

Financial Statements

For the year ended 31 July 2015



ROYAL
HOLLOWAY
UNIVERSITY
OF LONDON

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Financial Highlights

	Year Ended 31 July 2015	Year Ended 31 July 2014
	£000	£000
Results, Cash Flows and Reserves		
Total income	160,247	148,263
Total expenditure	146,528	140,498
Operating surplus before taxation	13,719	7,765
as % of income	8.6	5.2
Historical cost surplus after taxation	14,062	8,079
as % of income	8.8	5.4
Net liquidity (cash plus current asset investments)	152,603	63,268
Net liquidity / (total expenditure - depreciation) days	412	180
External borrowing (including repayable within one year)	126,820	50,382
as % of income	79.1	34.0
General reserve	94,081	80,033
as % of income	58.7	54.0
Net cash flow from operating activities	24,235	18,600
as % of income	15.1	12.5
Payments to acquire tangible fixed assets	14,037	10,306
as % of income	8.8	7.0
Other Key Statistics		
	Number	Number
Number of full-time equivalent students	8,925	8,704
Average number of full-time equivalent staff	1,402	1,373

Operating and Financial Review

This Operating and Financial Review has been prepared in accordance with the requirements of the Higher Education Statement of Recommended Practice: Accounting for Further and Higher Education (“SORP”) issued in July 2007, and follows best practice as set out in the Reporting Statement “Operating and Financial Review” issued by the Accounting Standards Board in January 2006.

Operating Review

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 19 self-governing Colleges of the University of London. It is financially independent and receives funding directly from the Higher Education Funding Council for England. The College 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. 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 consistently recognised as a top 20 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. It is planned that this will be mainly from growth of 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

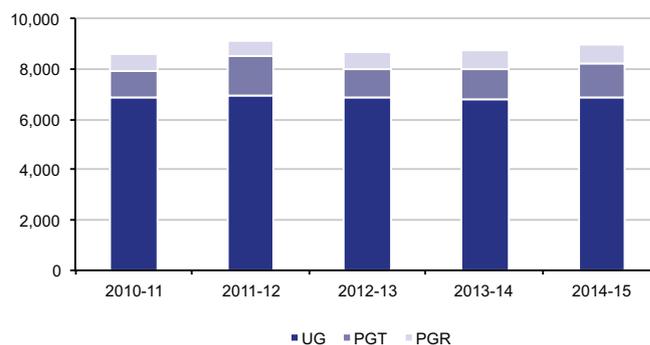
- **Our Education:** improving satisfaction levels for taught courses in undergraduate and postgraduate surveys, and increasing the proportion of graduates in graduate level employment
- **Our Student Experience:** raising the overall satisfaction level in the National Student Survey and the Student 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.

Operating Results

Student Numbers

Student numbers were 8,925 full-time equivalents (FTEs) in 2014-15 compared with 8,704 FTEs in 2013-14. Postgraduate student FTEs were 23% of the total, including research postgraduates at 8%. (figure 1).

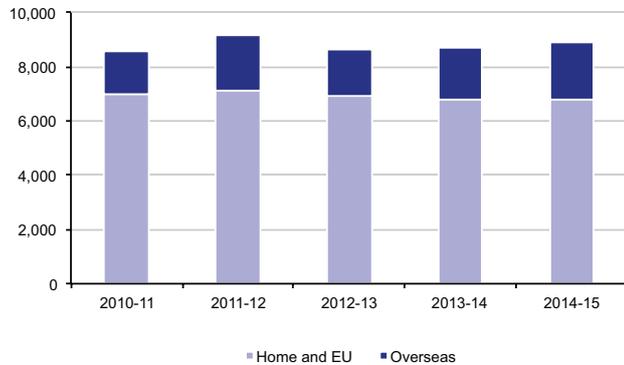
Figure 1: Student FTEs by category of undergraduate and postgraduate teaching and research



There was a decrease of 30 Home and EU (HEU) FTEs and an increase of 251 overseas students (figure 2). The number of first year HEU undergraduates increased by 149 FTEs: the fall in overall HEU numbers was due to a small reduction in postgraduate numbers and the flow through effect of previous lower undergraduate intakes resulting in total undergraduate numbers remaining flat.

Operating and Financial Review

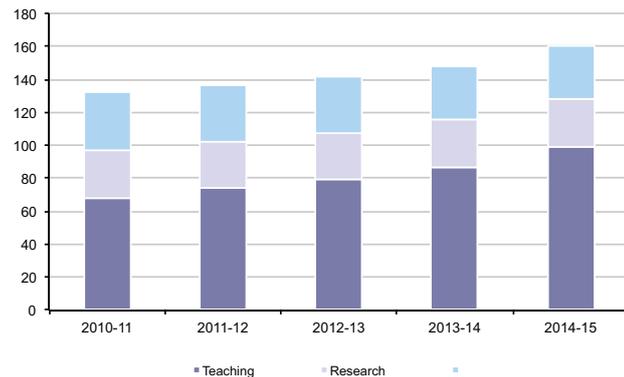
Figure 2: Student FTEs by domicile



Income and Operating Surplus

Total income increased by 8% from £148.3m in 2013-2014 to £160.2m in 2014-15. In 2014-15 teaching accounted for 62% of total income and research was 18% of the total (figure 3).

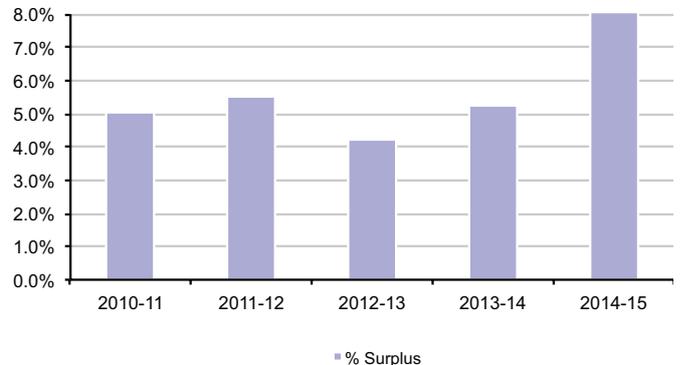
Figure 3: Annual income by major category (£m)



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

The operating surplus in 2014-15 was £13.7m (8.6% of income) compared with £7.8m in 2013-14 (5.2%). In figure 4, the operating surplus as a proportion of income is set out for the last five years. In this period the overall surplus has been 5.8% of income. The surpluses provide funds for investment in the College estate and infrastructure.

Figure 4: Annual operating surplus as a proportion of income



The surplus was substantially higher than in previous years and this was driven principally by higher fee income from the intake of the third year of HEU undergraduates paying the higher £9,000 fee and an increase in overseas students. Income increased by 8% whereas expenditure increased by 4%. As noted further on in this report, it is expected that future financial surpluses will be lower as income growth slows and the costs of new facilities and other commitments come through.

Capital Programme

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. The approval of the plan gives outline consent for a range of new academic buildings and additional residences and the improvement of the campus environment for pedestrians. This is an important step forward and enables the College to plan the development of its estate with much greater certainty.

A contractor has been appointed for the construction of a new library, careers, retail, café and student services centre building, and initial works have commenced. This will be a flagship building located opposite Founder’s with an estimated cost of £56m opening for the 2017-18 session. The new library will increase the number of study spaces by 50% and will support collaborative learning by students.

Student residences providing 621 places with an estimated cost of £43m are being developed on the College’s campus on the north side of the A30. These are in a townhouse layout built using a fully modular construction method. Most of this development is scheduled to open for 2016-17.

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 and the plans for the building are currently being developed. The estimated cost is £19m.

Operating and Financial Review

New artificial surface sports pitches were completed for the start of 2014-15 together with a range of improvements to other sports facilities. The new facilities have supported much more intensive and continuous use throughout the whole year, substantially widening access to the facilities.

Over the summer of 2015 the College's London base for teaching and other activities has been internally remodelled and refurbished. The work is due to be completed by November. This is located in Bedford Square and maintains a link to Bedford College (one of the two founding Colleges). The project has been supported by donations from alumni.

Long-term Financing

During the year, debt funding of £80m was secured in a private placement with Pricoa Capital Group. This was received on 16 July 2015 and there are repayments due after 20, 25 and 30 years of £27.5m, £27.5m and £25m respectively. The weighted average fixed interest rate is 3.13%. The College is planning to spend in the region of £170m in the next five to six years on major developments and associated enabling, repurposing and site development costs. The private placement will fund the student residences and most of the library cost, with the remaining funding for the programme coming from cash reserves and future cash flow and a HEFCE capital grant of £5m for the Science building.

Principal Risks and Uncertainties and Future Prospects

The College manages the top five risks identified by the strategic plan: 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. College is confident that it is in a strong position within the sector to respond to these challenges, as detailed below.

Awareness of Royal Holloway

A number of measures are in place to address these risks. A new brand identity has been launched successfully and there have been improvements to student recruitment and admissions strategies and processes. These investments have produced positive results with year-on-year increases in applications for entry to 2014-15 and 2015-16. Importantly, the College's strategic target that 80% of new undergraduate entrants make Royal Holloway their first choice was achieved well ahead of plan in 2014-15.

Achieving Student Numbers

From 2015-16, there will be no cap on the number of HEU undergraduates the College can recruit. The new School of Law launches its undergraduate law programme in 2015-16 and this is expected to comfortably exceed its initial intake target of 40

students. 2015-16 also sees the opening of new undergraduate programmes in Accounting and Finance, Digital Media and Communications, Liberal Arts and Software Engineering, and a postgraduate masters in Forensic Psychology. The intake targets for these programmes are expected to be met or exceeded. In 2017-18 the new department of Electronic Engineering is planned to open and this will complement the College's existing strengths in Physics, Computer Science and Information Security.

In Management, the programme taught in Singapore in collaboration with Kaplan Asia Pacific has exceeded its original target for student numbers and discussions are taking place about further growth.

The 2015 National Student Survey outcome was an overall satisfaction rating of 89%, the same as in the previous year, 3% above the national average. There were improvements in the important areas of academic support and assessment and feedback.

Research Ranking

The results of the 2014 Research Excellence Framework (REF) have been published. This is an assessment of the quality and impact of UK universities' research and replaces the Research Assessment Exercise (RAE). The REF confirmed that Royal Holloway sits within the top 25 per cent of universities in the UK for research which is rated 'world-leading' or 'internationally excellent'. 81 per cent of the College's research was within the world-leading (4*) or internationally excellent (3*) categories. This was an increase of more than 20 per cent from RAE 2008. However the College's research impact was not rated as highly as the quality of its research. In addition the growth of the sector's research outputs has resulted in the funding, which has not increased, being spread more thinly. The financial outcome is a reduction in HEFCE research funding of £1m from £13.8m to £12.8m in 2015-16. REF 2014 will provide the basis for this funding stream until the next periodic assessment, probably in 2020.

Additional resources are being invested to address weaknesses in research impact. The College is also increasing resources to support the growth of research grant and contract income.

The quality of the College's research has recently been recognised by the Leverhulme Trust, which awarded more than £1 million to fund the launch of the Magna Carta Doctoral Centre to support up to 20 new doctoral studentships. The research theme of the new Centre is Freedom and the Rights of the Individual in the Digital Age.

Facilities

The College has an estates development programme which addresses the priority requirements to improve library facilities and to provide increased residential capacity and academic space to support the growth of students.

Operating and Financial Review

Pension Schemes

The multi-employer pension schemes, USS and SAUL, are subject to triennial valuations as of March 2014. Both schemes have reported deficits and have proposed reforms which include the closure of their final salary sections and future accrual being on a career average basis. In USS, defined benefit accrual will be subject to a salary cap above which defined contribution benefits will accrue. It is expected that the changes will be implemented with effect from April 2016. From this time employer contribution rates will increase from 16% to 18% for USS and from 13% to 16% for SAUL. The success of these changes in resolving the deficit will depend on the movement of gilt rates which are used to value the liabilities and on future investment performance.

The financial surplus in 2014-15 was higher than has been achieved previously. This will support the financing of the capital programme, particularly given the lower level of annual Government capital grant. It is expected that in future years the surplus will be lower, as a result of the ongoing cap on the £9,000 fee, constrained Government funding, higher employment costs, the interest cost of additional borrowing and additional depreciation and premises costs from the capital programme. More direct funding of centrally-provided facilities will also be required as Government grants for these are reduced or withdrawn. The planned growth of student numbers will offset some of this pressure on the surplus and support the capital investment programme.

Financial Review

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 2015.

Results for the Year

In summary, the consolidated results were:

£m	2014-15	2013-14	Change
Income	160.2	148.3	11.9
Expenditure	146.5	140.5	6.0
Surplus	13.7	7.8	5.9

After tax and adjusting for income transferred to accumulated income within endowments, the surplus retained within general reserves was at the same level of £13.7m compared with £7.8m for 2013-14.

HEFCE Grants

Income from the Higher Education Funding Council for England (HEFCE) decreased by £5.1m (20%) to £22.2m. The main movements were a reduction in Teaching Grant of £4.3m and a fall in Deferred Capital Grants released of £0.7m. These reflect the ongoing transfer of teaching income to tuition fees and reduction in the level of HEFCE capital grants.

Tuition Fees

Income from tuition fees and education contracts increased by £16.6m (22%) to £93.6m from £77.0m in 2013-14. Home/EU fee income increased by £9.7m (23%) as a result of a third year of undergraduates becoming liable for the higher £9k fee. Overseas fee income increased by £4.3m (16%) in line with an overall increase in students of 251 FTEs (13%).

Research Training Support Grants were £3.4m, compared with £2.7m in 2013-14. 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 £5.0m compared with £4.1m the previous year. This increase is from the expansion of the Management programme delivered in collaboration with Kaplan in Singapore and increased revenue from some distance learning programmes.

Other Income

Income from research grants and contracts was £14.9m in 2014-15 compared with £15.1m in 2013-14. Income from Research Council awards was £0.5m lower while income from other funders was £0.3m higher.

Other Operating Income was 2% higher at £27.7m compared with £27.1m in 2013-14. This included a £0.3m increase in income from residences, catering and conferences and £0.1m from deferred capital grants.

Endowment and investment income increased by £0.2m from £1.7m to £1.9m, due to an increase in interest income arising from the higher level of cash and current asset investment balances.

Expenditure

Total expenditure increased by £6.0m (4%) to £146.5m from £140.5m in 2013-14.

Operating and Financial Review

Staff costs increased by £3.5m (4%) to £82.3m. This included a nationally-agreed pay increase from August 2014 of 2% for all staff. Staff restructuring costs were £0.4m compared with £0.2m in 2013-14. Average staff FTEs were 2.1% higher at 1,402 compared with 1,373 in 2013-14.

Other operating expenses increased by £3.3m (7%) to £50.7m from £47.4m in 2013-14. This included £1.3m increased expenditure on student maintenance, awards and facilities, mainly from additional awards for undergraduates under the Office for Fair Access (OFFA) bursary arrangements and also from increased support for postgraduates under College schemes. In addition, general educational costs increased by £0.5m mainly for student recruitment expenditure, including higher agents' commissions associated with the increase in the number of overseas students. Other premises related costs increased by £0.9m as a result of additional expenditure on estates maintenance costs, together with cleaning and waste and buildings insurance.

Depreciation costs decreased by £0.6m to £11.3m. Expenditure in 2013-14 included £0.5m of one-off impairment costs. In 2014-15 £7.7m of the £14.0m of tangible asset additions was on assets in the course of construction at the end of the year and therefore this expenditure did not give rise to a depreciation charge.

Interest costs were marginally lower at £2.1m. 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, received on 16 July 2015, is being capitalised as part of the fixed asset cost of the student residences and library developments, and is not included in the interest cost.

Capital Investment

Capital investment in the year was £14.0m. The £80m private placement debt is funding the cost of the new student residences and most of the cost of library building. Expenditure on these projects totalled £4.8m at the end of the year. In addition capital grants of £2.9m were received and the balance of the expenditure was funded from cash.

Building project expenditure included design costs and some enabling works for the library, student residences and science building projects, together with the sports facilities improvements and the Bedford Square refurbishment. In addition major refurbishment expenditure has been incurred on Kingswood and Penrose Court residences. Equipment related expenditure of £2.5m included £1.4m on academic equipment and £0.9m on IT projects.

Cash Flow, Liquid Assets and Treasury Management

The net cash flow generated from operating activities was £24.2m compared with £18.6m in 2013-14, reflecting the increase in the operating surplus. Capital expenditure was £14.0m, for which there were capital grants of £2.9m. There were loan repayments of £3.6m and near the end of the year £80m was received as debt funding. The total of current asset cash and current asset investments (cash held on deposit) increased by £89.3m to £152.6m.

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

Investment Performance

The balance sheet value of the College's endowment asset investments at the year-end increased from £73.6m to £75.8m, due to the appreciation in the investments. A full revaluation of the Picture Collection was carried out in July 2011, and there was no change in its balance sheet value during 2014-15.

The endowment investments (excluding the Picture Collection) are managed by two fund managers. Aberdeen Asset Management (AAM) was fund manager throughout the year. The funds managed by Newton Investment Managers (NIM) were transferred to Rathbone Investment Management in July. This was due to Newton's decision to discontinue discretionary investment management for smaller funds.

Investment performance is monitored by the Investment Committee advised by WM Performance Services. For the year to 30 June 2015, AAM achieved a total return of 5.8% and NIM produced a return of 6.1%. The combined return of 5.9% was in line with the WM Charity Funds Universe return for the year of 5.9%.

The Investment Committee reviewed the investment objectives of the fund managers and agreed to change the primary objective from achieving a total return of 8.5% per annum over rolling five-year periods, to an objective of achieving 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%. This change was effective from January 2015.

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 £4.3m in 2014-15 (2013-14 £3.1m). Other awards funded from the College's resources and endowment income, mainly to support postgraduates, increased to £5.6m in 2014/15 (2013/14 £4.7m). £0.6m (2013/14 £0.5m) was specifically allocated as assistance to overseas fee paying students.

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 is 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:

- Spinal Muscular Atrophy is a devastating inherited disease, the biggest genetic killer in infancy. Royal Holloway's Advanced Gene and Cell Therapy lab (AGCTlab.org), led by Dr. Rafael Yáñez, have used stem cells to produce human motor neurons, the cells from the spinal cord that control movement and breathing, in lab dishes. Their work shows that during the process of differentiation (when cells change from stem to their final shape) motor neurons from unaffected people and patients undergo changes in gene expression barely observed before during human development. These changes may go some way to explain why motor neurons are more sensitive to spinal muscular atrophy.

- "At Home in the Institution" was a two-year research project examining the impact of the design, decoration and furnishing of nineteenth-century residential institutional spaces on the experiences of their inmates. The project was led by Dr Jane

Public Benefit Statement

Hamlett from the department of History. Its outcomes include, Snapshots of Institutional Life an online image gallery, Living Away from Home a small-scale exhibition produced with Surrey History Centre and a range of other public activities.

- The Centre for Research into Sustainability is a multidisciplinary, international group of researchers and educators at Royal Holloway. It is actively engaged with the understanding of organisational responses to the multiple facets of sustainability, through research, teaching and collaboration with external organisations. The Centre's purpose is to advance scholarship and contribute to positive social change in terms of the contemporary challenges of poverty alleviation, social injustice and climate change.

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.

A highlight of the year has been the 800th anniversary of the sealing of the Magna Carta at Runnymede. The College worked closely with the borough and county councils to deliver a celebration and series of events. This included a free online six-week course which attracted an initial enrolment of 14,000 people, and a Great Charter Festival held at the College attended by around 4,500 visitors.

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 160 diverse activity streams in 2014-15, (an increase from 100 streams in 2013-14) and students attend a compulsory coaching session to equip them to present themselves well to employers. In 2014-15 3,564 students (2013-14 2,919 students) were registered on the Passport.

For our 2013-14 graduates, six months after graduation 63% (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 2014-15, often represented by enthusiastic alumni. The range of micro-placement schemes has been expanded, and is linked to the curriculum of 8 academic departments. The College now offers 72 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.

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.

The HESA (Higher Education Statistics Agency) data returned for 2013-14 indicate mixed progress in reducing the environmental impact of the College. Total energy consumption was 7% lower than in 2012-13, but electricity consumption increased while gas consumption decreased, resulting in an increase in CO2 emissions of 11%. The total amount of waste produced fell by 17% and there was a sharp reduction in the amount of land sent to landfill of 47% as a result of a new waste contract implemented during the year. Water consumption was 1% lower than in 2012-13.

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 The Council must meet at least four times a year and members have a duty to attend regularly, both Council meetings and the meetings of any committees to which they have been appointed and to take full part in the discussions. They are expected to take an interest in and keep themselves up to date on issues affecting the business of the College, locally, nationally and internationally.
- 4 They have a general duty to avoid conflicts of interest between their own private, public and professional life and that of the College and to this end must notify the Secretary of any interests which could present or be perceived as presenting a conflict. An annual register of interests is taken.
- 5 Council members are expected to comply with the seven principles of Standards in Public Life, namely Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty and Leadership. Although the Council aims to conduct its business so far as possible in an open manner, where particular items of business preclude this, members must respect the confidentiality of College business.

Stewardship

- 6 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 College Act and Regulations, 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.

Responsibilities of Council

Strategy

- 7 Subject to consultation with the Academic Board on all matters with implications for academic policy or the terms and conditions of academic staff, 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 RHBNCA and the charitable objectives of the College.

Management

- 8 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.

Audit

- 9 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.

Monitoring and Evaluation

- 10 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.

Self Evaluation

- 11 To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.

Best Practice

- 12 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.

Responsibilities and Membership of Council

Reputation

- 13 To safeguard the good name and value of the College.

Chief Executive

- 14 To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.

Secretary

- 15 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.

Employer

- 16 To be the employing authority of the College and to be responsible for establishing a personnel strategy and overall superannuation policy.

Health & Safety

- 17 To have ultimate responsibility for the health and safety of all staff, students and visitors (including the general public) on campus and its immediate environs.

Equal Opportunities

- 18 To ensure that all the business of the College is conducted without discriminating against any member of staff, student or visitor on grounds of race, ethnicity, religion, sex, sexual orientation, marital or parental status, national origin, age or disability.

Finance

- 19 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.

Legal

- 20 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.

Students

- 21 To make such provision as it thinks fit for the general welfare of students, in consultation with the Academic Board.
- 22 To review and approve the constitution of the Students' Union at least every five years and to monitor its financial position.

- 23 Under Section 20 of the RHBNCA, to terminate the registration of students on non-academic grounds or to take disciplinary action, where appropriate, against students for severe breaches of disciplinary regulations. The power to terminate a registration on academic grounds rests with the Academic Board.

Trustees

- 24 To act as trustee for any property, legal endowment, bequest or gift, such as the Picture Collection, the Founder's Endowment Fund, the Bedford Entrance Scholarships and a number of other small charitable funds, in support of the work and welfare of the College.

Governance

- 25 To ensure that the College's constitution is followed at all times and that appropriate advice is available to enable this to happen.

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.

Responsibilities and Membership of Council

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.

Responsibilities and Membership of Council

Membership

During the period from 1 August 2014 and up to the date of the signing of the Financial Statements, the Council had the following membership:

Lay Members

Mr Paul Blagbrough
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)
Ms Colette Wilson

Elected staff members

Professor Clare Bradley (to 30 September 2014)
Mr John Brannan
Mr Dave Cobb
Professor David Gilbert
Ms Sarah Moffat (to 31 July 2015)
Mrs Denise Keable (from 2 October 2015)
Professor Elizabeth Schafer (from 1 October 2014)
Professor Anne Sheppard

Elected student members

Ms Gillian Craig (2014/15 academic year)
Mr Matthew Siely (2015/16 academic year)

Ex officio members

Professor Paul Layzell, Principal
Ms Emma Peagam, President Students' Union (2014/2015 academic year)
Ms Nayab Cheema, President Students' Union (2015/2016 academic year)

Membership of Committees

Audit and Compliance Committee

Chair

Mr David Spence

Other Members

Mr Majid Hawa
Mr Mark Newlands
Ms Colette Wilson
Ms Tina Harris (from 15 July 2015)

Council Executive

Chair

Mr Stephen Cox

Ex officio

Mr Iain Ross
Mr Jeremy McIlroy
Mr David Spence
Professor Paul Layzell

Other members

Mrs Margaret Jack
Ms Colette Wilson
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
Mrs Cheryl Newsome

Finance Committee

Chair

Mr Jeremy McIlroy

Ex Officio

Mr Iain Ross
Professor Paul Layzell
Professor Rob Kemp
Mr Simon Higman
Mr Graeme Robinson (to 11 September 2015)
Mrs Jenny Febry (from 14 September 2015)

Other Members

Mr Paul Blagbrough
Mr Gurpreet Dehal
Mrs Margaret Jack
Mr Nick Perryman
Mr David Williams (from 9 January 2015)

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 Stephen Cox (Ex officio from 1 July 2015)

Ex Officio

Mr Iain Ross (Chair from 1 July 2015)
Professor Paul Layzell
Mr Simon Higman

Other Members

Mrs Margaret Jack
Mrs Christine Goodyear

Corporate Governance

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

The 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'. The Council's role is to set the strategic direction of the College and, through the receipt of reports from its committees and officers, to be assured that its day to day operation is proceeding satisfactorily.

The 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 2015 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 the Council.

The College's strategy for the management of major business risks has been approved by the 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.

The Council meets 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 and the Health and Safety Assurance Committee. All of these committees are formally constituted, with terms of reference, and include lay members of Council. The constitution of the Finance Committee is determined by Statute, and stipulates that the Committee has a majority of lay members. Lay members chair all these committees.

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. 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 Chairman and Vice-Chairman of the 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 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 and makes an annual 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. From 2013-14 Deloitte LLP has been appointed as Internal Auditor, following a full tender process.

The 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 underway. A number of recommendations to improve the effectiveness of Council committees have been agreed and work is continuing to review governance arrangements.

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 and applied the revised code during 2014-15. Council is confident that during the period from December 2014 to the date of the signing of the financial statements it has met the primary elements of the revised code.

Stephen Cox
Chair of Council, 17 November 2015

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 2015 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, 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 College 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 College 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 2015 and of the Group's income and expenditure, recognised gains and losses and statement of cash flow 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.

James Aston
BDO LLP
Statutory Auditor
Gatwick
United Kingdom

19 November 2015

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

Consolidated Income and Expenditure Account

For the year ended 31 July 2015

	Note	2014/15	2013/14
		£000	£000
Income			
Funding body grants	2	22,191	27,333
Tuition fees and education contracts	3	93,553	77,003
Research grants and contracts	4	14,898	15,136
Other income	5	27,667	27,134
Endowment and investment income	6	1,938	1,657
Total income		160,247	148,263
Expenditure			
Staff costs	7	82,342	78,871
Other operating expenses	8	50,728	47,441
Depreciation	11	11,383	12,057
Interest and other finance costs	9	2,075	2,129
Total expenditure		146,528	140,498
Surplus on continuing operations after depreciation of tangible fixed assets at valuation before taxation	22	13,719	7,765
Taxation	10	(46)	(4)
Surplus on continuing operations after depreciation of assets at valuation and taxation		13,673	7,761
Surplus on continuing operations after depreciation of assets at valuation		13,673	7,761
Transfer to accumulated income within endowment funds	17	(14)	(1)
Surplus for the year retained within general reserves	19	13,659	7,760

The income and expenditure account is in respect of continuing activities.

The notes on pages 21–40 form part of the financial statements

Consolidated Statement of Historical Cost Surpluses and Deficits

For the year ended 31 July 2015

		2014/15	2013/14
		£000	£000
Surplus on continuing operations before taxation		13,719	7,765
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	18	389	318
Historical cost surplus before taxation		14,108	8,083
Taxation	10	(46)	(4)
Historical cost surplus for the period after taxation		14,062	8,079

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2015

	Note	2014/15	2013/14
		£000	£000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		13,673	7,761
Appreciation of endowment asset investments	17	2,304	710
Impairment of endowment asset investments - The Picture Collection	17	-	(631)
New endowments	17	7	1
Capital withdrawn	17	(43)	-
Management fees	17	(101)	(91)
Total Recognised Gains Related to the Year		15,840	7,750
Reconciliation to the Movement of Reserves and Endowments			
Opening reserves and endowments		178,267	170,517
Total recognised gains for the year		15,840	7,750
Closing reserves and endowments		194,107	178,267

The notes on pages 21–40 form part of the financial statements

Consolidated and College Balance Sheets

As at 31 July 2015

	Note	Consolidated		College	
		2015	2014	2015	2014
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	11	138,687	136,275	138,687	136,275
Endowment Assets	12	75,801	73,620	75,801	73,620
Current Assets					
Stocks and stores		250	310	250	310
Debtors	13	12,065	11,837	12,101	11,882
Investments	21	80,000	39,976	80,000	39,976
Cash at bank and in hand	25	72,603	23,293	72,393	23,058
		164,918	75,416	164,744	75,226
Creditors: Amounts Falling Due Within One Year	14	(39,683)	(38,015)	(39,613)	(37,915)
Net Current Assets		125,235	37,401	125,131	37,311
Total Assets less Current Liabilities		339,723	247,296	339,619	247,206
Creditors: Amounts Falling Due after more than One Year	15	(123,306)	(46,967)	(123,306)	(46,967)
Net Assets		216,417	200,329	216,313	200,239

The notes on pages 21–40 form part of the financial statements

Consolidated and College Balance Sheets

	Note	Consolidated		College	
		2015	2014	2015	2014
		£000	£000	£000	£000
Deferred Capital Grants	16	22,310	22,062	22,310	22,062
Endowments					
Permanent	17	75,571	73,375	75,571	73,375
Expendable	17	230	245	230	245
		75,801	73,620	75,801	73,620
Reserves					
Revaluation reserve	18	24,225	24,614	24,225	24,614
General reserve	19	94,081	80,033	93,977	79,943
		118,306	104,647	118,202	104,557
Total		216,417	200,329	216,313	200,239

The financial statements on pages 16 to 40 were approved and authorised for issue by Council on 17 November 2015 and signed by

Mr Stephen Cox
Chairman of Council

Professor P Layzell
Principal

Consolidated Cash Flow Statement

For the year ended 31 July 2015

	Note	<u>2014/15</u>	<u>2013/14</u>
		£000	£000
Cash flow from Continuing Operating Activities	22	24,235	18,601
Returns on investments and servicing of finance	23	(137)	(472)
Taxation	10	(46)	(4)
Capital expenditure and financial investment	24	(11,006)	(10,168)
Cash inflow before financing and management of liquid resources		13,046	7,957
Financing:			
Capital repayments	25	(3,562)	(3,523)
Private placement drawn down in year	25	80,000	-
Management of liquid resources:			
Movement on placing of investment deposits	25	(40,024)	(8,976)
Increase/(decrease) in cash in the period	25	49,460	(4,542)
Reconciliation of Net Cash Flow to Movement in Net Debt			
Increase/(decrease) in cash in the period		49,460	(4,542)
Cash (outflow)/inflow from movement in debt financing	25	(76,438)	3,523
Cash outflow from management of liquid resources	25	40,024	8,976
Increase in net debt in period	25	13,046	7,957
Net debt at 1 August	25	13,963	6,006
Net debt at 31 July	25	27,009	13,963

The notes on pages 21–40 form part of the financial statements

Notes to the Financial Statements

1 Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1 Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions July 2007 (SORP) and applicable United Kingdom accounting standards.

2 Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the College, its subsidiary undertaking Royal Holloway Enterprise Ltd for the financial year to 31 July 2015.

3 Recognition of Income

Income from specific donations, HEFCE grants for specific purposes, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from short-term deposits of unrestricted funds, the Founder's Endowment Fund and other endowment asset investments is credited to the income and expenditure account on a receivable basis.

Income from permanent endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to permanent endowments.

General donations are credited to the income and expenditure and are ring-fenced within the income and expenditure account reserve until they are spent.

4 Pension Schemes

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 Scheme (SAUL). USS and SAUL are multi-employer schemes for which there is an inability to separately identify the College's share of the underlying assets and liabilities. Therefore, as required by FRS 17 'Retirement Benefits', the employer contributions are charged directly to the Statement of Financial Activities as if the schemes were defined contribution schemes.

5 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the

transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6 Land and Buildings

Land and Buildings were revalued on 31 July 1995 and are stated at valuation in the accounts, except for work in progress and buildings completed after that date which are stated at cost. The basis of valuation is open market value for the existing use and the valuation, on 31 July 1995, was carried out by Hillier Parker, Chartered Surveyors. The College has adopted the provisions of FRS15 not to update the valuation of land and buildings carried forward at the date of implementation of FRS15.

With the exception of land at Huntersdale which is held on a lease which expires in 2041, land is held freehold and is not depreciated as it is considered to have an indefinite useful life.

Buildings are depreciated over their expected useful lives and leasehold land over the life of the lease, usually fifty years.

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. Services are depreciated over twenty years and temporary buildings or minor works over ten years.

Works on the estate costing £10,000 or more are capitalised if the work creates or enhances an existing asset, or improves or substantially overhauls an asset in accordance with FRS15. The costs are depreciated over the appropriate period as described elsewhere within the Accounting Policies except those relating to painting and roof replacement which are depreciated over five and twenty five years respectively.

Interest costs incurred during the construction period of new buildings are included in the capitalised cost of the asset to which they relate.

Specific grants received for the acquisition of buildings are treated as deferred capital grants and released to income over the expected useful lives of the buildings.

7 Depreciation of Equipment, Furniture and Fittings

Equipment, including computers and software, costing less than £10,000 per separable 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 its expected useful life of five years.

Notes to the Financial Statements

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.

Where equipment or furniture and fittings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grant is treated as a deferred capital grant and is released to income over the expected useful life of the asset (this is the period of the grant for specific research projects).

8 Interest Rate Swaps

The College, in the course of its business, enters into interest rate swap contracts to reduce its exposure to fluctuations in interest rates on borrowings. The amounts receivable and payable on these swaps are included in the income and expenditure account so as to match the interest payable on the borrowing.

9 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 endowment assets. An interim valuation was carried out by a professional valuer in 2014. A professional valuation will continue to be carried out at least once every five years in accordance with FRS15, with an update in year three, also performed by a qualified valuer. The valuation is assessed on the basis of high auction value.

Three pictures from the collection were sold between 1993 and 1995, and the proceeds used to create the Founder's Endowment Fund under a scheme approved by the Charity Commission. The endowment fund, which is held in a separate trust, is included within 'Permanent Endowments' in the balance sheet. The use of these assets other than as provided in the scheme is subject to the prior approval of the Charity Commission.

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.

10 Investments

Endowment asset investments are included in the balance sheet at market value. Cash balances on deposit, which cannot be withdrawn without notice, are shown as current asset investments.

11 Stocks

Stocks are stores of catering supplies, bar supplies and other items held by Residence and Catering Services, stores held by the Estate's department and central stores of stationery and computer supplies. They are valued at the lower of cost and net realisable value.

12 Taxation Status

Royal Holloway is an exempt charity within the meaning of Schedule 2 of the Charities Act 2011 and as such is a charity within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by parts two and three of part 11 Corporation Tax Act 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.

Royal Holloway Enterprise Limited gift aids the majority of its profits to the College, and any profits that are retained are subject to UK Corporation Tax which is provided at the amount expected to be paid using the tax rates and laws that have been enacted at the balance sheet date.

Notes to the Financial Statements

	<u>2014/15</u>	<u>2013/14</u>
	£000	£000
2 Funding Body Grants		
Recurrent grant		
Teaching	5,554	9,912
Research	13,753	13,514
	<u>19,307</u>	<u>23,426</u>
Specific grants	472	804
Deferred capital grants released in year:		
Buildings (note 16)	1,953	2,009
Equipment (note 16)	459	1,094
	<u>22,191</u>	<u>27,333</u>
Royal Holloway is funded by the Higher Education Funding Council for England.		
3 Tuition Fees and Education Contracts		
Full-time students charged home and EU fees	52,063	42,363
Full-time students charged overseas fees	31,186	26,883
Part-time students	1,846	977
Research training support grants	3,435	2,728
Short course and other fees	5,023	4,052
	<u>93,553</u>	<u>77,003</u>
4 Research Grants and Contracts		
Research Council grants	6,120	6,660
Other grants and contracts	8,778	8,476
	<u>14,898</u>	<u>15,136</u>

The income includes deferred capital grants released of £179k (note 16) (2013/14 £190k).

Notes to the Financial Statements

	<u>2014/15</u>	<u>2013/14</u>
	£000	£000
5 Other Income		
Residences, catering and conferences	22,495	22,239
Other services rendered	1,241	1,142
Released from deferred capital grants (note 16)	56	61
Other income	3,875	3,692
	<u>27,667</u>	<u>27,134</u>
6 Endowment and Investment Income		
Income from permanent endowment asset investments	1,251	1,199
Income from expendable endowment asset investments	74	85
Total income from endowments (note 17)	<u>1,325</u>	<u>1,284</u>
Other interest receivable	613	373
	<u>1,938</u>	<u>1,657</u>

Notes to the Financial Statements

	2014/15	2013/14
	£000	£000
7 Staff Costs		
Staff costs:		
Wages and salaries	63,699	60,984
Social security costs	5,357	5,135
Other pension costs (note 26)	13,286	12,752
	82,342	78,871
Emoluments of the Principal		
Including benefits in kind		
Remuneration	278	274
College pension contributions	-	-
Total emoluments	278	274
Remuneration of other Higher Paid Staff, excluding employer's pension contributions:	Number	Number
£100,000 - £109,999	14	10
£110,000 - £119,999	8	6
£120,000 - £129,999	2	4
£130,000 - £139,999	3	2
£140,000 - £149,999	1	1
£150,000 - £159,999	2	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 £3,930k (2013/14 £3,792k) in total, as applicable. The Emoluments of the Principal and Remuneration of Other Higher Paid Staff are shown prior to any salary sacrifice.

	Number	Number
Average staff numbers by major category		
Academic, research and other related grades	688	675
Technical	62	65
Administrative and other	542	524
Manual and ancillary	110	109
College	1,402	1,373

The analysis of staff numbers is in full time equivalents, and is analysed by reference to pay groups. Casual and visiting teaching staff are excluded.

Compensation Payments for loss of office

Staff Costs include staff restructuring costs of £447k (2013/14 £179k) paid or accrued as compensation for loss of office, of which £nil (2013/14 £nil) relates to higher paid employees. The cost is financed from general College resources.

Notes to the Financial Statements

	2014/15	2013/14
	£000	£000
8 Other Operating Expenses		
Staff related expenditure	4,236	4,227
Books, periodicals and other library costs	2,629	2,404
Student maintenance, awards and facilities	14,556	13,287
General educational	2,812	2,306
Federal costs	788	773
Heat, light, power and water	3,144	3,093
Other premises related costs	7,057	6,132
Residence and catering direct costs of sale and related costs	2,712	2,696
Other expenses	12,794	12,523
Total other operating expenses before taxation	<u>50,728</u>	<u>47,441</u>

Auditors' Remuneration

Other expenses include £56k Group and £56k College (2013/14 £57k Group, £56k College) Auditors' remuneration - audit fees and £5k Group and College (2013/14 £3k) in respect of other services.

Payments to Trustees

Council members (the trustees) received no payment for acting as trustees in 2014/15 and no such payment was made in prior years. In 2014/15 expenses of £3k (2013/14 £2k) were paid to 7 (2013/14 - 6) non-staff trustees for travel, subsistence and business entertaining.

9 Interest and Other Finance Costs

Loans wholly repayable within five years	11	17
Loans not wholly repayable within five years	2,064	2,112
	<u>2,075</u>	<u>2,129</u>

Interest payable includes £1,673k paid on interest rate swaps (2013/14 £1,679k).

10 Taxation

Taxation on Research and Development Expenditure Credit	43	-
Taxation on profits of subsidiary	3	4
UK Corporation Tax	<u>46</u>	<u>4</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 2013/14. A charge was made in 2014/15 in relation to a Research and Development Expenditure Credit claim made during the 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 Financial Statements

11 Tangible Assets

	Consolidated and College					Total
	Land & Buildings Freehold	Short Leases	Furniture & Fittings	Equipment	Assets in Course of Construction	
	£000	£000	£000	£000	£000	£000
At 1 August 2014						
Valuation	60,170	1,800	795	-	-	62,765
Cost	119,294	2,748	15,180	13,928	1,107	152,257
	179,464	4,548	15,975	13,928	1,107	215,022
Additions at cost	2,312	-	742	2,462	8,521	14,037
Disposals	(747)	-	(183)	(6)	-	(936)
Transfers	1,058	-	37	43	(1,138)	-
At 31 July 2015						
Valuation	60,170	1,800	795	-	-	62,765
Cost	121,917	2,748	15,776	16,427	8,490	165,358
	182,087	4,548	16,571	16,427	8,490	228,123
Depreciation						
At 1 August 2014						
	61,126	1,775	8,032	7,814		78,747
Charge for year (see note below)	7,684	208	1,418	2,073		11,383
Eliminated on disposals	(514)	-	(180)	-		(694)
At 31 July 2015						
	68,296	1,983	9,270	9,887		89,436
Net Book Value						
At 31 July 2015						
	113,791	2,565	7,301	6,540	8,490	138,687
At 1 August 2014						
	118,338	2,773	7,943	6,114	1,107	136,275
Historical Net Book Value						
At 31 July 2015						
	90,518	1,613	7,301	6,540	8,490	114,462
At 1 August 2014						
	94,711	1,786	7,943	6,114	1,107	111,661

The depreciation charge has been funded by

Deferred capital grants released (note 16)	2,647
Revaluation reserve released (note 18)	389
General income	8,347
	<u>11,383</u>

At 31 July 2015 freehold land and buildings at cost included £1,409k of capitalised finance costs (2014 £1,320k).

Heritage Assets

The College does not have any material heritage assets to disclose as tangible assets.

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 an endowment asset (note 12).

12 Endowment Assets

	Consolidated and College	
	2015	2014
	£000	£000
Balance at 1 August	73,620	73,630
Additions and income	6,590	27,965
Disposals and expenditure	(6,713)	(28,054)
Appreciation of investments (note 17)	2,304	710
Impairment on revaluation of Picture Collection (note 17)	-	(631)
Balance at 31 July	75,801	73,630
Represented by:		
Fixed interest at valuation	4,409	6,312
Equities at valuation	41,542	37,608
Fixed interest and equities	45,951	43,920
Cash and Bank balances	1,226	1,076
Total Investments (note 17)	47,177	44,996
Picture Collection (see note below and note 17)	28,624	28,624
Balance at 31 July	75,801	73,620
Fixed interest and equities at cost	43,238	41,551

An interim revaluation of the Picture Gallery Collection at 31 July 2014 was provided on a high auction basis (excluding costs) by Christie's.

Notes to the Financial Statements

	Consolidated		College	
	2015	2014	2015	2014
	£000	£000	£000	£000
13 Debtors				
Amounts falling due within one year:				
Trade debtors	3,245	3,669	3,137	3,549
Amounts owed by subsidiary undertaking	-	-	144	165
Other debtors	137	16	137	16
Prepayments and accrued income	8,683	8,152	8,683	8,152
	12,065	11,837	12,101	11,882
14 Creditors: Amounts Falling due within One Year				
Secured and unsecured loans	4,034	3,975	4,034	3,975
Payments received on account	4,602	7,173	4,602	7,173
Other creditors	9,570	8,213	9,570	8,213
Social security, other taxation and pension contributions payable	2,935	2,830	2,928	2,809
Accruals	411	527	348	448
Deferred income	18,131	15,297	18,131	15,297
	39,683	38,015	39,613	37,915

Unsecured loans include interest-free repayable grants totalling £427k from the Higher Education Council for England repayable within one year (2014 £427k)

Notes to the Financial Statements

15 Creditors: Amounts Falling Due After More than One Year

	Consolidated		College	
	2015	2014	2015	2014
	£000	£000	£000	£000
Unsecured loans repayable after one year and within five years	6,641	6,584	6,641	6,584
Unsecured loans repayable after five years	98,912	20,643	98,912	20,643
Secured loans repayable after one year and within five years	6,492	6,962	6,492	6,962
Secured loans repayable after five years	10,741	12,218	10,741	12,218
	122,786	46,407	122,786	46,407
Deferred income	520	560	520	560
	123,306	46,967	123,306	46,967

Secured loans are secured by a first charge upon Highfield, Kingswood, Runnymede and Wedderburn and Gowar student residences.

Secured and unsecured loans over one year are repayable as follows:

After one year and within two years	3,646	3,593	3,646	3,593
After two years and within five years	9,487	9,953	9,487	9,953
After five years and within ten years	14,872	14,995	14,872	14,995
After ten years	94,781	17,866	94,781	17,866
	122,786	46,407	122,786	46,407

At the balance sheet date the College had committed to loan facilities totalling £133,905k which have been fully drawn down. The College had interest rate swaps to reduce its variable interest rate exposure on these loans to the following extent:

Terms:	Amount	Rate	Expiry
	£000	%	
Effective at the balance sheet date:			
	5,000	4.480	1 September 2026 (option for bank to terminate in 2016)
	5,000	4.820	1 September 2017
	5,000	4.820	1 September 2019
	5,000	4.650	1 September 2022
	10,000	4.820	1 December 2024
	5,000	4.550	1 September 2027
	5,000	4.880	1 September 2029
	40,000		

Notes to the Financial Statements

16 Deferred Capital Grants

	Consolidated and College		
	Funding Council	Other Grants and Benefactions	Total
	£000	£000	£000
At 1 August 2014	21,048	1,014	22,062
Grants receivable	2,609	286	2,895
Release to income and expenditure for year	(2,412)	(235)	(2,647)
At 31 July 2015	21,245	1,065	22,310

The release of Other Grants and Benefactions for the year was £179k to Research Grants and Contracts (note 4) and £56k to Other Income (note 5).

Notes to the Financial Statements

17 Endowments

	Consolidated and College				2015	2014
	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	Total	Total
	£000	£000	£000	£000	£000	£000
At 1 August 2014						
Capital	2,703	69,577	72,280	260	72,540	72,551
Accumulated income		1,095	1,095	(15)	1,080	1,079
	<u>2,703</u>	<u>70,672</u>	<u>73,375</u>	<u>245</u>	73,620	73,630
New endowments	-	7	7	-	7	1
Capital Withdrawn	-	-	-	(43)	(43)	
Income for year (note 6)	74	1,201	1,275	50	1,325	1,284
Expenditure for year	(74)	(1,210)	(1,284)	(27)	(1,311)	(1,283)
	-	(9)	(9)	23	14	1
Appreciation of investments (note 12)	51	2,248	2,299	5	2,304	710
Impairment of the Picture Collection (note 12)	-	-	-	-	-	(631)
Management fees	(1)	(100)	(101)	-	(101)	(91)
At 31 July 2015	<u>2,753</u>	<u>72,818</u>	<u>75,571</u>	<u>230</u>	75,801	73,620
Represented by:						
Capital	2,753	71,732	74,485	222	74,707	72,540
Accumulated income	-	1,086	1,086	8	1,094	1,080
	<u>2,753</u>	<u>72,818</u>	<u>75,571</u>	<u>230</u>	75,801	73,620
Hilda Martindale Educational Trust	-	991	991	-	991	971
Other scholarship, prize and fellowship funds	-	6,434	6,434	230	6,664	6,551
Founder's Endowment Fund	-	36,769	36,769	-	36,769	34,771
Other funds	2,753	-	2,753	-	2,753	2,703
Total endowment asset investments (note 12)	<u>2,753</u>	<u>44,194</u>	<u>46,947</u>	<u>230</u>	47,177	44,996
Founder's Picture Collection (note 12)	-	28,624	28,624	-	28,624	28,624
	<u>2,753</u>	<u>72,818</u>	<u>75,571</u>	<u>230</u>	75,801	73,620

The income of £1,325k received in respect of restricted endowments was credited in full to the income and expenditure account; £1,311k was spent in the year (2013/14 £1,283k) and the unspent income of 14k (2013/14 £1k) was transferred to the funds.

Notes to the Financial Statements

17 Endowments (continued)

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	34,771
Income	1,019
Expenditure	(1,054)
Appreciation of investments	2,132
Management fees	(99)
Balance carried forward	36,769

18 Revaluation Reserve

	Consolidated		College	
	2015	2014	2015	2014
	£000	£000	£000	£000
Revaluations				
At 1 August and 31 July	34,198	34,198	34,198	34,198
Contributions to depreciation				
At 1 August	(9,584)	(9,266)	(9,584)	(9,266)
Released in year (note 11 and 19)	(389)	(318)	(389)	(318)
Net revaluation amount				
At 1 August and 31 July	24,225	24,614	24,225	24,614

19 Movement on General Reserves

Income and Expenditure Account Reserve

At 1 August	80,033	71,955	79,943	71,881
Surplus for the year transferred to general reserves	13,659	7,760	13,645	7,744
Transfer from revaluation reserve (note 18)	389	318	389	318
Balance at 31 July	94,081	80,033	93,977	79,943

Notes to the Financial Statements

20 Capital Commitments

	Consolidated		College	
	2015	2014	2015	2014
	£000	£000	£000	£000
Commitments contracted at 31 July	4,387	1,178	4,387	1,178
Authorised but not contracted at 31 July	43,079	630	43,079	630
	47,466	1,808	47,466	1,808

The amounts contracted consist of design and preconstruction works on the Library and Student Services Centre and Student Residences.

21 Investments

(i) Fixed Asset Investments

Name	Country of Incorporation	Principal Activity	% of shares held by College & Group
Subsidiary Undertakings			
Royal Holloway Enterprise Ltd	Great Britain	Consultancy	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.

(ii) Current Asset Investments

	Consolidated		College	
	2015	2014	2015	2014
	£000	£000	£000	£000
Cash deposits (note 25)	80,000	39,976	80,000	39,976

Cash deposits include £27m (2014 £5m) maturing after one year.

Notes to the Financial Statements

22 Reconciliation of Consolidated Operating Surplus to Net Consolidated Cash Inflow from Operating Activities

	2014/15	2013/14
	£000	£000
Surplus before tax on continuing activities	13,719	7,765
Depreciation (note 11)	11,383	11,564
Impairment Losses (note 11)	-	493
Deferred capital grants released to income (note 16)	(2,647)	(3,354)
Deferred capital grants disposal (note 16)	-	(8)
Loss on disposal of fixed assets (note 11)	242	8
Gain on write off of assets no longer utilised (note 11)	-	(18)
Endowment and Investment income (note 6)	(1,938)	(1,657)
Interest payable (note 9)	2,075	2,129
Decrease/(Increase) in stocks	60	(28)
Increase in debtors	(228)	(2,411)
Increase in creditors (excluding loans)	1,569	4,118
Cash inflow from operating activities	24,235	18,601

23 Returns on Investments and Servicing of Finance

Income from endowments (note 17)	1,325	1,284
Other interest received (note 6)	613	373
Interest paid (note 9)	(2,075)	(2,129)
	(137)	(472)

Interest paid of £89k has been capitalised in the year (2013/14 nil).

24 Capital Expenditure and Financial Investment

Payments to acquire fixed assets including capitalised interest (note 11)	(14,037)	(10,306)
Payments to acquire endowment asset investments:		
- Additions and income (note 12)	(6,590)	(27,965)
- Cash inflow/(outflow) (note 12)	150	(1,099)
Total payments to acquire fixed and endowment asset investments	(20,477)	(39,370)
Receipts from sales of endowment asset investments (note 12)	6,713	28,054
Deferred capital grants received (note 16)	2,895	1,238
Endowments received (note 17)	7	1
Capital withdrawn (note 17)	(43)	-
Management fees (note 17)	(101)	(91)
	(11,006)	(10,168)

Notes to the Financial Statements

25 Analysis of Changes in Net Debt

	At 1 August 2014	Cash Flows	Other non cash changes	At 31 July 2015
	£000	£000	£000	£000
Endowment assets (note 12)	1,076	150	-	1,226
Cash at bank and in hand	23,293	49,310	-	72,603
	<u>24,369</u>	<u>49,460</u>	<u>-</u>	<u>73,829</u>
Debt due within one year (note 14)	(3,975)	3,562	(3,621)	(4,034)
Debt due after one year (note 15)	(46,407)	(80,000)	3,621	(122,786)
	<u>(50,382)</u>	<u>(76,438)</u>	<u>-</u>	<u>(126,820)</u>
Current asset investments (note 21)	39,976	40,024	-	80,000
	<u>13,963</u>	<u>13,046</u>	<u>-</u>	<u>27,009</u>

Balances at the bank, not relating to endowment assets, are held on a set-off arrangement against loans advanced by the College's bankers so that nominal loan interest is charged if these are matched by a current account balance. Balances in excess of this set-off are placed on deposit overnight or for longer periods to earn interest.

Current asset investments are interest-earning short-term cash deposits.

26 Pension Schemes

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

	2014/15	2013/14
	£000	£000
Contributions to USS	11,595	11,210
Contributions to SAUL	1,663	1,503
Other pension contributions and costs	28	39
Total Pension Cost (note 7)	<u>13,286</u>	<u>12,752</u>

Notes to the Financial Statements

The College participates in the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL), and has adopted FRS17 for accounting for pension costs. USS provides benefits based mainly on final pensionable salary for academic and related employees of UK universities and some other employees. SAUL provides similar benefits principally for other staff of the University of London. Both schemes have implemented a “career average” based section for new members: USS from October 2011 and SAUL from July 2012.

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 2014/15 was £3,930k (2013/14 £3,792k).

The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). The assets of the schemes are held in separate trustee-administered funds. Because of the mutual nature of the scheme, the schemes’ 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 FRS 17 “Retirement benefits”, accounts for the schemes as if they were defined contribution schemes. 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.

The schemes are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme.

USS

The latest available triennial actuarial valuation of the scheme was at 31 March 2011 (“the valuation date”), which was carried out using the projected unit method. The 2014 valuation is not yet finalised and is under consultation in order to agree a recovery plan which will include a reduction in future benefits and an increase in employer contributions. It is expected that employer contributions will increase to 18% from 1 April 2016.

The 2011 valuation was the second 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 £32.4 billion and the value of the scheme’s technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Notes to the Financial Statements

FRS 17 liability numbers have been produced for the using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

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

Male members' mortality	S1NA "light" YoB tables – No age rating
Female members' mortality	S1NA "light" YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

Existing benefits	2015	2014
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£41.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

Notes to the Financial Statements

SAUL

The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings.

The main assumptions used to assess the technical provisions were:

Discount rate	
pre -retirement	6.80% pa
post-retirement	4.70% pa
General Salary Increases	3.75% pa until 31 March 2014,
(an additional allowance is made for promotional Salary Increases)	4.50% pa thereafter
Retail Prices Index inflation ("RPI")	3.50% pa
Consumer Price Index Inflation ("CPI")	2.80% pa
Pension Increases in payment (excess over GMP)	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of + 0.5 years for males and – 0.4 years for females
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation changes to the benefit structure were introduced and the Trustee and Employer agreed that no additional contributions were required to eliminate the deficit.

The main benefit change was a new Career Revalued Earnings, or 'CARE' benefit structure which was implemented for new members from 1 July 2012. As a consequence, the cost of benefit accrual was expected to fall as existing final salary members were replaced by new members joining the CARE structure. This would allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall was expected to be eliminated by 31 March 2021, which was 10 years from the valuation date.

Notes to the Financial Statements

27 Access Funds

	<u>2014/15</u>	<u>2013/14</u>
	£000	£000
Balance unspent at 1 August 2014	13	21
Funding Council grants	-	108
Disbursed to students	13	129
	<u>(13)</u>	<u>(116)</u>
Balance unspent at 31 July 2015	<u>-</u>	<u>13</u>

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

28 University of London in Paris

	<u>2014/15</u>	<u>2013/14</u>
	£000	£000
Balance unspent at 1 August 2014	65	21
Tuition Fee income	1,146	1,082
Funding Council grants	58	215
	<u>1,269</u>	<u>1,365</u>
Bursaries and Scholarships	60	46
Share of Tuition Fee income	53	60
Funds remitted to University of London	1,080	1,164
	<u>1,193</u>	<u>1,300</u>
Balance unspent at 31 July 2015	<u>76</u>	<u>65</u>

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.

29 Related Party Transactions

Royal Holloway paid grants of £823k (2013/14 £814k) to Royal Holloway Students' Union.

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