indicators. Council's Audit and Compliance Committee keeps under review the effectiveness of the management of risk and receives reports on risk management from the College Planning and Resources Committee and reports to Council as appropriate. Risk management is considered within the corporate planning and decision-making processes of the College. A departmental risk assessment procedure and a major incident management plan have been developed, and an organisation-wide risk register is maintained.

Council meets, as a minimum, five times a year. Its major committees are now the Council Executive Committee, the Finance Committee, the Equality and Diversity Committee, the Audit and Compliance Committee, the Remuneration Committee, the Capital Projects Assurance Committee, the Council Academic Quality Assurance Committee and the Health and Safety Assurance Committee. All of these committees are formally constituted, with terms of reference, and include independent members of Council. Independent members chair all of these committees.

The College is driven by the ambition reflected in its Strategic Plan and the key outcomes set out there. Predominantly these are about continuously improving College's effectiveness, while being ever mindful to ensure the economic and efficient use of resources. To this end the College monitors and assesses activities against a broad definition of value for money including economy, efficiency, effectiveness and equity.

The Finance Committee, *inter alia*, recommends to Council the annual revenue and capital budgets and monitors performance in relation to the approved budgets.

## Corporate Governance

The Council Executive Committee is responsible for strategic development, it appoints the members of the principal committees, and oversees the Council's effectiveness. It also makes nominations to Council for the conferral of honorary degrees and fellowships. Since 2 October 2013 the Council Executive Committee has incorporated the responsibilities of the former Nominations and Honorary Awards Committee and puts forward recommendations to the Council for appointed members of the Council, and recommends to Council the appointment of the Chair and Vice-Chair of Council.

The Remuneration Committee determines the remuneration, terms and conditions of employment of the Principal and Secretary to Council. The Principal and Secretary to Council are not present at the meeting for discussion of these matters. It is responsible for recommending the College's pay strategy to Council and for oversight of the College's various pay related policies.

The Equality and Diversity Committee provides assurance to Council on all issues relating to equality excluding pay.

The Health and Safety Assurance Committee is now formally established. Its purpose is to satisfy itself that the College is managing all activities in accordance with its responsibilities in respect of health and safety of staff, students and any other persons who could be affected by such activities.

The Capital Projects Assurance Committee was established in 2015 to provide assurance to Council that the College was managing major projects effectively and that each stage of the governance process was properly completed.

The Council Academic Quality Assurance Committee was formally established in July 2017 to inform and facilitate Council's formal decision regarding the Annual Accountability Statement required by HEFCE and OfS. The Committee considers and evaluates a report and accompanying enhancement plan relating to the continuous improvement of the student academic experience and student outcomes.

The Audit and Compliance Committee normally meets three times each year, including a meeting with the External Auditors to discuss audit findings, and with the Internal Auditor to consider detailed internal audit reports and recommendations for the improvement of systems of internal control, together with management's response and implementation plans. It also receives and considers reports from HEFCE and OfS as they affect the College's business and monitors adherence with the regulatory requirements. It reviews the annual financial statements together with the accounting policies.

Whilst senior officers attend meetings of the Audit and Compliance Committee as necessary, they are not members of the Committee, and the Committee has the opportunity to meet with the External Auditors on their own for separate discussions.

The College has an Internal Audit service, which operates to standards defined in the Office for Students Directives. The Internal Auditor submits regular reports to the Audit and Compliance Committee including an annual report to the Audit and Compliance Committee which is included in the Committee's report to the Council and the Accountable Officer. The Council subsequently reports to the Office for Students. The reports to the Audit and Compliance Committee include the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

Council's view of the effectiveness of the system of internal control is informed by the work of the Internal Auditor and the managers within the College who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and in other reports.

Mr Jeremy McIlroy  
Chair of Finance Committee  
22 November 2018

# Independent Auditors' Report to the Council of Royal Holloway and Bedford New College

## Opinion

We have audited the financial statements of Royal Holloway and Bedford new College ("the College") and its subsidiaries ("the Group") for the year ended 31 July 2018 which comprise the Consolidated and College Statement of Comprehensive Income, Consolidated Statement of Changes in Reserves, the Balance Sheets for the Group and the College, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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).

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 July 2018 and of the Group's and the College's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

## 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the College'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.

## Other information

The Council are responsible for the other information. 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 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 including the Strategic Report, Public benefit statement, Statement of Corporate Governance and Responsibilities of the Council 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 this regard.

## Opinion on other matters required by the Office for Students ("OfS") and Research England Audit Code of Practice

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and Research England have been applied in accordance with these terms and conditions and any other terms and conditions attached to them.
- The requirements of the OfS's accounts direction have been met.

## Responsibilities of Council

As explained more fully in the Council's responsibilities statement set out on page 11, the Council is 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 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 is responsible for assessing the Group 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 either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

# Independent Auditors' Report to the Council of Royal Holloway and Bedford New College

## 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding from the OfS and Research England.

## Use of our report

This report is made solely to the College Council, as a body, in accordance with Charter and Statutes of the College. Our audit work has been undertaken so that we might state to the College's Council 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 Council members as a body, for our audit work, for this report, or for the opinions we have formed.

James Aston (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Gatwick, West Sussex

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Consolidated Statement of Comprehensive Income for the year ended 31 July 2018

|  | Notes | Year Ended 31 July 2018 |                 | Year ended 31 July 2017 |                 |
|--|-------|-------------------------|-----------------|-------------------------|-----------------|
|  |       | Consolidated<br>£000    | College<br>£000 | Consolidated<br>£000    | College<br>£000 |
| <b>Income</b>                                  |       |                         |                 |                         |                 |
| Tuition fees and education contracts           | 3     | 105,451                 | 105,451         | 101,874                 | 101,874         |
| Funding body grants                            | 4     | 20,636                  | 20,636          | 20,054                  | 20,054          |
| Research grants and contracts                  | 5     | 13,850                  | 13,850          | 13,935                  | 13,935          |
| Other income                                   | 6     | 31,245                  | 31,065          | 28,550                  | 28,352          |
| Investment income                              | 7     | 1,664                   | 1,664           | 1,015                   | 1,015           |
| Donations and endowments                       | 8     | 982                     | 982             | 1,479                   | 1,479           |
| <b>Total income</b>                            |       | <b>173,828</b>          | <b>173,648</b>  | <b>166,907</b>          | <b>166,709</b>  |
| <b>Expenditure</b>                             |       |                         |                 |                         |                 |
| Staff costs                                    | 9     | 93,859                  | 93,859          | 91,825                  | 91,825          |
| Other operating expenses                       | 11    | 56,820                  | 56,640          | 54,895                  | 54,697          |
| Amortisation of intangible fixed assets        | 13    | 424                     | 424             | 332                     | 332             |
| Depreciation                                   | 15    | 14,284                  | 14,284          | 11,958                  | 11,958          |
| Interest and other finance costs               | 10    | 4,194                   | 4,194           | 2,234                   | 2,234           |
| <b>Total expenditure</b>                       |       | <b>169,581</b>          | <b>169,401</b>  | <b>161,244</b>          | <b>161,046</b>  |
| <b>Surplus before other gains and losses</b>   |       |                         |                 |                         |                 |
|  |       | <b>4,247</b>            | <b>4,247</b>    | 5,663                   | 5,663           |
| Loss on disposal of fixed assets               |       | (6)                     | (6)             | (209)                   | (209)           |
| Gain on investments                            | 21    | 813                     | 813             | 3,866                   | 3,866           |
| Gain on disposal of shares in associate        | 14    | -                       | -               | 378                     | 378             |
| Change in Market value of investment property  | 15    | (3,404)                 | (3,404)         | -                       | -               |
| <b>Surplus before tax</b>                      |       | <b>1,650</b>            | <b>1,650</b>    | <b>9,698</b>            | <b>9,698</b>    |
| Taxation                                       | 12    | (11)                    | (11)            | -                       | -               |
| <b>Surplus for the year</b>                    |       | <b>1,639</b>            | <b>1,639</b>    | <b>9,698</b>            | <b>9,698</b>    |
| Movement in cash flow hedge                    | 19    | 1,918                   | 1,918           | 2,669                   | 2,669           |
| <b>Other comprehensive income for the year</b> |       | <b>1,918</b>            | <b>1,918</b>    | <b>2,669</b>            | <b>2,669</b>    |
| <b>Total comprehensive Income for the year</b> |       | <b>3,557</b>            | <b>3,557</b>    | <b>12,367</b>           | <b>12,367</b>   |
| Represented by:                                |       |                         |                 |                         |                 |
| Endowment comprehensive income for the year    |       | 813                     | 813             | 4,268                   | 4,268           |
| Restricted comprehensive income for the year   |       | 593                     | 593             | 358                     | 358             |
| Unrestricted comprehensive income for the year |       | 233                     | 233             | 5,072                   | 5,072           |
| Cash flow hedge                                |       | 1,918                   | 1,918           | 2,669                   | 2,669           |
|  |       | <b>3,557</b>            | <b>3,557</b>    | <b>12,367</b>           | <b>12,367</b>   |

The surplus and total comprehensive income for the year is attributable to College and its subsidiary and relates to continuing activities.

The notes on pages 22 to 40 form part of the financial statements.

## Consolidated and College Statement of Changes in Reserves for the year ended 31 July 2018

| Consolidated   | Income and expenditure account |                   |                     | Cash flow<br>hedge<br>reserve | Revaluation<br>reserve | Total          |
|--|--------------------------------|-------------------|---------------------|-------------------------------|------------------------|----------------|
|  | <i>Endowment</i>               | <i>Restricted</i> | <i>Unrestricted</i> |                               |                        |                |
|  | £000                           | £000              | £000                |                               |                        |                |
| <b>Balance at 1 August 2016</b>  | <b>75,334</b>                  | <b>172</b>        | <b>87,215</b>       | <b>(10,851)</b>               | <b>126,449</b>         | <b>278,319</b> |
| Surplus from the income and expenditure statement                                | 4,268                          | 358               | 5,072               | -                             | -                      | 9,698          |
| Hedge effective portion of change in fair value of designated hedging instrument | -                              | -                 | -                   | 2,669                         | -                      | 2,669          |
| Release of restricted funds spent in year  | -                              | (524)             | 524                 | -                             | -                      | -              |
| Release of revaluation reserves in year  | -                              | -                 | 311                 | -                             | (311)                  | -              |
|  | 4,268                          | (166)             | 5,907               | 2,669                         | (311)                  | 12,367         |
| <b>Balance at 1 August 2017</b>  | <b>79,602</b>                  | <b>6</b>          | <b>93,122</b>       | <b>(8,182)</b>                | <b>126,138</b>         | <b>290,686</b> |
| Surplus from the income and expenditure statement                                | 813                            | 593               | 233                 | -                             | -                      | 1,639          |
| Hedge effective portion of change in fair value of designated hedging instrument | -                              | -                 | -                   | 1,918                         | -                      | 1,918          |
| Release of restricted funds spent in year  | -                              | (599)             | 599                 | -                             | -                      | -              |
| Release of revaluation reserves in year  | -                              | -                 | 311                 | -                             | (311)                  | -              |
| Total comprehensive income for the year  | 813                            | (6)               | 1,143               | 1,918                         | (311)                  | 3,557          |
| <b>Balance at 31 July 2018</b>   | <b>80,415</b>                  | <b>-</b>          | <b>94,265</b>       | <b>(6,264)</b>                | <b>125,827</b>         | <b>294,243</b> |
| <b>College</b>   |                                |                   |                     |                               |                        |                |
| College  | Income and expenditure account |                   |                     | Cash flow<br>hedge<br>reserve | Revaluation<br>reserve | Total          |
|  | <i>Endowment</i>               | <i>Restricted</i> | <i>Unrestricted</i> |                               |                        |                |
|  | £000                           | £000              | £000                |                               |                        |                |
| <b>Balance at 1 August 2016</b>  | <b>75,334</b>                  | <b>172</b>        | <b>87,111</b>       | <b>(10,851)</b>               | <b>126,449</b>         | <b>278,215</b> |
| Surplus from the income and expenditure statement                                | 4,268                          | 358               | 5,072               | -                             | -                      | 9,698          |
| Hedge effective portion of change in fair value of designated hedging instrument | -                              | -                 | -                   | 2,669                         | -                      | 2,669          |
| Release of restricted funds spent in year  | -                              | (524)             | 524                 | -                             | -                      | -              |
| <b>Release of revaluation reserves in year</b>                                   | -                              | -                 | 311                 | -                             | (311)                  | -              |
|  | 4,268                          | (166)             | 5,907               | 2,669                         | (311)                  | 12,367         |
| <b>Balance at 1 August 2017</b>  | <b>79,602</b>                  | <b>6</b>          | <b>93,018</b>       | <b>(8,182)</b>                | <b>126,138</b>         | <b>290,582</b> |
| Surplus from the income and expenditure statement                                | 813                            | 593               | 233                 | -                             | -                      | 1,639          |
| Hedge effective portion of change in fair value of designated hedging instrument | -                              | -                 | -                   | 1,918                         | -                      | 1,918          |
| Release of restricted funds spent in year  | -                              | (599)             | 599                 | -                             | -                      | -              |
| Release of revaluation reserves in year  | -                              | -                 | 311                 | -                             | (311)                  | -              |
| Total comprehensive income for the year  | 813                            | (6)               | 1,143               | 1,918                         | (311)                  | 3,557          |
| <b>Balance at 31 July 2018</b>   | <b>80,415</b>                  | <b>-</b>          | <b>94,161</b>       | <b>(6,264)</b>                | <b>125,827</b>         | <b>294,139</b> |

The notes on pages 22 to 40 form part of the financial statements.

## Consolidated and College Balance Sheets

### as at 31 July 2018

|   | Notes | Year Ended 31 July 2018 |                  | Year ended 31 July 2017 |                  |
|---|-------|-------------------------|------------------|-------------------------|------------------|
|   |       | Consolidated<br>£000    | College<br>£000  | Consolidated<br>£000    | College<br>£000  |
| <b>Non-current assets</b>                               |       |                         |                  |                         |                  |
| Intangible assets                                       | 13    | 5,183                   | 5,183            | 2,693                   | 2,693            |
| Investments   | 14    | 53,272                  | 53,272           | 51,990                  | 51,990           |
| Fixed assets  | 15    | <u>408,416</u>          | <u>408,416</u>   | <u>388,332</u>          | <u>388,332</u>   |
|   |       | <u>466,871</u>          | <u>466,871</u>   | <u>443,015</u>          | <u>443,015</u>   |
| <b>Current assets</b>                                   |       |                         |                  |                         |                  |
| Stock   |       | 327                     | 327              | 336                     | 336              |
| Debtors   | 16    | 12,030                  | 11,998           | 10,152                  | 10,194           |
| Investments   | 17    | 4,000                   | 4,000            | 25,000                  | 25,000           |
| Cash and cash equivalents                               |       | <u>19,287</u>           | <u>19,066</u>    | <u>25,972</u>           | <u>25,799</u>    |
|   |       | <u>35,644</u>           | <u>35,391</u>    | <u>61,460</u>           | <u>61,329</u>    |
| Less: Creditors: amounts falling due within one year    | 18    | <u>(45,737)</u>         | <u>(45,588)</u>  | <u>(46,396)</u>         | <u>(46,369)</u>  |
| <b>Net current assets</b>                               |       | <u>(10,093)</u>         | <u>(10,197)</u>  | <u>15,064</u>           | <u>14,960</u>    |
| Creditors: amounts falling due after more than one year | 19    | <u>(146,099)</u>        | <u>(146,099)</u> | <u>(149,675)</u>        | <u>(149,675)</u> |
| <b>Provisions</b>                                       |       |                         |                  |                         |                  |
| Provisions for liabilities                              | 20    | <u>(16,436)</u>         | <u>(16,436)</u>  | <u>(17,718)</u>         | <u>(17,718)</u>  |
| <b>Total net assets</b>                                 |       | <u>294,243</u>          | <u>294,139</u>   | <u>290,686</u>          | <u>290,582</u>   |
| <b>Restricted Reserves</b>                              |       |                         |                  |                         |                  |
| Income and expenditure reserve – endowment reserve      | 21    | 80,415                  | 80,415           | 79,602                  | 79,602           |
| Income and expenditure reserve – restricted reserve     | 22    | -                       | -                | 6                       | 6                |
| Cash flow reserve                                       |       | <u>(6,264)</u>          | <u>(6,264)</u>   | <u>(8,182)</u>          | <u>(8,182)</u>   |
| <b>Unrestricted Reserves</b>                            |       |                         |                  |                         |                  |
| Income and expenditure reserve – unrestricted           |       | 94,265                  | 94,161           | 93,122                  | 93,018           |
| Revaluation reserve                                     |       | <u>125,827</u>          | <u>125,827</u>   | <u>126,138</u>          | <u>126,138</u>   |
| <b>Total Reserves</b>                                   |       | <u>294,243</u>          | <u>294,139</u>   | <u>290,686</u>          | <u>290,582</u>   |

The financial statements were approved and authorised for issue by the Governing Body on 22 November 2018 and were signed on its behalf on that date by:

Mr Jeremy McIlroy, Chair of Finance Committee  
Professor Paul Layzell, Principal

The notes on pages 22 to 40 form part of the financial statements.

# Consolidated Cash Flow Statement

## for the year ended 31 July 2018

|   | Notes | Year ended<br>31 July<br>2018<br>£000 | Year ended<br>31 July<br>2017<br>£000 |
|---|-------|---------------------------------------|---------------------------------------|
| <b>Cash flows from operating activities</b>                     |       |                                       |                                       |
| Surplus for the year  |       | 1,639                                 | 9,698                                 |
| <b>Adjustment for non-cash items</b>                            |       |                                       |                                       |
| Amortisation of intangible assets                               | 13    | 424                                   | 332                                   |
| Depreciation  | 15    | 14,284                                | 11,958                                |
| Revaluation of investment property                              | 15    | 3,404                                 | -                                     |
| Revaluation of endowments assets                                | 21    | (813)                                 | (3,866)                               |
| Decrease/(increase) in stock                                    |       | 9                                     | (34)                                  |
| Decrease in debtors   | 16    | (1,878)                               | 4,068                                 |
| Increase in creditors   | 18    | 3,822                                 | 5,478                                 |
| Decrease in derivative financial instruments                    | 19    | (2,053)                               | (2,847)                               |
| Decrease/(increase) in provisions                               | 20    | (1,282)                               | 667                                   |
| <b>Adjustment for investing or financing activities</b>         |       |                                       |                                       |
| Investment income   | 7     | (1,664)                               | (1,015)                               |
| Interest payable  | 10    | 4,020                                 | 1,971                                 |
| Interest (credit) on ineffective portion of hedging instruments |       | (135)                                 | (178)                                 |
| Profit on disposal of shares in associate                       |       | -                                     | (378)                                 |
| Loss on the sale of fixed assets                                | 15    | 6                                     | 209                                   |
| Capital grant income  |       | (2,381)                               | (2,391)                               |
| <b>Net cash inflow from operating activities</b>                |       | <b>17,402</b>                         | <b>23,672</b>                         |
| <b>Cash flows from investing activities</b>                     |       |                                       |                                       |
| Capital grants receipts   |       | 1,574                                 | 3,048                                 |
| Investment income   | 7     | 1,664                                 | 1,015                                 |
| Payments made to acquire intangible assets                      | 13    | (2,914)                               | (864)                                 |
| Payments made to acquire tangible fixed assets                  | 15    | (37,527)                              | (80,386)                              |
| Proceeds of sale of fixed assets                                |       | -                                     | -                                     |
| Proceeds of investments   | 14    | 5,679                                 | 31,521                                |
| Purchase of investments   | 14    | (6,148)                               | (32,167)                              |
| Proceeds from sale of shares in associate                       | 14    | -                                     | 378                                   |
| Decrease in current asset investments in the year               | 17    | 21,000                                | 26,000                                |
|   |       | <b>(16,672)</b>                       | <b>(51,455)</b>                       |
| <b>Cash flows from financing activities</b>                     |       |                                       |                                       |
| Interest paid   | 10    | (4,277)                               | (4,481)                               |
| Repayments of amounts borrowed                                  | 19    | (3,138)                               | (3,646)                               |
|   |       | <b>(7,415)</b>                        | <b>(8,127)</b>                        |
|   |       | <b>(6,685)</b>                        | <b>(35,910)</b>                       |
| Cash and cash equivalents at beginning of the year              |       | 25,972                                | 61,882                                |
| Cash and cash equivalents at end of the year                    |       | 19,287                                | 25,972                                |
| <b>(Decrease) in cash and cash equivalents in the year</b>      |       | <b>(6,685)</b>                        | <b>(35,910)</b>                       |

The notes on pages 22 to 40 form part of the financial statements.

# Notes to the Financial Statements

## 1 Statement of Principal Accounting Policies

### i Basis of preparation

These financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2014) and other applicable accounting standards. The College is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards.

### ii Parent disclosure exemptions

In preparing the separate financial statements of the College, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the College; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the College as their remuneration is included in the totals for the group as a whole.

### iii Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertaking Royal Holloway Enterprise Limited for the financial year to 31 July 2018. Intra-group transactions are eliminated on consolidation.

### iv Income recognition

Income from the sale of services is credited to the Consolidated Statement of Comprehensive Income when the services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Revenue government grants including funding council block and government research grants are recognised within the Consolidated Statement of Income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Consolidated Statement of Income in line with such conditions being met.

Capital government grants are recognised in income on a systematic basis over the expected useful life of the asset to which the grant relates.

Capital and revenue grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Consolidated Statement of Comprehensive Income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Consolidated Statement of Income in line with such conditions being met.

Donations and endowments are recognised within the Consolidated Statement of Comprehensive Income when the College is entitled to the Income.

Income from donations and endowments with donor imposed restrictions is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restriction applied to the individual endowment fund.

### v Accounting for retirement benefits

The two principal pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

The USS and SAUL are multi-employer schemes for which it is not possible to identify the assets and liabilities to College as members due to the mutual nature of the scheme and therefore the schemes are accounted for as defined contribution retirement benefit schemes.

A liability is recorded within provisions for any contractual commitment to fund past service deficits.

### vi Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

### vii Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

# Notes to the Financial Statements

## viii Foreign currency

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

## ix Fixed and intangible assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives, usually fifty years.

Leasehold land and buildings are depreciated over the remaining life of the lease.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College and are depreciated over the period of the expected future benefits. This is usually twenty years for services and ten years for minor works.

For student residences where a cyclical refurbishment programme is in place, the original costs of the components are depreciated over their useful lives of five to twelve years, as appropriate, and the refurbishment spend is capitalised and depreciated in the same way.

No depreciation is charged on assets in the course of construction.

Borrowing costs which are directly attributable to the acquisition, construction or production of a building are capitalised.

### Picture Collection

The College houses a collection of paintings gifted by Thomas Holloway, the founder of Royal Holloway College.

The pictures are included in the balance sheet with the other fixed assets. An external professional valuation was carried out in 2016; the valuation is assessed on the basis of high auction value. A professional valuation will continue to be carried out at least once every five years, with an update in year three, also performed by a qualified valuer.

### Equipment

Equipment, including computers and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over five years or its expected useful life if this is different.

Furniture and fittings are written off in the year of acquisition, except the costs of furniture and fittings for a new building or major refurbishment which are capitalised and depreciated over the expected lifetime of the asset, usually ten years.

Software costs that are directly attributable to bringing an item of hardware into productive use, such as laboratory equipment and computer operating systems, are classified as tangible fixed assets, and are depreciated over the same life as the hardware or equipment.

### Intangible assets

Networked applications software that is provided using virtual server architecture, is classified as an intangible fixed asset and is depreciated over five years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

### Investments

Fixed asset investments are held at fair value with movements recognised in the Consolidated Statement of Income.

## x Derivatives

Derivatives are held on the Balance Sheet at fair value. The College has adopted and complied with the requirements of hedge accounting and as a result movements in fair value are recorded within other Comprehensive Income, to the extent the hedge is effective, and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in surplus or deficit for the period.

## xi Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value, typically with a term less than three months.

## xii Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

# Notes to the Financial Statements

The College's subsidiary, Royal Holloway Enterprise Limited, is liable to Corporation Tax in the same way as any other commercial organisation.

## xiii Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund as the University must hold the fund to perpetuity.

Other restricted reserves include balances for which the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

### Founder's Endowment Fund

The Founder's Endowment Fund which was created from the proceeds of the sale of three pictures from the collection and is held in a separate trust. Income from the Fund is credited to the Income and Expenditure Account on a receivable basis. Income is applied in accordance with the purposes of the Scheme; any unapplied income is disclosed as a restricted reserve.

## xiv Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

## xv Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

## xvi Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

## xvii Finance costs

Finance costs are charged to surplus or deficit over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements Council have made the following judgements:

- Determine whether leases entered into by College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance.
- The liability for the contributions in respect of the past service deficits of its USS and SAUL defined benefit schemes will be covered by the recovery plans agreed following the March 2014 valuations.

### Other key sources of estimation uncertainty

- Rental and other trade receivables (see note 16)  
The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on individual debtor balances to consider whether each debt is recoverable.
- Tangible fixed assets (see note 15)  
The investment property is stated at fair value. The College confirms this valuation based on rental income receivable and market valuation of land.  
  
Tangible fixed assets, other than investment properties, are depreciated over their useful lives, taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as the condition and future use of the asset are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value.
- Derivatives (see note 19)  
The derivatives are a hedge of variable interest rate risks and are accounted for at fair value. The change in fair value in the period was recognised in other comprehensive income as the swaps were substantially effective.

# Notes to the Accounts

## for the year ended 31 July 2018

|  | Notes | Year Ended 31 July 2018 |                 | Year ended 31 July 2017 |                 |
|--|-------|-------------------------|-----------------|-------------------------|-----------------|
|  |       | Consolidated<br>£000    | College<br>£000 | Consolidated<br>£000    | College<br>£000 |
| <b>3 Tuition fees and education contracts</b>    |       |                         |                 |                         |                 |
| Full-time home and EU students                   |       | 64,374                  | 64,374          | 60,687                  | 59,265          |
| Full-time international students                 |       | 29,903                  | 29,903          | 29,848                  | 29,848          |
| Part-time students                               |       | 1,153                   | 1,153           | 1,244                   | 2,666           |
| Research Training Support Grant                  |       | 5,657                   | 5,657           | 5,341                   | 5,341           |
| Short course and Other fees                      |       | 4,364                   | 4,364           | 4,754                   | 4,754           |
|  |       | <u>105,451</u>          | <u>105,451</u>  | <u>101,874</u>          | <u>101,874</u>  |
| <b>4 Funding body grants</b>                     |       |                         |                 |                         |                 |
| <b>Recurrent grant</b>                           |       |                         |                 |                         |                 |
| Teaching   |       | 4,514                   | 4,514           | 4,490                   | 4,490           |
| Research   |       | 12,941                  | 12,941          | 12,586                  | 12,586          |
| <b>Specific grants</b>                           |       | <b>1,006</b>            | <b>1,006</b>    | <b>806</b>              | <b>806</b>      |
| <b>Deferred capital grants released in year:</b> |       |                         |                 |                         |                 |
| Buildings  |       | 1,604                   | 1,604           | 1,791                   | 1,791           |
| Equipment  |       | 571                     | 571             | 381                     | 381             |
|  |       | <u>20,636</u>           | <u>20,636</u>   | <u>20,054</u>           | <u>20,054</u>   |
| <b>5 Research grants and contracts</b>           |       |                         |                 |                         |                 |
| Research councils                                |       | 7,123                   | 7,123           | 7,136                   | 7,136           |
| Research charities                               |       | 1,730                   | 1,730           | 1,313                   | 1,313           |
| Government (UK and overseas)                     |       | 2,662                   | 2,662           | 3,005                   | 3,005           |
| Industry and commerce                            |       | 1,802                   | 1,802           | 2,093                   | 2,093           |
| Other  |       | 533                     | 533             | 388                     | 388             |
|  |       | <u>13,850</u>           | <u>13,850</u>   | <u>13,935</u>           | <u>13,935</u>   |
| <b>6 Other income</b>                            |       |                         |                 |                         |                 |
| Residences, catering and conferences             |       | 24,798                  | 24,798          | 22,201                  | 22,201          |
| Other services rendered                          |       | 1,089                   | 822             | 1,155                   | 868             |
| Released from deferred capital grants            |       | 5                       | 5               | 414                     | 414             |
| Other income                                     |       | 5,353                   | 5,440           | 4,780                   | 4,869           |
|  |       | <u>31,245</u>           | <u>31,065</u>   | <u>28,550</u>           | <u>28,352</u>   |
| <b>7 Investment income</b>                       |       |                         |                 |                         |                 |
| Investment income on endowments                  | 21    | 1,457                   | 1,457           | 644                     | 644             |
| Other investment income                          |       | 207                     | 207             | 371                     | 371             |
|  |       | <u>1,664</u>            | <u>1,664</u>    | <u>1,015</u>            | <u>1,015</u>    |
| <b>8 Donations and endowments</b>                |       |                         |                 |                         |                 |
| New endowments                                   | 21    | -                       | -               | 402                     | 402             |
| Donations with restrictions                      | 22    | 593                     | 593             | 358                     | 358             |
| Unrestricted donations                           |       | 389                     | 389             | 719                     | 719             |
|  |       | <u>982</u>              | <u>982</u>      | <u>1,479</u>            | <u>1,479</u>    |

## Notes to the Accounts

### for the year ended 31 July 2018

#### 9 Staff costs

|                                | Year Ended 31 July 2018 |                 | Year ended 31 July 2017 |                 |
|--------------------------------|-------------------------|-----------------|-------------------------|-----------------|
|                                | Consolidated<br>£000    | College<br>£000 | Consolidated<br>£000    | College<br>£000 |
| Staff Costs:                   |                         |                 |                         |                 |
| Salaries                       | 70,810                  | 70,810          | 68,109                  | 68,109          |
| Social security costs          | 7,785                   | 7,785           | 7,146                   | 7,146           |
| Movement on Pension Provisions | (1,886)                 | (1,886)         | 226                     | 226             |
| Other pension costs            | 17,150                  | 17,150          | 16,344                  | 16,344          |
| Total                          | <u>93,859</u>           | <u>93,859</u>   | <u>91,825</u>           | <u>91,825</u>   |

|  | Year ended<br>31 July<br>2018<br>£000 | Year ended<br>31 July<br>2017<br>£000 |
|--|---------------------------------------|---------------------------------------|
| Emoluments of the Principal:                   |                                       |                                       |
| Salary   | 301                                   | 301                                   |
| Benefits in Kind – accommodation running costs | 14                                    | 11                                    |
| Non taxable benefits – accommodation costs     | 31                                    | 31                                    |
|  | <u>346</u>                            | <u>343</u>                            |
| Pension contributions to USS                   | 6                                     | 6                                     |
|  | <u>352</u>                            | <u>349</u>                            |

The College provides accommodation to the Principal of the College which otherwise would yield an annual rental income in the local rental market. This benefit has been calculated based on the P11D living accommodation valuation. The College perceives the benefits of the Principal's proximity to the College as essential in all operational and strategic matters.

The College is a multi-faculty Higher Education Institution, offering undergraduate and postgraduate degrees and carrying out academic research. It is one of eighteen self-governing Colleges and nine smaller specialist research institutes of the University of London. It is financially independent, competes internationally, and has a diverse student population from over 140 countries. The College is a Charity Incorporated in the United Kingdom by Act of Parliament: Royal Holloway and Bedford New College Act 1985.

The College has an annual income of £174m and contributes in the region of £481m to the UK economy as a

whole. The College educates 9,615 FTE students and employs an average of 1,534 FTE staff. It is recognised consistently as being one of the top UK universities in major league tables, currently being ranked in the top 25, and excellent research informs its teaching.

The College Remuneration Committee determines on appointment and annually, the remuneration of the Principal of the College. The terms of reference of the Remuneration Committee state that this will be done 'having regard to College policies, national and international trends and nationally negotiated terms, as well as the financial and operational circumstances of the College.'

The Remuneration Committee is chaired by the Vice Chair of Council. Membership includes, the Chair of the Finance Committee and two independent members of Council. Up to two additional members are co-opted in line with Council Regulations.

# Notes to the Accounts

## for the year ended 31 July 2018

### 9 Staff costs (continued)

In determining a salary which is fair, appropriate and justifiable in line with the requirements of the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code, the Committee takes into account data provided by the Senior Staff Remuneration Survey provided by the Universities and Colleges Employers Association (UCEA) and the CUC Survey of Vice-Chancellors' Remuneration. The Committee additionally considers the annual pay award made to all staff following negotiation through the Joint Negotiating Committee for Higher Education Staff (JNCHES). The Committee also takes account of the College's financial position and therefore its ability to pay. In addition, this year the Committee has considered the pay multiple as detailed in the CUC Code and in relation to the median earnings of the whole Institution. The Committee considers the Principal's

performance in accordance with College policy. Objectives are set annually by the Chair of Council. They are specific and measurable and are reviewed in the annual appraisal of the Principal's performance by the Chair of Council.

The Principal of the College's basic salary is 13.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the College to its staff. With the exclusion of casual staff, this ratio is 8.7 times the median salary.

The Principal of the College's total remuneration is 10.5 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the College of its staff. With the exclusion of casual staff, this ratio is 7.6 times the median salary.

|   | Year ended<br>31 July<br>2018 | Year ended<br>31 July<br>2017 |
|---|-------------------------------|-------------------------------|
|   | Number                        | Number                        |
| <b>Remuneration of other higher paid staff, excluding employer's pension contributions.</b> |                               |                               |
| £100,000 to £104,999  | 8                             | 11                            |
| £105,000 to £109,999  | 6                             | 4                             |
| £110,000 to £114,999  | 9                             | 9                             |
| £115,000 to £119,999  | 6                             | 3                             |
| £120,000 to £124,999  | 1                             | 1                             |
| £125,000 to £129,999  | -                             | -                             |
| £130,000 to £134,999  | -                             | 1                             |
| £135,000 to £139,999  | 2                             | 2                             |
| £140,000 to £144,999  | -                             | -                             |
| £145,000 to £149,999  | 1                             | -                             |
| £150,000 to £154,999  | 1                             | 2                             |
| £155,000 to £159,999  | -                             | -                             |
| £160,000 to £164,999  | 1                             | 1                             |
| £165,000 to £169,999  | 2                             | 1                             |

## Notes to the Accounts

### for the year ended 31 July 2018

#### 9 Staff costs (continued)

Employees are able to opt for a reduced contractual salary, with the College then making the pension contribution, formerly paid by the employee, as additional employer's contributions. Staff Costs reflect the reduced contractual salary and increased employer contribution of £5,004k (2016/7 £4,679k) in total, as applicable.

The Emoluments of the Principal and Remuneration of Other Higher Paid Staff are shown prior to any salary sacrifice.

|   | Year ended<br>31 July<br>2018 | Year ended<br>31 July<br>2017 |
|---|-------------------------------|-------------------------------|
| <b>Average staff numbers by major category:</b>                 | <b>Number</b>                 | Number                        |
| Academic, Research and Other                                    | 744                           | 716                           |
| Management & specialist   | 619                           | 593                           |
| Technical   | 63                            | 62                            |
| Other   | 108                           | 105                           |
|   | <u>1,534</u>                  | <u>1,476</u>                  |
|   | <b>£000</b>                   | £000                          |
| Compensation for loss of office payable to senior post-holders: | -                             | -                             |

The total amount of compensation for loss of office across the College was £165k (2016/17 £340k).

|                                       | Year ended<br>31 July<br>2018 | Year ended<br>31 July<br>2017 |
|---------------------------------------|-------------------------------|-------------------------------|
|                                       | <b>£000</b>                   | £000                          |
| Key management personnel compensation | <u>1,526</u>                  | <u>1,366</u>                  |

#### Council Members

The College's council members are the trustees for charitable law purposes.

Council members (the trustees) received no payment for acting as trustees in 2017/18 and no such payment was made in prior years. In 2017/18 expenses of £4k (2016/17 £2k) were paid to 9 (2016/17 7) non-staff trustees for travel, subsistence and business entertaining.

There are no related party transactions relating to Council Members to be disclosed.

## Notes to the Accounts for the year ended 31 July 2018

|  | Notes | Year Ended 31 July 2018 |                 | Year ended 31 July 2017 |                 |
|--|-------|-------------------------|-----------------|-------------------------|-----------------|
|  |       | Consolidated<br>£000    | College<br>£000 | Consolidated<br>£000    | College<br>£000 |
| <b>10 Interest and other finance costs</b>                             |       |                         |                 |                         |                 |
| Loan interest  |       | 4,277                   | 4,277           | 4,481                   | 4,481           |
| Loan interest capitalised  |       | (257)                   | (257)           | (2,510)                 | (2,510)         |
|  |       | <u>4,020</u>            | <u>4,020</u>    | <u>1,971</u>            | <u>1,971</u>    |
| Interest (credit)/charge on ineffective portion of hedging instruments | 19    | (135)                   | (135)           | (178)                   | (178)           |
| Net charge on pension scheme   | 25    | 309                     | 309             | 441                     | 441             |
|  |       | <u>4,194</u>            | <u>4,194</u>    | <u>2,234</u>            | <u>2,234</u>    |
| <b>11 Analysis of total expenditure by activity</b>                    |       |                         |                 |                         |                 |
| Academic, research and related expenditure                             |       | 23,828                  | 23,828          | 23,393                  | 23,393          |
| Administration and central services                                    |       | 11,720                  | 11,720          | 9,157                   | 9,157           |
| Premises   |       | 10,006                  | 10,006          | 10,264                  | 10,264          |
| Residences, catering and conferences                                   |       | 1,815                   | 1,815           | 1,797                   | 1,797           |
| Other expenses   |       | 9,451                   | 9,271           | 10,284                  | 10,086          |
|  |       | <u>56,820</u>           | <u>56,640</u>   | <u>54,895</u>           | <u>54,697</u>   |
| Other operating expenses include:                                      |       |                         |                 |                         |                 |
| External auditors remuneration in respect of audit services            |       | 56                      | 55              | 55                      | 54              |
| External auditors remuneration in respect of non-audit services        |       | 3                       | 3               | 3                       | 3               |
| <b>12 Taxation</b>   |       |                         |                 |                         |                 |
| <b>Recognised in the statement of comprehensive income</b>             |       |                         |                 |                         |                 |
| <b>Current tax</b>   |       |                         |                 |                         |                 |
| Taxation on Research and Development Expenditure Credit                |       | 11                      | 11              | -                       | -               |
| <b>Current tax expense</b>   |       | <u>11</u>               | <u>11</u>       | <u>-</u>                | <u>-</u>        |

As explained in the accounting policies, the College is potentially exempt from taxation because of its charitable status and no taxation on income or capital gains was payable for 2017/18 or 2016/17. A charge was made in 2017/18 in relation to a Research and Development Expenditure Credit claim made during the year.

## Notes to the Accounts

### for the year ended 31 July 2018

#### 13 Intangible assets

| <b>Consolidated and College</b>       | <b>Total<br/>£000</b> |
|---------------------------------------|-----------------------|
| <b>Networked Application Software</b> |                       |
| <b>Cost</b>                           |                       |
| At 1 August 2017                      | 3,773                 |
| Additions in the year                 | 2,914                 |
| <b>At 31 July 2018</b>                | <b>6,687</b>          |
| <b>Amortisation</b>                   |                       |
| At 1 August 2017                      | 1,080                 |
| Amortisation charge for the year      | 424                   |
| <b>At 31 July 2018</b>                | <b>1,504</b>          |
| <b>Net book value</b>                 |                       |
| <b>At 31 July 2018</b>                | <b>5,183</b>          |
| At 31 July 2017                       | 2,693                 |

#### 14 Investments

| <b>Consolidated and College</b> |  |               |
|---------------------------------|--|---------------|
| <b>Endowment Assets</b>         |  |               |
| At 1 August 2017                |  | 51,990        |
| Additions                       |  | 6,148         |
| Disposals                       |  | (5,679)       |
| Appreciation of Investments     |  | 813           |
| <b>At 31 July 2018</b>          |  | <b>53,272</b> |

| Name                                 | Country of Incorporation | Principal Activity                         | % of shares held by |
|--------------------------------------|--------------------------|--|---------------------|
| <b>Subsidiary Undertakings</b>       |                          |  | College & Group     |
| Royal Holloway Enterprise Ltd        | Great Britain            | Consultancy                                | 100                 |
| <b>Associates and Joint ventures</b> |                          |  |                     |
| Abatis (UK) Limited                  | Great Britain            | Business and domestic software development | 19                  |

GPSeer Limited was dissolved on 27th February 2018.

College holds 99 shares in Royal Holloway Enterprise Limited, the remaining share is held by a nominee on behalf of College.

The cost and net book value of Fixed Asset Investments are less than £1k.

The Council considers that the fair value of fixed asset investments is not materially different to cost.

# Notes to the Accounts

## for the year ended 31 July 2018

### 15 Fixed Assets

|   | Freehold<br>Land and<br>Buildings | Investment<br>Property | Leasehold<br>Land and<br>Buildings | Picture<br>Collection | Fixtures,<br>Fittings and<br>Equipment | Assets in the<br>Course of<br>Construction | Total<br>Tangible<br>Assets |
|---|-----------------------------------|------------------------|------------------------------------|-----------------------|--|--|-----------------------------|
| Consolidated and College                      | £000                              | £000                   | £000                               | £000                  | £000                                   | £000                                       | £000                        |
| <b>Cost or valuation</b>                      |                                   |                        |                                    |                       |  |  |                             |
| At 1 August 2017                              | 304,158                           | 20,404                 | 7,218                              | 27,063                | 36,962                                 | 104,535                                    | 500,340                     |
| Additions                                     | 8,671                             | -                      | 1                                  | -                     | 5,732                                  | 23,380                                     | 37,784                      |
| Completed Assets                              | 104,626                           | -                      | -                                  | -                     | 18,160                                 | (122,787)                                  | -                           |
| Loss on revaluation of<br>Investment Property | -                                 | (3,404)                | -                                  | -                     | -                                      | -  | (3,404)                     |
| Disposals                                     | -                                 | -                      | -                                  | -                     | (23)                                   | (8)  | (31)                        |
| <b>At 31 July 2018</b>                        | <b>417,455</b>                    | <b>17,000</b>          | <b>7,219</b>                       | <b>27,063</b>         | <b>60,831</b>                          | <b>5,120</b>                               | <b>534,689</b>              |
| <b>Consisting of valuation as at:</b>         |                                   |                        |                                    |                       |  |  |                             |
| 31 July 2018                                  | 162,706                           | -                      | 1,800                              | -                     | 795                                    | -  | 165,301                     |
| Cost  | 254,749                           | 17,000                 | 5,419                              | 27,063                | 60,021                                 | 5,120                                      | 369,372                     |
|   | <b>417,455</b>                    | <b>17,000</b>          | <b>7,219</b>                       | <b>27,063</b>         | <b>60,816</b>                          | <b>5,120</b>                               | <b>534,673</b>              |
| <b>Depreciation</b>                           |                                   |                        |                                    |                       |  |  |                             |
| At 1 August 2017                              | 83,450                            | -                      | 2,755                              | -                     | 25,803                                 | -  | 112,008                     |
| Charge for the year                           | 9,270                             | -                      | 419                                | -                     | 4,595                                  | -  | 14,284                      |
| Disposals                                     | -                                 | -                      | -                                  | -                     | (19)                                   | -  | (19)                        |
| <b>At 31 July 2018</b>                        | <b>92,720</b>                     | <b>-</b>               | <b>3,174</b>                       | <b>-</b>              | <b>30,379</b>                          | <b>-</b>                                   | <b>126,273</b>              |
| <b>Net book value</b>                         |                                   |                        |                                    |                       |  |  |                             |
| <b>At 31 July 2018</b>                        | <b>324,735</b>                    | <b>17,000</b>          | <b>4,045</b>                       | <b>27,063</b>         | <b>30,452</b>                          | <b>5,120</b>                               | <b>408,416</b>              |
| At 31 July 2017                               | 220,708                           | 20,404                 | 4,463                              | 27,063                | 11,159                                 | 104,535                                    | 388,332                     |

At 31 July 2018, freehold land and buildings included £119.4m (2017 £119.4m) in respect of freehold land and is not depreciated.

Freehold land and building at cost included £6,664k of capitalised finance costs (2017 £1,409k and £4,999k transferred from the assets in the course of construction).

#### Investment Property

"The College's investment property is valued annually on 31 July at fair value and for the year ended 31 July 2018 was determined by Savills who are qualified external valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

In valuing the property, a traditional all risks yield method was adopted, having regard to comparable evidence, condition and current market conditions. The key assumption is an equivalent yield of 8.0%.

The valuation considers the leases currently in place and the perceived risk or reletting the site beyond the expiry of the current leases.

#### Picture Collection

The College's Picture Collection which is displayed in the Picture Gallery contributes to the appeal of the venue for functions and tours. The Collection was left to the College by its Founder, Thomas Holloway, and is disclosed as a Fixed Asset.

## Notes to the Accounts for the year ended 31 July 2018

### 16 Debtors

|                                       | Year ended 31 July 2018 |                 | Year ended 31 July 2017 |                 |
|---------------------------------------|-------------------------|-----------------|-------------------------|-----------------|
|                                       | Consolidated<br>£000    | College<br>£000 | Consolidated<br>£000    | College<br>£000 |
| Amounts falling due within one year:  |                         |                 |                         |                 |
| Other trade receivables               | 2,609                   | 2,570           | 2,536                   | 2,422           |
| Other receivables                     | 51                      | -               | -                       | -               |
| Prepayments and accrued income        | 9,370                   | 9,370           | 7,616                   | 7,616           |
| Amounts due from subsidiary companies | -                       | 58              | -                       | 156             |
|                                       | <u>12,030</u>           | <u>11,998</u>   | <u>10,152</u>           | <u>10,194</u>   |

### 17 Current Investments

|                     | Year ended 31 July 2018 |                 | Year ended 31 July 2017 |                 |
|---------------------|-------------------------|-----------------|-------------------------|-----------------|
|                     | Consolidated<br>£000    | College<br>£000 | Consolidated<br>£000    | College<br>£000 |
| Short term deposits | <u>4,000</u>            | <u>4,000</u>    | <u>25,000</u>           | <u>25,000</u>   |

### 18 Creditors: amounts falling due within one year

|  | Year ended 31 July 2018 |                 | Year ended 31 July 2017 |                 |
|--|-------------------------|-----------------|-------------------------|-----------------|
|  | Consolidated<br>£000    | College<br>£000 | Consolidated<br>£000    | College<br>£000 |
| Secured loans                              | 1,514                   | 1,514           | 1,514                   | 1,514           |
| Unsecured loans                            | 2,087                   | 2,087           | 2,087                   | 2,087           |
| Trade payables                             | 12,771                  | 12,622          | 12,269                  | 12,259          |
| Payments received on account               | 7,179                   | 7,179           | 6,118                   | 6,118           |
| Social security and other taxation payable | 3,780                   | 3,780           | 3,759                   | 3,742           |
| Accruals and deferred income               | 18,406                  | 18,406          | 20,649                  | 20,649          |
|  | <u>45,737</u>           | <u>45,588</u>   | <u>46,396</u>           | <u>46,369</u>   |

# Notes to the Accounts

## for the year ended 31 July 2018

### 19 Creditors: amounts falling due after more than one year

|  | Year ended 31 July 2018 |                 | Year ended 31 July 2017 |                 |
|--|-------------------------|-----------------|-------------------------|-----------------|
|  | Consolidated<br>£000    | College<br>£000 | Consolidated<br>£000    | College<br>£000 |
| Deferred income                            | 25,835                  | 25,835          | 24,219                  | 24,219          |
| Interest rate swap – cash flow hedge       | 7,437                   | 7,437           | 9,490                   | 9,490           |
| Secured loans                              | 12,218                  | 12,218          | 13,733                  | 13,733          |
| Unsecured loans                            | 100,609                 | 100,609         | 102,233                 | 102,233         |
|  | <u>146,099</u>          | <u>146,099</u>  | <u>149,675</u>          | <u>149,675</u>  |
| Analysis of secured and unsecured loans:   |                         |                 |                         |                 |
| Due within one year or on demand (Note 18) | 3,601                   | 3,601           | 3,601                   | 3,601           |
| Due between one and two years              | 3,137                   | 3,137           | 3,175                   | 3,175           |
| Due between two and five years             | 8,986                   | 8,986           | 9,179                   | 9,179           |
| Due in five years or more                  | 100,705                 | 100,705         | 103,612                 | 103,612         |
| <b>Due after more than one year</b>        | <u>112,828</u>          | <u>112,828</u>  | <u>115,966</u>          | <u>115,966</u>  |
| <b>Total secured and unsecured loans</b>   | <u>116,429</u>          | <u>116,429</u>  | <u>119,567</u>          | <u>119,567</u>  |

Loans comprise the following:

| Lender                    | Amount<br>£000 | Term      | Interest rate<br>% |
|---------------------------|----------------|-----------|--------------------|
| National Westminster Bank | 113            | 2019      | 0.75               |
| National Westminster Bank | 466            | 2021      | 0.75               |
| Allied Irish Bank         | 13,153         | 2029      | LIBOR + 0.4        |
| National Westminster Bank | 5,863          | 2030      | LIBOR + 0.2        |
| National Westminster Bank | 1,735          | 2030      | LIBOR + 0.2        |
| National Westminster Bank | 14,635         | 2032      | LIBOR + 0.2        |
| HEFCE                     | 225            |           | -                  |
| HEFCE                     | 202            |           | -                  |
| Pricoa Private Placement  | 80,000         | 2035-2045 | 2.97-3.26          |
|                           | <u>116,392</u> |           |                    |

The College had interest rate swaps to reduce its variable interest rate exposure on its loans to the following extent:

| Terms                                | Amount<br>£000 | Rate<br>% | Expiry           |
|--------------------------------------|----------------|-----------|------------------|
| Effective at the balance sheet date: | 5,000          | 4.82      | 1 September 2019 |
|                                      | 5,000          | 4.65      | 1 September 2022 |
|                                      | 10,000         | 4.82      | 1 December 2024  |
|                                      | 5,000          | 4.48      | 1 September 2026 |
|                                      | 5,000          | 4.55      | 1 September 2027 |
|                                      | 5,000          | 4.88      | 1 September 2029 |
|                                      | <u>35,000</u>  |           |                  |

The College has land and buildings with a carrying value of £43.5m, which are held as security for borrowings.

## Notes to the Accounts for the year ended 31 July 2018

### 19 Creditors: amounts falling due after more than one year (continued)

|   |       | Consolidated and College |                |
|---|-------|--------------------------|----------------|
|   |       | 31 July 2018             | 31 July 2017   |
|   |       | £000                     | £000           |
| Consolidated and College financial instruments may be analysed as follows:                            | Notes |                          |                |
| <b>Financial Assets</b>   |       |                          |                |
| Financial assets measured at fair value through profit or loss  |       | <u>53,272</u>            | <u>51,990</u>  |
| Financial assets measured at fair value through profit or loss comprises the fixed asset investments. |       |                          |                |
| <b>Financial Liabilities</b>  |       |                          |                |
| Financial liabilities measured at amortised cost  |       | 116,429                  | 119,567        |
| Derivative financial instruments designated as hedges of variable interest rate risk                  |       | <u>7,437</u>             | <u>9,490</u>   |
|   |       | <b>123,866</b>           | <b>129,057</b> |
| <b>Hedge of Variable Interest Rate Risk</b>   |       |                          |                |
| Fair value of hedging instrument at 1 August 2017   |       | 9,490                    | 12,337         |
| Effective portion of change in fair value recognised in the statement of reserves                     |       | (1,918)                  | (2,669)        |
| Interest (credit)/charge on ineffective portion of hedging instruments                                | 10    | <u>(135)</u>             | <u>(178)</u>   |
| <b>At 31 July 2018</b>  |       | <b>7,437</b>             | <b>9,490</b>   |

College has entered into interest rate swaps to manage interest rate risk on variable rate loans. The derivatives are measured at fair value at the reporting date.

The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income. The gain or loss relating to the ineffective portion of the derivatives is recognised in the statement of comprehensive income.

# Notes to the Accounts

## for the year ended 31 July 2018

### 20 Provisions for liabilities

| Consolidated and College | Obligation<br>to fund<br>deficit on<br>USS Pension<br>£000 | Defined<br>Benefit<br>Obligations<br>SAUL<br>£000 | Employment<br>Tax<br>Liability<br>HMRC<br>£000 | Total<br>Provisions<br>£000 |
|--------------------------|--|---|--|-----------------------------|
| At 1 August 2017         | 17,099   | 619   | -  | 17,718                      |
| Utilised in year         | -  | (619)   | -  | (619)                       |
| Additions                | (958)  | -   | 295  | (663)                       |
| <b>At 31 July 2018</b>   | <b>16,141</b>  | <b>-</b>  | <b>295</b>                                     | <b>16,436</b>               |

#### Pension enhancement

The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

|               | USS         |
|---------------|-------------|
| Discount rate | 2.16        |
| Inflation     | <u>2.00</u> |

#### USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation of 15 years in assessing the value of this provision.

#### SAUL deficit

The obligation to fund the past deficit on the Superannuation Arrangements of the University of London arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. The valuation has now been signed off confirming that there is no deficit to correct, so there are no further recovery plan contributions and no provision is required.

# Notes to the Accounts

## for the year ended 31 July 2018

### 21 Endowment Reserves

|  | Restricted permanent endowments | Unrestricted permanent endowments | Expendable endowments | 2018 Total    | 2017 Total |
|--|---------------------------------|-----------------------------------|-----------------------|---------------|------------|
|  | £000                            | £000                              | £000                  | £000          | £000       |
| Restricted net assets relating to endowments are as follows: |                                 |                                   |                       |               |            |
| <b>Balances at 1 August 2017</b>                             | <b>76,270</b>                   | <b>3,091</b>                      | <b>241</b>            | <b>79,602</b> | 75,334     |
| New endowments   | -                               | -                                 | -                     | -             | 402        |
| Investment income  | 1,344                           | 71                                | 30                    | 1,445         | 1,516      |
| Expenditure  | (1,344)                         | (71)                              | (30)                  | (1,445)       | (1,516)    |
| Increase in market value of investments                      | 802                             | 10                                | 1                     | 813           | 3,866      |
| Decrease in valuation of the Picture Collection              | -                               | -                                 | -                     | -             | -          |
|  | 802                             | 10                                | 1                     | 813           | 4,268      |
| <b>At 31 July 2018</b>                                       | <b>77,072</b>                   | <b>3,101</b>                      | <b>242</b>            | <b>80,415</b> | 79,602     |
| <b>Analysis by type of purpose:</b>                          |                                 |                                   |                       |               |            |
| Hilda Martindale Educational Trust                           | 1,024                           | -                                 | -                     | 1,024         | 1,021      |
| Other scholarship, prize and fellowship funds                | 7,043                           | -                                 | 242                   | 7,285         | 7,262      |
| Founder's Endowment Fund                                     | 41,941                          | -                                 | -                     | 41,941        | 41,165     |
| Other funds  | -                               | 3,102                             | -                     | 3,102         | 3,091      |
| Founder's Picture Collection                                 | 27,063                          | -                                 | -                     | 27,063        | 27,063     |
|  | 77,071                          | 3,102                             | 242                   | 80,415        | 79,602     |
| <b>Analysis by asset</b>                                     |                                 |                                   |                       |               |            |
| Fixed assets – Picture Collection                            |                                 |                                   |                       | 27,063        | 27,063     |
| Current and non-current asset investments                    |                                 |                                   |                       | 53,272        | 51,990     |
| Cash & cash equivalents                                      |                                 |                                   |                       | 80            | 549        |
|  |                                 |                                   |                       | 80,415        | 79,602     |

#### Founders Endowment Fund

In May 1992 the Charity Commissioners authorised the sale of certain pictures, the proceeds of which were to be administered and managed as a separate charity as the Founder's Endowment Fund (FEF).

The income of the Fund is applied by College in the following order of priority:

- a – maintenance, security and upkeep of the pictures and picture gallery of the College
- b – in the maintenance and improvement of the original buildings and grounds of the College
- c – in any other way which will further the general charitable purposes of the College for which provision is not made out of Government fund or by other usual University funding sources.

|                                | £000          |
|--------------------------------|---------------|
| Balance brought forward        | 41,165        |
| Income                         | 1,176         |
| Expenditure                    | (1,176)       |
| Appreciation of Investments    | 776           |
| <b>Balance carried forward</b> | <b>41,941</b> |

# Notes to the Accounts

## for the year ended 31 July 2018

### 22 Restricted Reserves

|  | Consolidated and College |            |
|--|--------------------------|------------|
|  | 2018                     | 2017       |
|  | Total                    | Total      |
|  | £000                     | £000       |
| Reserves with restrictions are as follows: |                          |            |
| <b>Balances at 1 August 2017</b>           | <b>6</b>                 | <b>172</b> |
| New donations                              | <b>593</b>               | 358        |
| Expenditure                                | <b>(599)</b>             | (524)      |
| <b>At 31 July 2018</b>                     | <b>-</b>                 | <b>6</b>   |

### 23 Capital and other commitments

|  | 31 July 2018 |              | 31 July 2017 |         |
|--|--------------|--------------|--------------|---------|
|  | Consolidated | College      | Consolidated | College |
|  | £000         | £000         | £000         | £000    |
| Provision has not been made for the following capital commitments. |              |              |              |         |
| Commitments contracted at 31 July                                  | <b>7,886</b> | <b>7,886</b> | 22,207       | 1,280   |
| Authorised but not contracted at 31 July                           | <b>166</b>   | <b>166</b>   | 173          | 2,463   |
|  | <b>8,052</b> | <b>8,052</b> | 22,380       | 3,743   |

The amounts primarily relate to refurbishments of Bedford and McCrea, halls of residences and Founder's reading rooms.

### 24 Commitments under Operating Leases

The investment property is let under non-cancellable operating leases for the following future minimum lease receipts.

|  | 31 July 2018 | 31 July 2017 |
|--|--------------|--------------|
|  | £000         | £000         |
| <b>Consolidated and College</b>              |              |              |
| Not later than 1 year                        | <b>838</b>   | 1,280        |
| Later than 1 year and not later than 5 years | <b>1,625</b> | 2,463        |
| <b>Total lease payments due</b>              | <b>2,463</b> | 3,743        |

# Notes to the Accounts

## for the year ended 31 July 2018

### 25 Pension Schemes

The total pension cost for Royal Holloway and its subsidiary was:

|                                       | Consolidated and College |               |
|---------------------------------------|--------------------------|---------------|
|                                       | 2017/8                   | 2016/7        |
|                                       | £000                     | £000          |
| Contributions to USS                  | 14,900                   | 14,230        |
| Contributions to SAUL                 | 2,240                    | 2,104         |
| Other pension contributions and costs | 10                       | 10            |
| Total Pension Cost (note 9)           | <u>17,150</u>            | <u>16,344</u> |

The College participates in the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL).

The College offers a pension salary sacrifice arrangement. Employees are able to opt for a reduced contractual salary, with the College then making the pension contribution, otherwise payable by the employee, as additional employer's contributions. The amount relating to salary sacrifice in 2017/18 was £5,004k (2016/17 £4,679k).

#### USS

The institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically

with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

# Notes to the Accounts

## for the year ended 31 July 2018

### 25 Pension Schemes (continued)

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

|                           | <b>2018</b> | <b>2017</b> |
|---------------------------|-------------|-------------|
| Discount rate             | 2.64%       | 2.57%       |
| Pensionable salary growth | n/a         | n/a         |
| Pension increases (CPI)   | 2.02%       | 2.41%       |

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

|                           |  |
|---------------------------|--|
| Male members' mortality   | 98% of S1NA ["light"] YoB tables – no age rating     |
| Female members' mortality | 99% of S1NA ["light"] YoB tables – rated down 1 year |

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

|                                   | <b>2018</b> | <b>2017</b> |
|-----------------------------------|-------------|-------------|
| Males currently aged 65 (years)   | 24.5        | 24.4        |
| Females currently aged 65 (years) | 26.0        | 26.6        |
| Males currently aged 45 (years)   | 26.5        | 24.5        |
| Females currently aged 45 (years) | 27.8        | 29.0        |

|                              | <b>2018</b> | <b>2017</b> |
|------------------------------|-------------|-------------|
| Scheme assets                | £63.6bn     | £60.0bn     |
| Total scheme liabilities     | £72.0bn     | £77.5bn     |
| FRS 102 total scheme deficit | £8.4bn      | £17.5bn     |
| FRS 102 total funding level  | 88%         | 77%         |

#### SAUL

Superannuation Arrangements of the University of London ("SAUL"), is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016).

SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis.

The College is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

#### Funding Policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the "Technical Provisions"). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for

pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2017. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were by the Trustee and employers in June 2018 and are due to be reviewed at SAUL's next formal valuation in 2020.

At the 31 March 2017 valuation SAUL was fully funded on its Technical Provisions basis so no deficit contributions were required. The Trustee and the Employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE salaries.

# Notes to the Accounts

## for the year ended 31 July 2018

### **26 Related Party Transactions**

Royal Holloway paid grants of £1,574k (2016/17 £1,799k) to Royal Holloway Students' Union.

There were no other related party transactions to disclose.



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