

Financial Statements

For the year ended 31 July 2016



ROYAL
HOLLOWAY
UNIVERSITY
OF LONDON

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Financial Highlights

	Year Ended 31 July 2016 £000	Year Ended 31 July 2015 £000
Results, Cash Flows and Reserves		
Total income	163,539	158,818
Operating surplus other gains and losses as % of income	10,309 6.3	5,425 5.4
Net liquidity (cash plus current asset investments) Net liquidity / (total expenditure - depreciation) days	112,882 292	153,708 400
External borrowing (including repayable within one year) as % of income	123,213 75.3	126,820 79.9
General reserve as % of income	87,215 53.3	77,375 48.7
Net cash flow from operating activities as % of income	21,043 12.9	24,982 15.7
Payments to acquire tangible fixed assets as % of income	63,039 38.5	13,352 8.4
Other Key Statistics		
	Number	Number
Number of full-time equivalent students	9,047	8,925
Average number of full-time equivalent staff	1,433	1,402

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.

Vision and Strategy

The College’s strategy is set out in its Strategic Plan 2013/20 – Our Future rhul.ac.uk/aboutus/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 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.

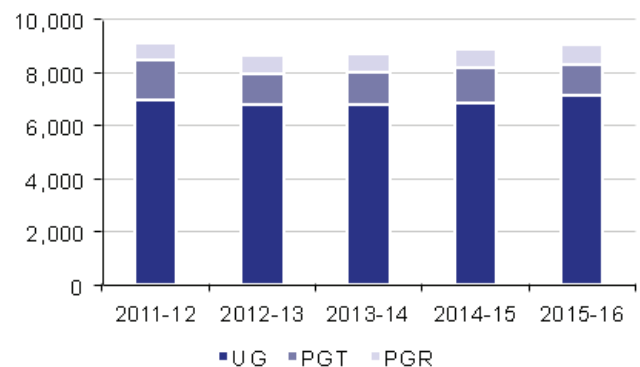
All of these factors potentially have profound implications for UK based Higher Education institutions. College is committed to its core vision and values but is reworking these to optimise its impact in the coming years.

Student Numbers

Over the strategic plan period it is intended to grow student numbers to 10,500. 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 emerging 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 2015/16 student numbers were 9,047 full-time equivalents (FTEs) compared with 8,925 FTEs in 2014/15. Postgraduate student FTEs were 21% of the total, including research postgraduates at 8%. (figure 1). 2016/17 is the first year of the introduction by the Government of loan funding to Home and EU PG students. Early indications are that this has resulted in an improvement in recruitment of PGT students, hopefully arresting something of a sectoral slide over the last few years.

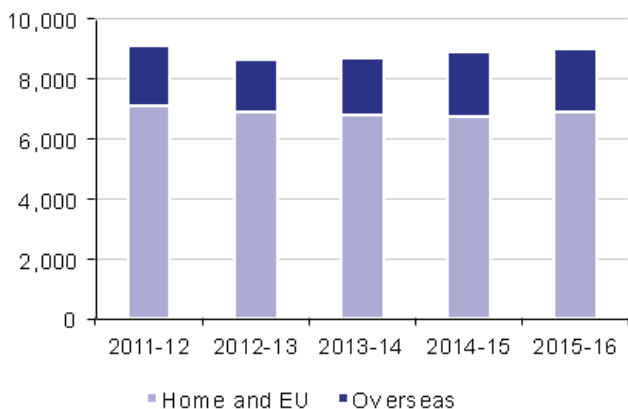
Figure 1: Student FTEs by category of undergraduate and postgraduate teaching and research



Strategic Report

There was an increase of 146 Home and EU (HEU) FTEs and a decrease of 24 overseas students (figure 2). The number of first year HEU undergraduates increased by 96 FTEs.

Figure 2: Student FTEs by domicile



Impact of introduction of FRS 102

This Strategic Report and the associated financial statements have been prepared for the first time in accordance with the requirements of Financial Reporting Standard 102 (FRS102) and the Statement of recommended practice: Accounting for further and higher Education (“SORP”) issued by the SORP Board and the Financial Reporting Council in March 2014. FRS102 and the new SORP require changes in the reporting of current year and prior year financial figures. Material changes are highlighted in the commentary accordingly to help the reader of these financial statements to understand the impact.

FRS102 uses different terminology and reporting formats to the previous UK GAAP. Whereas previously reference would be to operating surplus, now we refer to the surplus before other gains and losses. Under the former UK GAAP in 2014/15 College reported a surplus of £13.7m. The restated FRS102 requires College to reflect an estimate of its share of the obligation to fund the accumulated deficit on the Universities Superannuation Scheme (USS), and the Superannuation Arrangements of the University of London (SAUL). More detail of these arrangements and their impact is included in the Financial Statements and associated notes. However, it is worthwhile noting that recognition of this deficit accounts for £9.3m of the £7.1m difference in results reported in 2014/15 under former UK GAAP and FRS102. A full reconciliation of the movement between the two formats is in note 29 to the financial statements. In future years it is difficult to predict how this deficit might move from one year to the next which inevitably will impact on the predictability of financial results and could result in significant unplanned variations in results from one year to another which bear no relation to underlying College operating performance.

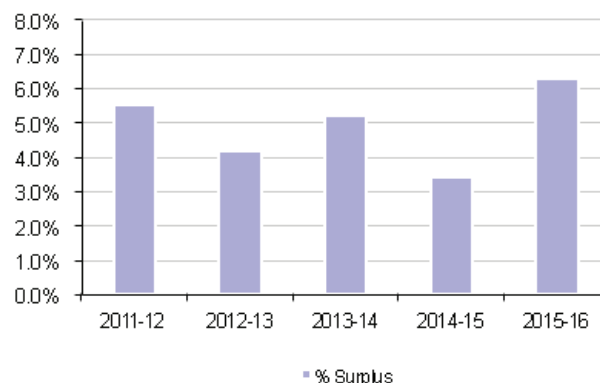
Scope of the Financial Statements

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 2016.

Operating Results

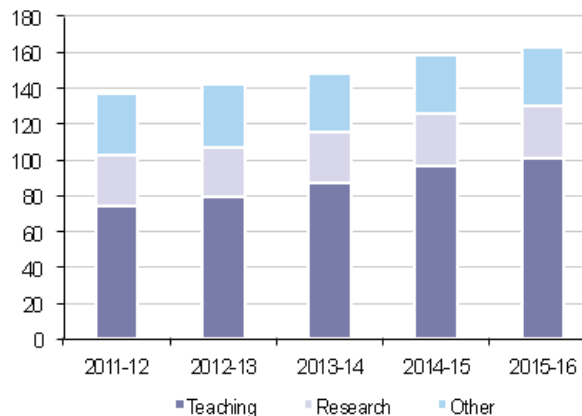
College’s financial performance in 2015/16 was strong. In 2015/16 the surplus before other gains and losses was £10.3m (6.3% of income) compared with £5.4m (as restated) in 2014/15 (3.4%). In figure 3, the surplus before other gains and losses/operating surplus as a proportion of income is set out for the last five years – 2011/12, 2012/13 and 2013/14 are on the basis of former UK GAAP so the results over the five years are not strictly comparable. It should be noted that College needs to generate surpluses to create financial capacity to sustain ongoing investment in the College, in particular in the estate and essential infrastructure.

Figure 3: Annual operating surplus as a proportion of income



Total income increased by 2.9% from £158.8m in 2014/15 to £163.5m in 2015/16. In 2015/16 teaching accounted for 62% of total income and research was 18% of the total (figure 4).

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



“Teaching” is defined as HEFCE teaching grant plus tuition fees and contracts and “research” as HEFCE research grant plus research grants and contracts

Strategic Report

Results for the Year

In summary, the consolidated results were:

£m	2015/16	2014/15	Change
Income	163.5	158.8	4.7
Expenditure	153.2	153.4	(0.2)
Surplus before other gains and losses	10.3	5.4	4.9

The surplus before other gains and losses for the year was £10.3m compared with £5.4m in 2014/15.

Tuition Fees

Income from tuition fees and education contracts increased by £5.3m (6%) to £96.8m from £91.5m in 2014/15. Home/EU fee income increased by £5.1m (10%). Overseas fee income decreased by £0.1m (0.3%) in line with an overall decrease in students of 24 FTEs (1%).

Research Training Support Grants were £4.4m, compared with £3.4m in 2014/15. These include grants from Research Council Doctoral Training Centres (DTC) which increased due to new programmes and additional students on some existing programmes. Short Course and Other Fees were £4.7m compared with £5.0m the previous year due to the winding down of some University of London external programmes and lower student numbers.

HEFCE Grants

Income from the Higher Education Funding Council for England (HEFCE) decreased by £1.8m (8%) to £20.4m. The main movements were a reduction in Teaching Grant of £1.0m and a reduction in research grants of 1.2m. There was an increase in specific grants of £0.5m due to increased Knowledge Exchange (formerly HEIF) funding and a Postgraduate Support Scholarship scheme.

Other Income

Income from research grants and contracts was £1.4m higher at £16.3m in 2015/16 compared with £14.9m in 2014/15. Income from Research Council awards was £0.4m higher while income from other funders was £1.0m higher including an increased research and development tax credit of £1.3m, up from £0.3m the previous year. This is the final year College will be eligible for the credit.

Other Operating Income was 5% lower at £26.8m compared with £27.8m in 2014/15. This included a £1.3m reduction in income from residences, catering and conferences which was due to the transfer of the campus shop to the Students Union and £0.4m reduction in other income.

Endowment and investment income was broadly flat during the year at £2m while donations and new endowments were up £0.8m to £1.3m reflecting a highly valued bequest from a former member of staff.

Expenditure

Total expenditure reduced by £0.8m (0.6%) to £153.2m from £153.4m in 2014/15.

Staff costs reduced by £6.5m (7%) to £84.8m mainly due to the reduced movement in the pension provision compared with the previous year. It should be noted that this movement is a technical accounting adjustment informed by valuations of the schemes liabilities and deficits. During the year, College increased the amount of its contributions to the schemes in accordance with the revised funding plan to fund the accumulated deficit. A nationally agreed pay increase from August 2015 of 1% for all staff was paid. Average staff FTEs were 2.1% higher at 1,433 compared with 1,402 in 2014/15.

Other operating expenses increased by £4.6m (9%) to £53.3m from £48.7m in 2014/15. This included £1.9m increased expenditure on student maintenance and awards, mainly from increased support for postgraduates under College and Research funded schemes. Administrative costs increased by £1.2m as a result of additional expenditure on consultancy, legal fees and other supplies which related to process reviews, fees associated with the capital programme and IT initiatives. In addition agency staff costs have increased by £0.8m due to restructuring and a higher than normal level of vacancies.

Depreciation costs increased by £1.1m to £12.0m.

Interest costs reduced slightly at £2.0m. Exposure to variable interest rates for £40m 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. Interest on the private placement debt of £80m is being capitalised as part of the fixed asset cost of the student residences and library and student services centre developments; therefore it is not included in the interest cost.

Capital Investment and the Estate masterplan

A master 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. Work is in progress to implement two particular elements. The first, a new library and student services centre which will include the careers service, retail outlets, cafés and exhibition space, has commenced. This flagship building is located opposite Founder's with an estimated cost of £56m and is planned to open for the 2017/18 session. The new library will increase the number of study spaces by 50% and will support collaborative learning by students.

Additional student residences also are under construction on the north campus. These will provide 621 places at an estimated cost of £40m. The residences are in a townhouse layout and the development is planned to open for the 2017/18 session.

A third major project is a new Science building to house the new Department of Electronic Engineering (opening in 2017-18) and other science activities, together with a 250-seat lecture theatre. This has been awarded £5m of HEFCE capital funding. Construction is expected to start in early 2017.

Strategic Report

Further major new developments and redevelopments of existing buildings are planned over the next several years. These will enable the transformation of Royal Holloway's Egham campuses. In addition, during the year, the College acquired the Rusham Park site which is adjacent to the southern perimeter of the Egham campus. The opportunity to bid for and subsequently acquire the site was an exciting strategic opportunity. It is rare that sites of such size become available and even more so when they are adjacent to existing sites. The site has been owned and occupied by Procter and Gamble for many years. College has no plans to develop or occupy the site. The site is presently occupied by two lessees under leases which run for a number of years. The College is treating the site acquisition as an investment property and accounting for it accordingly.

Total capital investment in the year was £63.8m compared with £14m the previous year. This reflects the major estate investment and renewal programme in progress, and the one off cost of acquisition of the Rusham Park site.

Building project expenditure included design costs and some enabling works for the library and student services centre, student residences and science building projects. Equipment related expenditure of £3.3m included £1.2m on academic equipment and £1.5m on IT projects.

Cash Flow, Liquid Assets and Treasury Management

The net cash flow generated from operating activities was £21.0m compared with £24.7m in 2014/15, reflecting the increase in the operating surplus. Capital expenditure was £63.8m, for which there were capital grants of £5.6m. There were loan repayments of £3.6m. The total of current asset cash and current asset investments (cash held on deposit) decreased by £40.8m to £112.9m.

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 counter-party or Fund.

Endowment Assets

College's endowment assets comprise the Picture 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 £74.7m to £75.3m, due to new investment of £0.6m and investment appreciation. A full professional revaluation of the Picture Collection was carried out in July 2016 which has resulted in a reduction in the carrying value of £1.6m to £27.1m. This reduction matched the appreciation in endowment asset investments.

The endowment investments (excluding the Picture Collection) are managed by two fund managers. Aberdeen Asset Management (AAM) and Rathbone Investment Management (RIM).

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%.

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.

Two other major challenges facing the College are the pension schemes position and the size of the annual surplus.

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

- The Teaching Excellence Framework,
- The future funding of research,
- 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.

All of these factors potentially have profound implications for UK based Higher Education institutions. 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

Stephen Cox
Chairman of Council

Public Benefit Statement

The College is required 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 Higher Education Funding Council for England 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 and Economics. Students are selected based on their ability to complete successfully their programme of study to the required standards.

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 £9,000 to full-time undergraduate HEU students, overseen by the Office for Fair Access, awards to students totalled £4.0m in 2015/16. Other awards funded from the College's resources and endowment income, mainly to support postgraduates, were £5.0m in 2015/16.

The College is actively engaged in activities to widen participation in higher education. Targeted outreach activities include both attainment and aspiration raising events, such as residential Summer Schools and subject-specific masterclasses. These are aimed at school pupils from low-participation neighbourhoods, low performing schools, those who have parents with no previous experience of Higher Education, or those from other groups under-represented in Higher Education such as women in Science. Royal Holloway recently joined two HEFCE funded Outreach Networks in London and in Surrey which work collaboratively with HEI partners to provide a comprehensive outreach provision for local schools.

Royal Holloway 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.

As part of the College strategy to engage with the local and regional community, Royal Holloway is the university sponsor for two new University Technical Colleges (UTCs) in Oxfordshire and Surrey. Royal Holloway is providing a range of support in the pre-opening phase and will take a lead role in governance once the UTCs open, offering student engagement opportunities and progression pathways to undergraduate degrees in STEM subjects. The role of UTCs in promoting wider participation in STEM subjects is aligned with the College's wider Widening Participation and Outreach goals.

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 also 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

Research takes place across all the College's principal academic activities, and the provision of a curriculum and learning experiences that are informed by research is an important element of what the College offers to students.

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:

- Multiple sclerosis (MS) is the major cause of disability for young adults in the developed world. Half of these people experience cognitive difficulties but assessment and management of cognitive defects is only available in a few specialist centres in countries around the world. The Brief International Cognitive Assessment in MS (BICAMS), led by Professor Dawn Langdon, has facilitated access to cognitive assessment and management for people with MS in many countries. Currently there are 28 countries in the international validation pipeline, of whom 11 have already published.
- Amateur theatre has a long and active history, despite receiving little intervention from funders, local government or charities and scant attention from academics and professional theatre makers. Professor of Drama, Helen Nicholson, is leading the first major study of amateur theatre. Produced in partnership with amateur theatre companies

Public Benefit Statement

and the Royal Shakespeare Company's Open Stages Programme, this interdisciplinary study explores amateur theatre as a craft, a creative practice, as entertainment and as heritage. In so doing it helps us to better understand the potential of amateur creativity for building, revitalising, sustaining and challenging varied communities at a time of anxiety about social cohesion and cuts in state funding.

- Despite efforts to improve social inclusion some elite professions are still dominated at entry level by people from more privileged socioeconomic backgrounds. Dr Louise Ashley is leading research teams appointed by the Government's Social Mobility Commission to understand the barriers to inclusion in large international law firms, accountancies and investment banks. This research is providing key insight to policy makers, business leaders and the broader public to support measures for greater inclusion and diversity in elite sectors of the economy.

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 implement the requirements of Research Excellence Framework (REF) 2020.

When entering into research contracts with private organisations, the ability to disseminate the results of research is an important consideration, and research which has not been published is not eligible for inclusion in the REF.

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.

Universities have important roles within their local communities. The College employs about 1,500 staff, over half of whom live within a ten-mile radius of the College. A varied programme of events and activities is offered for the community including lectures and musical events and an annual garden party; the College participates in the annual heritage day, and provides other opportunities to visit the Grade 1 listed Founder's building and the campus; and it supports cultural and social events in the local area such as the Egham Royal Show, and the Runnymede Literary Festival.

Of particular importance to community engagement are the volunteering opportunities provided to students organized through a Volunteering Manager and the Students' Union. 3,000 students are registered with the College's Community Action Volunteering Scheme and take part in a range of activities working with over 200 community partners.

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 through outreach or the public sphere. There were 180 diverse activity streams in 2015/16, (an increase from 160 streams in 2014-15) and students attend a compulsory coaching session to equip them to present themselves well to employers. In 2015/16 320 students (2014-15 296 students) achieved the Passport award with a further 3,000 engaged in some Passport point awarding activity.

For our 2015-16 graduates, six months after graduation 69% (63% comparative figure in previous year) of the College's full-time first degree UK students were in graduate level work or postgraduate study. Around 200 employers visited the campus in 2015/16, often represented by enthusiastic alumni. The range of micro-placement schemes has been expanded, and is linked to the curriculum of 10 academic departments. The College now offers 90 competitive micro-placements to students each year which helps them launch their careers. The innovation of this approach was recognised by the Association of Graduate Recruiters National Award for Best Preparation for Work by HE: Single Initiative in 2015.

Acting responsibly

The College carries out its activities with the intention of avoiding detriment or harm. A Health and Safety Office 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. Through investment in buildings and efficient energy management we had reduced our emissions by 24% by 2014/15. Water usage is continually monitored for leakage and waste and 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 agreed the following 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:
 1. 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.
 2. 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 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, CUC, the National Audit Office, the Public Accounts Committee et al (comply or explain).
 3. 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.

4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.

Responsibilities and Membership of Council

11. 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.
12. 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

13. 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.
14. 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.
15. 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

16. 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

17. 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.
18. **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.
19. **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 2015 and up to the date of the signing of the Financial Statements, the Council had the following membership:

Lay Members

Mr Paul Blagbrough (to 31 July 2016)
 Mr Stephen Cox (Chair of Council)
 Mr Gurpreet Dehal
 Ms Ann Ewing
 Mrs Christine Goodyear
 Mr Majid Hawa
 Mrs Margaret Jack
 Ms Sarah King
 Mr Jeremy McIlroy
 (Chair of Finance Committee)
 Mr Mark Newlands
 Mr Gerry O'Hagan
 Mr Nick Perryman
 Mr Iain Ross (Vice Chair of Council)
 Ms Chris Shoukry
 Mr David Spence
 (Chair of Audit and Compliance
 Committee to 30 September 2016)
 Mr David Williams (from 1 August 2016)
 Ms Colette Wilson
 (Chair of Audit and Compliance
 Committee from 1 October 2016)

Elected staff members

Professor Sarah Ansari
 (from 1 October 2015)
 Mr John Brannan (to 30 September 2016)
 Mr Dave Cobb (to 30 September 2016)
 Professor David Gilbert
 Mr John Gregory (from 1 October 2016)
 Mrs Denise Keable
 Dr Nicole Rickett (from 1 October 2016)
 Professor Elizabeth Schafer

Elected student members

Mr Matthew Siely
 (2015/16 academic year)
 Ms Emilie Ancelin
 (2016/17 academic year)

Ex officio members

Professor Paul Layzell, Principal
 Ms Nayab Cheema, President Students'
 Union (2015/16 academic year)
 Ms Natasha Barrett, President Students'
 Union (2016/17 academic year)

Membership of Committees

Audit and Compliance Committee Chair

Mr David Spence (to 30 September 2016)

Other Members

Mr Majid Hawa
 Mr Mark Newlands
 Mr Gerry O'Hagan
 (from 1 October 2016)
 Ms Colette Wilson
 (Chair from 1 October 2016)
 Ms Tina Harris

Council Executive

Chair

Mr Stephen Cox

Ex officio

Mr Iain Ross
 Mr Jeremy McIlroy
 Mr David Spence (to 30 September 2016)
 Professor Paul Layzell

Other members

Mrs Margaret Jack
 Ms Ann Ewing (from 5 October 2016)
 Ms Colette Wilson (Ex officio from 1
 October 2016)
 Faculty Dean in attendance for business
 relating to Honorary Awards

Equality & Diversity Committee

Chair

Mrs Christine Goodyear

Members

Mr Majid Hawa
 Professor Katie Normington
 Mr Simon Higman (to 10 October 2016)
 Dr David Ashton (from 10 October 2016)
 Mrs Cheryl Newsome (to 29 April 2016)
 Mr Darren Thurston (from 25 April 2016)

Capital Projects Assurance Committee

Chair

Mr Iain Ross

Other Members

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

President of the Students' Union

Ms Nayab Cheema (2015/16)
 Ms Natasha Barrett (2016/17)

Finance Committee

Chair

Mr Jeremy McIlroy

Ex Officio

Mr Iain Ross
 Professor Paul Layzell
 Professor Rob Kemp
 Mr Simon Higman (to 10 October 2016)
 Dr David Ashton
 (from 10 October 2016)
 Mr Graeme Robinson
 (to 11 September 2015)
 Mrs Jenny Febry
 (from 14 September 2015 to 7 March
 2016)
 Mr Stephen Avery (from 7 March 2016)

Other Members

Mr Paul Blagbrough (to 30 September
 2016)
 Mr Gurpreet Dehal
 Mrs Margaret Jack
 Mr Nick Perryman
 Mr David Williams

Health & Safety Assurance Committee

Chair

Ms Chris Shoukry

Other members

Mr Mark Newlands
 Mr Gurpreet Dehal
 Mr Gerry O'Hagan (from 7 October
 2015)

Remuneration Committee

Chair

Mr Iain Ross

Ex Officio

Mr Stephen Cox
 Mr Jeremy McIlroy
 Professor Paul Layzell
 Mr Simon Higman (to 10 October 2016)
 Dr David Ashton (from 10 October 2016)

Other Members

Mrs Margaret Jack
 Mrs Christine Goodyear

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

The 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 Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England, "the Funding Council" and the Council of the College, the 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, the 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. The 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

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council 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;
- 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. The 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 of the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England 'HEFCE'. 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 2016 and up to the date of approval of the financial statements, and accords with HEFCE guidelines. The process is reviewed by the College Executive Committee and the Audit and Compliance Committee, which reports directly to Council.

The College's strategy for the management of major business 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. The principal risks are examined in more detail and reviewed three times a year by the College Executive Committee and regular reports are made to the Audit and Compliance Committee. 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 and the Health and Safety Assurance Committee. All of these committees are formally constituted, with terms of reference, and include lay members of Council. Lay members chair all 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. An annual Value for Money Report is considered by the Planning & Resources Committee and Audit & Compliance Committee and submitted to HEFCE as part of the Annual Accountability return.

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

The Council Executive Committee is responsible for strategic development, it appoints the members of the principal committees, and oversees the Council's effectiveness.

Corporate Governance

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 College Secretary. 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 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 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 HEFCE Code of Practice. 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 HEFCE. 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.

During the year, a review of governance and the effectiveness of Council committees has been completed.

In December 2014 the Committee of University Chairs introduced a revised Code of Governance to be applied in order to show that business was conducted with due respect for the public interest. Council complied with the original code and action has been taken to apply the revised code. Council confirmed at its meeting in October 2015 that it broadly complied with the substantial primary elements and "must" statements of the code but would also continue to work on implementing the lower priority recommendations in order to enhance its compliance.

Stephen Cox
Chair of Council, 24 November 2016

Independent Auditor's Report to the Council of Royal Holloway and Bedford New College

We have audited the financial statements of Royal Holloway and Bedford New College for the year ended 31 July 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Council and Auditors

As explained more fully in the statement of responsibilities of the Council, the members of the Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2016 and of the Group's and College's income and expenditure, gains and losses, reserves and group cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions".

Opinion on other matters required by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.
- The requirements of the HEFCE's Accounts Direction have been met.

BDO LLP

James Aston, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

25 November 2016

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 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	College £000	Consolidated £000	College £000
Income					
Tuition fees and education contracts	3	96,764	96,764	91,463	91,463
Funding body grants	4	20,415	20,415	22,198	22,198
Research grants and contracts	5	16,309	16,309	14,856	14,856
Other income	6	26,829	26,661	27,841	27,570
Investment income	7	1,903	1,903	1,973	1,973
Donations and endowments	8	1,319	1,319	487	487
Total income		163,539	163,371	158,818	158,547
Expenditure					
Staff costs	9	84,795	84,795	91,247	91,247
Other operating expenses	11	53,267	53,099	48,661	48,407
Amortisation of intangible fixed assets	13	262	262	228	228
Depreciation	15	11,995	11,995	11,155	11,155
Interest and other finance costs	10	2,911	2,911	2,102	2,102
Total expenditure		153,230	153,062	153,393	153,139
Surplus before other gains and losses		10,309	10,309	5,425	5,408
Loss on disposal of fixed assets		(68)	(68)	(238)	(238)
Gain on investments	21	40	40	2,160	2,160
Surplus before tax		10,281	10,281	7,347	7,330
Taxation	12	(284)	(284)	(46)	(43)
Surplus for the year		9,997	9,997	7,301	7,287
Movement in cash flow hedge	19	(2,598)	(2,598)	(1,296)	(1,296)
Other comprehensive income for the year		(2,598)	(2,598)	(1,296)	(1,296)
Total comprehensive Income for the year		7,399	7,399	6,005	5,991
Represented by:					
Endowment comprehensive income for the year		600	600	2,167	2,167
Restricted comprehensive income for the year		172	172	305	305
Unrestricted comprehensive income for the year		9,225	9,225	4,829	4,815
Cash flow hedge		(2,598)	(2,598)	(1,296)	(1,296)
		7,399	7,399	6,005	5,991

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 20 to 40 form part of the financial statements.

Consolidated and College Statement of Changes in Reserves

For the year ended 31 July 2016

Consolidated	Income and expenditure account			Cash flow hedge reserve	Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£000	£000	£000			
Balance at 1 August 2014	72,567	-	72,157	(6,957)	127,148	264,915
Surplus from the income and expenditure statement	2,167	305	4,829	-	-	7,301
Hedge effective portion of change in fair value of designated hedging instrument	-	-	-	(1,296)	-	(1,296)
Release of revaluation reserves in year	-	-	389	-	(389)	-
	<u>2,167</u>	<u>305</u>	<u>5,218</u>	<u>(1,296)</u>	<u>(389)</u>	<u>6,005</u>
Balance at 1 August 2015	74,734	305	77,375	(8,253)	126,759	270,920
Surplus from the income and expenditure statement	600	172	9,225	-	-	9,997
Hedge effective portion of change in fair value of designated hedging instrument	-	-	-	(2,598)	-	(2,598)
Release of restricted funds spent in year	-	(305)	305	-	-	-
Release of revaluation reserves in year	-	-	310	-	(310)	-
Total comprehensive income for the year	<u>600</u>	<u>(133)</u>	<u>9,840</u>	<u>(2,598)</u>	<u>(310)</u>	<u>7,399</u>
Balance at 31 July 2016	75,334	172	87,215	(10,851)	126,449	278,319

College	Income and expenditure account			Cash flow hedge reserve	Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£000	£000	£000			
Balance at 1 August 2014	72,567	-	72,067	(6,957)	127,148	264,825
Surplus from the income and expenditure statement	2,167	305	4,815	-	-	7,287
Hedge effective portion of change in fair value of designated hedging instrument	-	-	-	(1,296)	-	(1,296)
Release of revaluation reserves in year	-	-	389	-	(389)	-
	<u>2,167</u>	<u>305</u>	<u>5,204</u>	<u>(1,296)</u>	<u>(389)</u>	<u>5,991</u>
Balance at 1 August 2015	74,734	305	77,271	(8,253)	126,759	270,816
Surplus from the income and expenditure statement	600	172	9,225	-	-	9,997
Hedge effective portion of change in fair value of designated hedging instrument	-	-	-	(2,598)	-	(2,598)
Release of restricted funds spent in year	-	(305)	305	-	-	-
Release of revaluation reserves in year	-	-	310	-	(310)	-
Total comprehensive income for the year	<u>600</u>	<u>(133)</u>	<u>9,840</u>	<u>(2,598)</u>	<u>(310)</u>	<u>7,399</u>
Balance at 31 July 2016	75,334	172	87,111	(10,851)	126,449	278,215

The notes on pages 20 to 40 form part of the financial statements.

Consolidated and College Balance Sheets

As at 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	College £000	Consolidated £000	College £000
Non-current assets					
	13	2,161	2,161	1,645	1,645
Intangible assets	14	47,478	47,478	45,951	45,951
Investments	15	317,603	317,603	268,200	268,200
Fixed assets		<u>367,242</u>	<u>367,242</u>	<u>315,796</u>	<u>315,796</u>
Current assets		302	302	250	250
Stock	16	14,220	14,272	12,066	12,102
Debtors	17	51,000	51,000	62,000	62,000
Investments		61,882	61,710	91,708	91,497
Cash and cash equivalents		<u>127,404</u>	<u>127,284</u>	<u>166,024</u>	<u>165,849</u>
Less: Creditors: amounts falling due within one year	18	(44,611)	(44,595)	(40,399)	(40,328)
Net current assets		<u>82,793</u>	<u>82,689</u>	<u>125,625</u>	<u>125,521</u>
Creditors: amounts falling due after more than one year	19	(154,665)	(154,665)	(152,352)	(152,352)
Provisions					
Pension provisions	20	(17,051)	(17,051)	(18,149)	(18,149)
Total net assets		<u>278,319</u>	<u>278,215</u>	<u>270,920</u>	<u>270,816</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21	75,334	75,334	74,734	74,734
Income and expenditure reserve - restricted reserve	22	172	172	305	305
Cash flow reserve		(10,851)	(10,851)	(8,253)	(8,253)
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		87,215	87,111	77,375	77,271
Revaluation reserve		126,449	126,449	126,759	126,759
Total Reserves		<u>278,319</u>	<u>278,215</u>	<u>270,920</u>	<u>270,816</u>

The financial statements were approved and authorised for issue by the Governing Body on 24 November 2016 and were signed on its behalf on that date by:

Stephen Cox, Chair of Council
Professor Paul Layzell, Principal

The notes on pages 20 to 40 form part of the financial statements.

Consolidated Cash Flow

For the year ended 31 July 2016

	Notes	Year Ended 31 July 2016 £000	Year Ended 31 July 2015 £000
Cash flow from operating activities			
Surplus for the year		9,997	7,301
Adjustment for non-cash items			
Amortisation of intangibles	13	262	228
Depreciation	15	11,995	11,155
Revaluation Fixed Assets	15	1,561	-
Revaluation Endowments Assets	21	(1,601)	(2,160)
(Increase)/decrease in stock		(52)	60
Increase in debtors	16	(2,154)	(205)
Increase in creditors	18	4,135	1,643
(Decrease)/increase in pension provision	20	(1,098)	9,267
Adjustment for investing or financing activities			
Investment income	7	(1,903)	(1,973)
Interest payable	10	2,426	1,839
Loss on the sale of fixed assets		68	238
Capital Grant Income		(2,593)	(2,647)
Net cash inflow from operating activities		21,043	24,746
Cash flows from investing activities			
Capital grants receipts		5,589	2,895
Investment income	7	1,903	1,938
Payments made to acquire intangible assets	13	(778)	(685)
Payments made to acquire tangible fixed assets	15	(63,039)	(13,352)
Proceeds of sale of fixed assets		12	-
Proceeds of investments	14	35,139	6,950
Purchase of investments	21	(35,065)	(6,713)
Decrease/(increase) in investments in the year	17	11,000	(26,000)
		(45,239)	(34,967)
Cash flows from financing activities			
Interest paid	10	(2,023)	(2,075)
New unsecured loans		-	80,000
Repayments of amounts borrowed	19	(3,607)	(3,562)
		(5,630)	74,363
		(29,826)	64,142
Cash and cash equivalents at beginning of the year		91,708	27,566
Cash and cash equivalents at end of the year		61,882	91,708
(Decrease)/increase in cash and cash equivalents in the year		(29,826)	64,142

The notes on pages 20–40 form part of the financial statements

Notes to the Financial Statements

1 Statement of Principal Accounting Policies

1 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.

2 Transition to SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 29.

3 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;
- Disclosures in respect of the College's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; 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.

4 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 2016. Intra-group transactions are eliminated on consolidation.

5 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.

6 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 at members due to the mutual nature of the scheme and therefore the schemes are accounted for as defined contribution retirement benefit schemes.

The notes on pages 20–40 form part of the financial statements

Notes to the Financial Statements

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

7 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.

8 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.

9 Foreign currency

Transactions in foreign currencies are translated 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.

10 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. A 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.

11 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.

12 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.

Notes to the Financial Statements

13 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.

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

14 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 College 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 1 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.

15 Investment property

Investment property is carried at fair value determined annually by external valuers 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.

16 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.

17 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.

18 Finance costs

Finance costs are charged to profit or loss 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 14)

The investment property is stated at fair value. 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 in 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 in accordance with FRS102. 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 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	College £000	Consolidated £000	College £000
3 Tuition fees and education contracts					
Full-time home and EU students		55,813	55,813	50,676	50,676
Full-time international students		30,457	30,457	30,858	30,858
Part-time students		1,324	1,324	1,475	1,475
Research Training Support Grant		4,432	4,432	3,431	3,431
Short course and Other fees		4,738	4,738	5,023	5,023
		<u>96,764</u>	<u>96,764</u>	<u>91,463</u>	<u>91,463</u>
4 Funding body grants					
Recurrent grant					
Teaching		4,523	4,523	5,554	5,554
Research		12,546	12,546	13,754	13,754
Specific grants		957	957	479	479
Deferred capital grants released in year:					
Buildings		1,977	1,977	1,952	1,952
Equipment		412	412	459	459
		<u>20,415</u>	<u>20,415</u>	<u>22,198</u>	<u>22,198</u>
5 Research grants and contracts					
Research councils		6,803	6,803	6,435	6,435
Research charities		1,718	1,718	1,832	1,832
Government (UK and overseas)		4,746	4,746	3,970	3,970
Industry and commerce		2,358	2,358	1,986	1,986
Other		684	684	633	633
		<u>16,309</u>	<u>16,309</u>	<u>14,856</u>	<u>14,856</u>
6 Other income					
Residences, catering and conferences		21,199	21,199	22,514	22,514
Other services rendered		1,190	981	1,089	748
Released from deferred capital grants		211	211	57	57
Other income		4,229	4,270	4,181	4,251
		<u>26,829</u>	<u>26,661</u>	<u>27,841</u>	<u>27,570</u>
7 Investment income					
Investment income on endowments	21	1,315	1,315	1,360	1,360
Other investment income		588	588	613	613
		<u>1,903</u>	<u>1,903</u>	<u>1,973</u>	<u>1,973</u>
8 Donations and endowments					
New endowments	21	560	560	6	6
Donations with restrictions	22	172	172	305	305
Unrestricted donations		587	587	176	176
		<u>1,319</u>	<u>1,319</u>	<u>487</u>	<u>487</u>

Notes to the Accounts

for the year ended 31 July 201

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	College	Consolidated	College
	£000	£000	£000	£000
9 Staff Costs				
Staff Costs:				
Salaries	66,119	66,119	63,600	63,600
Social security costs	5,920	5,920	5,357	5,357
Movement on Pension Provisions	(1,583)	(1,583)	9,004	9,004
Other pension costs	14,339	14,339	13,286	13,286
Total	<u>84,795</u>	<u>84,795</u>	<u>91,247</u>	<u>91,247</u>

	Year ended 31 July 2016	Year ended 31 July 2015
	£000	£000
Emoluments of the Principal		
Salary	298	271
Benefits in Kind	7	7
	<u>305</u>	<u>278</u>
Pension contributions to USS	2	-
	<u>307</u>	<u>278</u>

Remuneration of other higher paid staff, excluding employer's pension contributions.	Number	Number
£100,000 to £109,999	18	14
£110,000 to £119,999	6	8
£120,000 to £129,999	2	2
£130,000 to £139,999	2	3
£140,000 to £149,999	2	1
£150,000 to £159,999	-	2
£160,000 to £169,999	2	-

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 £4,292k (2014-15/ £3,930k) in total, as applicable. The Emoluments of the Principal and Remuneration of Other Higher Paid Staff are shown prior to any salary sacrifice.

Average staff numbers by major category:	Number	Number
Academic, Research and Other	703	688
Management & specialist	552	542
Technical	63	62
Other	115	110
	<u>1,433</u>	<u>1,402</u>
	£'000	£'000
Compensation for loss of office payable to one senior post-holder:	<u>110</u>	<u>-</u>

Notes to the Accounts

for the year ended 31 July 2016

9 Staff costs (continued)

Key management personnel

Key management personnel are defined as members of the College Executive Committee and are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Staff costs includes compensation paid to key management personnel.

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Key management personnel compensation	<u>1,474</u>	<u>1,435</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 2015/16 and so such payment was made in prior years. In 2015/16 expenses of £4k (2014/15 £3k) were paid to 9 (2014/15 7) non-staff trustees for travel, subsistence and business entertaining.

There were no related party transactions with Council members that require disclosure.

Notes to the Accounts

for the year ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	College £000	Consolidated £000	College £000
10 Interest and other finance costs					
Loan interest		4,512	4,512	2,130	2,130
Loan interest capitalised	15	(2,489)	(2,489)	(55)	(55)
		<u>2,023</u>	<u>2,023</u>	<u>2,075</u>	<u>2,075</u>
Interest charge/(credit) on ineffective portion of hedging instruments	19	403	403	(236)	(236)
Net charge on pension scheme	25	485	485	263	263
		<u>2,911</u>	<u>2,911</u>	<u>2,102</u>	<u>2,102</u>
11 Analysis of total expenditure by activity					
Academic, research and related expenditure		22,569	22,569	19,928	19,928
Administration and central services		9,834	9,834	6,995	6,995
Premises		10,379	10,379	10,202	10,202
Residences, catering and conferences		1,776	1,776	2,712	2,712
Other expenses		8,709	8,541	8,824	8,570
		<u>53,267</u>	<u>53,099</u>	<u>48,661</u>	<u>48,407</u>
Other operating expenses include:					
External auditors remuneration in respect of audit services		56	56	56	56
External auditors remuneration in respect of non-audit services		10	10	5	5
12 Taxation					
Recognised in the statement of comprehensive income					
Current tax					
Taxation on Research and Development Expenditure Credit		284	284	43	43
Taxation on profits of subsidiary		-	-	3	-
Current tax expense		<u>284</u>	<u>284</u>	<u>46</u>	<u>43</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 2015/16 or 2014/15. A charge was made in 2015/16 and 2014/15 in relation to a Research and Development Expenditure Credit claims made during the respective year.

Royal Holloway Enterprise Ltd gift aids taxable profits to the College. The tax charge is a provision for Corporation Tax on the retained taxable profits of the subsidiary.

Notes to the Accounts

for the year ended 31 July 2016

13 Intangible assets

Consolidated and College	Total £'000
Networked Application Software	
Cost or valuation	
At 1 August 2015	2,131
Additions in the year	778
At 31 July 2016	2,909
Amortisation	
At 1 August 2015	486
Amortisation charge for the year	262
At 31 July 2016	748
Net book value	
At 31 July 2016	2,161
At 31 July 2015	1,645

14 Investments

Consolidated and College

Endowment Assets	45,951
At 1 August 2015	35,065
Additions and Income	(35,139)
Disposals and Expenditure	1,601
Appreciation of Investments	47,478
At 31 July 2016	47,478

Name	Country of Incorporation	Principal Activity	% of shares held by
Subsidiary Undertakings			
Royal Holloway Enterprise Ltd	Great Britain	Consultancy	College & Group 100
Associates and Joint ventures			
SporeGen Ltd	Great Britain	Immunology	36
Reelives Limited	Great Britain	Internet	19
GPSeer Limited	Great Britain	Internet	19

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 2016

15 Fixed Assets

	Freehold Land and Buildings	Investment Property	Leasehold Land and Buildings	Picture Collection	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total Tangible Assets
	£000	£000	£000	£000	£000	£000	£000
Consolidated and College							
Cost or valuation							
At 1 August 2015	284,621	-	4,548	28,624	31,008	8,348	357,149
Additions	7,441	20,372	1,280	-	2,876	31,070	63,039
Transfers	4,082	-	1,088	-	304	(5,474)	-
Deficit on revaluation	-	-	-	(1,561)	-	-	(1,561)
Disposals	(322)	-	-	-	(24)	(4)	(350)
At 31 July 2016	295,822	20,372	6,916	27,063	34,164	33,940	418,277
Consisting of							
Valuation	162,706	-	1,800	27,063	795	-	192,364
Cost	133,116	20,372	5,116	-	33,369	33,940	225,913
	295,822	20,372	6,916	27,063	34,164	33,940	418,277
Depreciation							
At 1 August 2015	68,297	-	1,983	-	18,669	-	88,949
Charge for the year	8,161	-	334	-	3,500	-	11,995
Disposals	(265)	-	-	-	(5)	-	(270)
At 31 July 2016	76,193	-	2,317	-	22,164	-	100,674
Net book value							
At 31 July 2016	219,629	20,372	4,599	27,063	12,000	33,940	317,603
At 31 July 2015	216,324	-	2,565	28,624	12,339	8,348	268,200

At 31 July 2016, freehold land and buildings included £119.4m (2015 £119.4m) in respect of freehold land and is not depreciated. Freehold land and building at cost included £1,409k of capitalised finance costs (2015 £1,409k). Assets in the course of construction include £2,489k of capitalised finance costs (2015 £55k).

Investment Property

The investment property was purchased in July 2016 and the fair value is recorded as the purchase price. College utilised the services of an independent adviser during the purchase negotiations.

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 2016

16 Debtors

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	College	Consolidated	College
	£000	£000	£000	£000
Amounts falling due within one year:				
Other trade receivables	2,797	2,766	3,244	3,136
Other receivables	4,805	4,779	137	137
Prepayments and accrued income	6,618	6,618	8,685	8,685
Amounts due from subsidiary companies	-	109	-	144
	<u>14,220</u>	<u>14,272</u>	<u>12,066</u>	<u>12,102</u>

17 Current Investments

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	College	Consolidated	College
	£000	£000	£000	£000
Short term deposits	<u>51,000</u>	<u>51,000</u>	<u>62,000</u>	<u>62,000</u>

18 Creditors : amounts falling due within one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	College	Consolidated	College
	£000	£000	£000	£000
Secured loans	1,986	1,986	1,947	1,947
Unsecured loans	2,087	2,087	2,087	2,087
Trade payables	13,561	13,545	10,285	10,285
Payments received on account	6,188	6,188	4,602	4,602
Social security and other taxation payable	3,474	3,474	2,936	2,928
Accruals and deferred income	17,315	17,315	18,542	18,479
	<u>44,611</u>	<u>44,595</u>	<u>40,399</u>	<u>40,328</u>

Notes to the Accounts

for the year ended 31 July 2016

19 Creditors : amounts falling due after more than one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	College £000	Consolidated £000	College £000
Deferred income	23,188	23,188	20,230	20,230
Interest rate swap - cash flow hedge	12,337	12,337	9,336	9,336
Secured loans	15,247	15,247	17,233	17,233
Unsecured loans	103,893	103,893	105,553	105,553
	<u>154,665</u>	<u>154,665</u>	<u>152,352</u>	<u>152,352</u>
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 18)	4,073	4,073	4,034	4,034
Due between one and two years	3,175	3,175	3,646	3,646
Due between two and five years	9,410	9,410	9,487	9,487
Due in five years or more	<u>106,555</u>	<u>106,555</u>	<u>109,653</u>	<u>109,653</u>
Due after more than one year	<u>119,140</u>	<u>119,140</u>	<u>122,786</u>	<u>122,786</u>
Total secured and unsecured loans	<u>123,213</u>	<u>123,213</u>	<u>126,820</u>	<u>126,820</u>

Loans comprise the following:

Lender	Amount £000	Term	Interest rate %
National Westminster Bank	264	2019	5
National Westminster Bank	777	2021	5
National Westminster Bank	472	2017	LIBOR + 0.5
Allied Irish Bank	15,720	2029	LIBOR + 0.4
National Westminster Bank	6,839	2030	LIBOR + 0.2
National Westminster Bank	2,025	2030	LIBOR + 0.2
National Westminster Bank	16,689	2032	LIBOR + 0.2
HEFCE	225		-
HEFCE	202		-
Pricoa Private Placement	80,000	2035-2045	2.97-3.26
	<u>123,213</u>		

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

Terms	Amount £000	Rate %	Expiry
Effective at the balance sheet date:	5,000	4.82	1 September 2017
	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>40,000</u>		

Notes to the Accounts

for the year ended 31 July 2016

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

Consolidated and College financial instruments may be analysed as follows:

Notes	Consolidated and College	
	Year ended	
	31 July 2016	31 July 2015
	£000	£000
Financial Assets		
Financial assets measured at fair value through profit or loss	47,478	45,951

Financial assets measured at fair value through profit or loss comprises the fixed asset investments.

Financial Liabilities

Financial liabilities measured at amortised cost	123,213	126,820
Derivative financial instruments designated as hedges of variable interest rate risk	12,337	9,336
	135,550	136,156

Financial liabilities measured at amortised cost comprise bank loans.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps.

Hedge of Variable Interest Rate Risk

Fair value of hedging instrument at 1 August		9,336	8,276
Effective portion of change in fair value recognised in the statement of reserves		2,598	1,296
Interest charge/(credit) on ineffective portion of hedging instruments	10	403	(236)
At 31 July 2016		12,337	9,336

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 the statement of reserves. 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 2016

20 Provisions for liabilities

	Obligation to fund deficit on USS Pension	Defined Benefit Obligations SAUL £'000	Total Pensions Provisions £'000
At 1 August 2015	18,149	-	18,149
Utilised in year	(1,920)	-	(1,920)
Additions in 2015/16	-	822	822
At 31 July 2016	16,229	822	17,051

Pension enhancement

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

	USS	SAUL
Discount rate	2.67	1.24
Inflation	2.00	2.00

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 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. Management have assessed future employees within the SAUL scheme and salary payment over the period of the contracted obligation of 2 years in assessing the value of this provision.

Notes to the Accounts

for the year ended 31 July 2016

21 Endowment Reserves	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2016	2015
	£000	£000	£000	Total £000	Total £000
Balances at 1 August 2015	71,751	2,753	230	74,734	72,567
New endowments	560	-	-	560	7
Investment income	1,179	103	33	1,315	1,311
Expenditure	(1,179)	(103)	(33)	(1,315)	(1,311)
Increase/(decrease) in market value of investments	1,479	128	(6)	1,601	2,160
Decrease in valuation of the Picture Collection	(1,561)	-	-	(1,561)	-
	478	128	(6)	600	2,167
At 31 July 2016	72,229	2,881	224	75,334	74,734
Analysis by type of purpose:					
Hilda Martindale Educational Trust	952	-	-	952	916
Other scholarship, prize and fellowship funds	6,201	-	224	6,425	5,637
Founder's Endowment Fund	38,013	-	-	38,013	36,804
Other funds	-	2,881	-	2,881	2,753
Founder's Picture Collection	27,063	-	-	27,063	28,624
	72,229	2,881	224	75,334	74,734
Analysis by asset					
Fixed assets - Picture Collection				27,063	28,624
Current and non-current asset investments				47,478	45,951
Cash & cash equivalents				793	159
				75,334	74,734

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	36,804
Income	1,074
Expenditure	(1,074)
Appreciation of Investments	1,209
Balance carried forward	38,013

Notes to the Accounts

for the year ended 31 July 2016

22 Restricted Reserves

	Consolidated and College	
	2016	2015
	£000	£000
Balances at 1 August 2015	305	-
New donations	172	305
Expenditure	(305)	-
At 31 July 2016	172	305

23 Capital and other commitments

Provision has not been made for the following capital commitments

	Consolidated and College	
	2016	2105
	£000	£000
Commitments contracted at 31 July	69,628	4,387
Authorised but not contracted at 31 July	-	43,079
	69,628	47,466

The amounts primarily relate to the Library and Student Services Centre and Student Residences.

24 Commitments under Operating Leases

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

	31 July 2016
Consolidated and College	£'000
Not later than 1 year	1,280
Later than 1 year and not later than 5 years	4,042
Later than 5 years	125
Total lease payments due	5,447

There were no lease payments due at 31 July 2015.

Notes to the Accounts

for the year ended 31 July 2016

25 Pension Schemes

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

	Consolidated and College	
	2016	2015
	£000	£000
Contributions to USS	12,519	11,595
Contributions to SAUL	1,810	1,663
Other pension contributions and costs	10	28
Total Pension Cost (note 9)	<u>14,339</u>	<u>13,286</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 2015/16 was £4,292k (2014/15 £3,930k).

USS

Throughout the current and preceding periods, USS was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated 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 and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. 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 the resulting expense in the income and expenditure account.

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 that provided by USS. 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 is recognised in profit or loss. The directors are satisfied that the scheme provided by USS 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.

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 2016

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Price inflation (CPI)	2.2%	2.2%

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) SINA tables as follows:

Male members' mortality	98% of SINA ["light"] YoB tables – No age rating
Female members' mortality	99% of SINA ["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:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

Existing benefits	2016	2015
Scheme assets	£49.8bn	£49.1bn
FRS 17 liabilities	£58.3bn	£60.2bn
FRS 17 deficit	£8.5bn	£11.1bn
FRS 17 funding level	85%	82%

Notes to the Accounts

for the year ended 31 July 2016

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. Following a consultation with Members, the SAUL Final Salary Section will close from 31 March 2016 and all Members will build up benefits on a CARE basis from 1 April 2016.

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 2014. 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 agreed in November 2015 and are due to be reviewed at SAUL’s next formal valuation in 2017.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers’ contributions will, therefore, increase from 13% of Salaries to 16% of Salaries with effect from 1 April 2016.

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL’s assets was £1,927 million representing 97% of the liabilities for benefits accrued up to 31 March 2014.

It is not possible to identify an individual Employer’s share of the underlying assets and liabilities of SAUL. College accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability to be recognised by College in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is £822m. This liability is based on a projection of Salaries over the period to 31 March 2018.

Notes to the Accounts

for the year ended 31 July 2016

26 Access Funds

	2015/16	2014/15
	£000	£000
Balance unspent as at 1 August 2015	-	13
Funding Council grants	-	-
Disbursed to students	-	13
	-	(13)
Balance unspent at 31 July 2016	-	-

Access Funds are available solely for students, Royal Holloway acts only as the paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account. The scheme ended in 2014/15.

27 University of London in Paris

	2015/16	2014/15
	£000	£000
Balance unspent at 1 August 2015	76	65
Tuition Fee income	1,059	1,146
Funding Council grants	53	58
	1,188	1,269
Bursaries and Scholarships	41	60
Share of Tuition Fee income	51	53
Funds remitted to University of London	1,096	1,080
	1,188	1,193
Balance unspent at 31 July 2016	-	76

College collects fees for students at the University of London in Paris on behalf of the University of London, Royal Holloway acts only as an agent. These fees are therefore excluded from the income and expenditure account.

28 Related Party Transactions

Royal Holloway paid grants of £853k (2014/15 £823k) to Royal Holloway Students' Union. There were no other related party transactions which require disclosure.

Notes to the Accounts

for the year ended 31 July 2016

29 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are College's first financial statements prepared in accordance with FRS 102. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 July 2014. In preparing these financial statements, College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting.

An explanation of how the transition to FRS 102 has affected the College's financial position, financial performance and cash flows is set out in the following tables.

Consolidated	Note	Reserves as at 1 August 2014	Surplus for the Year ended 31 July 2015	Reserves as at 31 July 2015
		£000	£000	£000
As previously stated under former UK GAAP		200,329	13,659	216,417
Transitional Adjustments				
Revaluation of freehold land	a	102,534	-	102,534
Classification of deferred capital grants as creditors	b	(22,062)	-	(22,310)
Recognition of pension liability	c	(8,882)	(9,267)	(18,149)
Recognition of derivatives	d	(8,276)	-	(9,336)
Recognition of donations previously deferred	e	1,706	393	2,099
Recognition of deferred employee benefits	f	(434)	99	(335)
Change in value of endowments	g	-	2,181	-
		<u>64,586</u>	<u>(6,594)</u>	<u>54,503</u>
Balance under FRS 102		<u>264,915</u>	<u>7,065</u>	<u>270,920</u>
College				
As previously stated under former UK GAAP		200,239		216,313
Total transitional adjustments		<u>64,586</u>		<u>54,503</u>
Balance under FRS 102		<u>264,825</u>		<u>270,816</u>

Notes

- a Freehold land was valued as at 31 July 2014 by Gerald Eve LLP at fair value. This valuation was taken as deemed cost within the transition provisions of FRS102.
- b Deferred capital grants, previously included in the reserves section of the balance sheets have been reclassified as creditors, due both under and over one year, as required by FRS102.
- c Under former UK GAAP the USS and SAUL pension schemes, which are both multi-employer schemes, were treated as defined contribution schemes and only the account entries were in respect of contributions paid.

Notes to the Accounts for the year ended 31 July 2016

- A deficit funding plan has been agreed for the USS and SAUL pension schemes. FRS102 requires that a liability for any such agreements is recognised on the balance sheet.
- d The College has a number of derivative instruments in the form of interest rate swap agreements to mitigate the cash flow risk from variable rate borrowings.
- FRS102 requires that all 'other' financial instruments are recognised on the balance sheet and carried at fair value. A cash flow hedge reserve has been established on the balance sheet.
- Hedge accounting has been applied and the effective portion of any movement in the fair value of the derivative instruments is recognised in Other Comprehensive Income.
- e Under former UK GAAP where donations had restrictions attaching to them, such amounts were held on the balance sheet and released when the expenditure had been incurred.
- Only donations with unfulfilled performance related conditions should be held on the balance sheet and this adjustment represents those amounts that were being held and have been released.
- f Recognition of deferred employee benefits, notably accrued holiday pay, not required under former UK GAAP.
- g Any gains on the fixed asset investment portfolio are now recorded within the surplus for the year. This differs from the treatment under former UK GAAP where these amounts were credited to the statement of total recognised gains and losses.

Royal Holloway, University of London
Egham, Surrey, TW20 0EX
01784 434455
royalholloway.ac.uk