

Financial Statements
For the year ended 31 July 2011

Royal Holloway
University of London



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Note: References in the Statements to "Royal Holloway" and "the College" refer to Royal Holloway and Bedford New College

Financial Highlights

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
RESULTS, CASHFLOWS AND RESERVES		
TOTAL INCOME	132,204	132,121
TOTAL EXPENDITURE	125,568	126,184
SURPLUS FOR THE YEAR BEFORE TAXATION	6,636	5,937
Cash flow from operating activities (after taxation)	10,604	19,175
Net returns on investments and servicing of finance	(659)	(905)
NET CASH FLOW BEFORE INVESTING ACTIVITIES	9,945	18,270
Fixed assets	140,973	142,872
Net current assets	27,522	22,493
TOTAL ASSETS LESS CURRENT LIABILITIES	239,330	230,478
TOTAL RESERVES	83,345	77,669
OTHER KEY STATISTICS		
Number of full-time equivalent students	8,571	8,816

Operating and Financial Review

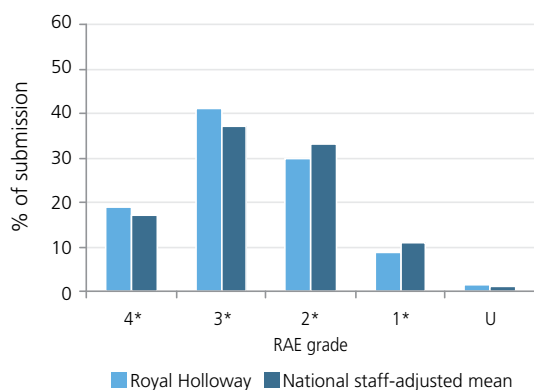
This Operating and Financial Review has been prepared in accordance with the requirements of the Higher Education Statement of Recommended Practice: Accounting for Further and Higher Education ("SORP") issued in July 2007, and follows best practice as set out in the Reporting Statement "Operating and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

Operating Review

The College is committed to the goal of being in the top tier of UK universities, renowned for world class research and excellent student experience. Two 'Super' KPIs are used by the College to evaluate this:

- 1). The RAE outcome – relative sector position in the funding council's Research Assessment Exercise (RAE).

Figure 1: Royal Holloway RAE profile and national comparison in 2008



90% of the College's research was judged as grades 2* to 4* in the RAE 2008, with 60% judged to be world-leading or internationally excellent (grades 3* to 4*) placing the College 18th in the sector national ranking for this second measure. The College made 21 departmental submissions to units of assessment. 10 departments across all 3 faculties were ranked in the top 10 in the country when measured by proportion of 3* and 4* activity, with Music coming top nationally for its unit.

The Research Excellence Framework (REF) is the successor to the RAE and submissions are due in 2013. Research publications will continue to be of fundamental importance. Reviews have been carried out in each academic department with support from external experts to evaluate their progress in achieving outputs at the required level, and in some cases additional appointments have been made to strengthen their position.

- 2). Annual National Student Survey (NSS) outcome.

The College was ranked joint 35th out of 153 UK institutions with a score of 87% based on the response to the NSS survey question of overall satisfaction in 2011. This compares to joint 36th and 86% in 2010. Scores of 90% or over were achieved in 7 departments in 2011. The College increased or maintained its score in 6 out of the 7 categories of survey questions compared with 2010. Although the overall improvement is pleasing (and noting that some initiatives that have been undertaken will impact on survey results in future years) increasing the rate of progress is a top priority.

Overall student numbers have increased from 7,318 FTEs in 2006-07 to 8,571 FTEs in 2010-11. In 2010-11 postgraduate student FTEs were 20% of the total, including research postgraduates at 8%. (figure 2).

Figure 2: Student FTEs by category of undergraduate and postgraduate teaching and research

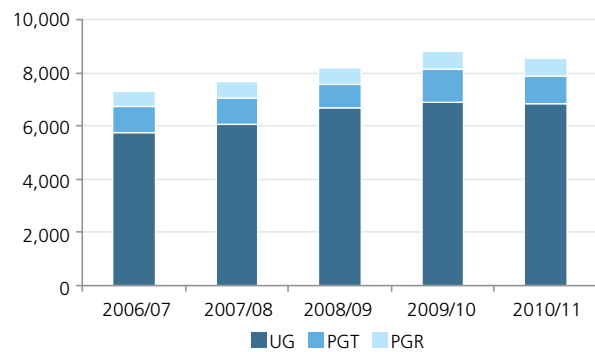
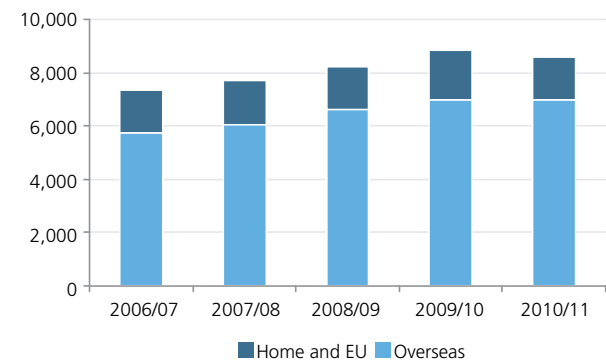


Figure 3: Student FTEs by domicile



In 2010-11 student FTEs decreased to 8,571 FTEs from 8,816 FTEs in 2009-10. Home and EU student numbers were stable, while overseas student numbers fell from 1,844 FTEs in 2009-10 to 1,598 FTEs in 2010-11 (figure 3). Managing the intake of overseas student numbers at postgraduate level has proved to be difficult and this has resulted in some fluctuations in the last three years. A higher

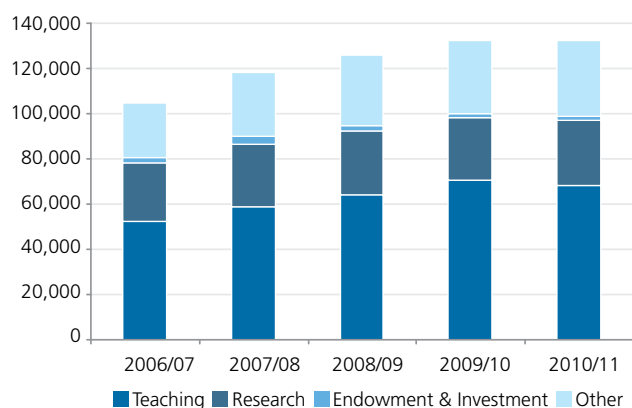
Operating and Financial Review

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level of deposit to secure a place is being implemented to reduce uncertainty about the number of students who will enrol. The first count of student enrolments for 2011-12 indicates that overseas student numbers have increased by 414 FTEs compared to 2010-11, but these are subject to finalisation as numbers settle. In 2010-11, 40% of overseas students were from China and Hong Kong. The College's overseas recruitment strategy is targeting an increase in the level of diversification by country.

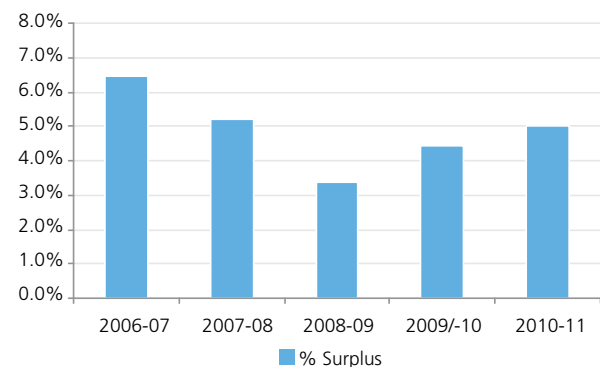
Total income is at a similar level to 2009-10. This reflects a cut in HEFCE recurrent grant funding and the drop in income from overseas students offset by increases in other areas, including research grant and contract income. Over a five-year period there has been substantial growth in income, which has increased from £104.9m in 2006-07 to £132.2m in 2010-11. In 2010-11 teaching contributed 52% to total income and research income was 22% of the total (figure 4).

Figure 4: Annual income by major category (£'000)



Where "teaching" is defined as HEFCE teaching grant plus tuition fees and contracts and "research" is HEFCE research grant and research grants and contracts

Figure 5: Annual surplus as a proportion of income (£'000)



In figure 5, the financial surplus as a proportion of income is set out for the last five years. In each year it has exceeded 3% of income, and was 5.0% in 2010-11, compared to 4.5% in the previous

year. This improvement was partly due to savings in staff costs as a result of voluntary severances agreed in 2009-10, as well as from a lower cost of staff restructuring compared to 2009-10. The surpluses provide funds for investment in the College estate and infrastructure.

Major changes to government funding and fees for UK (home) and EU students are being introduced from 2012-13. The College has decided to charge fees of £9,000 for all subjects and its arrangements for providing support to students have been approved by OFFA (the Office for Fair Access). Under these arrangements bursary support to students, together with expenditure on outreach and student retention activities, is planned to increase to over £5m by 2014/15, compared to £2.7m currently.

Following the agreement of these arrangements, HEFCE announced changes to the controls over the number of students HEIs can admit in 2012-13. This includes the removal of any caps on the recruitment of students with A-level (or equivalent) qualifications of AAB or better and a reduction of 8% to adjusted core intake numbers. The places removed by this reduction will then be reallocated through a bidding process available to HEIs charging net fees of £7,500 or less. An extension of these policies is to be expected over the following two years.

The College is analysing the possible effect of these changes. The impact will vary by subject area depending on their normal A-level entry levels, their competitive position and the behaviour of other HEIs in targeting the recruitment of AAB+ students. In addition the tariff level for uncapped recruitment may be reduced after 2012-13.

During the year, the new Principal, Paul Layzell, has developed a Manifesto through a process of consultation and this was agreed by Council in April 2011. The Manifesto confirms the College's strategy to be in the top tier of UK universities and sets out the principles and priorities necessary to maintain and strengthen this position. The changes and uncertainties affecting the funding environment that have been described reinforce the priorities that have been set out in the Manifesto to strengthen academic excellence, to improve the student experience and to make investments that support these.

A strategic review of the academic portfolio has been completed and a consultation is being undertaken on proposed changes to Modern Languages, Classics and Computer Science. The overall aim is to achieve sustainable academic activity with departments that are able to recruit the best-performing students and achieve the best research outputs. In addition professional services are being reviewed and a number of changes will take place in the coming year, supported by investment in systems and procedures, to improve service delivery to students and others.

A number of initiatives with private sector organisations are being developed. A foundation programme for international students will be provided by Study Group International, with an initial small intake in 2011-12. This is intended to increase the intake of overseas students, who will progress from the foundation programme to undergraduate study, and to diversify the markets from which they are recruited and the subjects they study. The College has

Operating and Financial Review

(continued)

reached an initial agreement with Pearson Education, part of the Pearson Group, to validate a degree in business with the intention of broadening this agreement to other subject areas. In addition the College is in advanced discussions to provide teaching to undergraduate programmes in Management in collaboration with a private sector organisation in Singapore. These activities will diversify and increase income and will also provide valuable experience and know-how of working with organisations who operate with different business models.

Within the HE sector the College is engaged in a number of institutional and academic collaborations. The two most established, the South West London Academic Network (SWan) and the South East Physics Network (SEPN), have both been supported from HEFCE Strategic Development Funds. SWan is being restructured to focus specifically on the development of 'added value' research collaborations between the three partners (Royal Holloway, St George's and Kingston University). SEPN continues to flourish as a network supporting research and teaching collaborations amongst the partner institutions as well as playing a crucial role in communicating the value of Physics to potential university students and employers. More recent partnership agreements have been signed with the Veterinary Laboratory Agency and the National Physics Laboratory, both focussed on developing research and teaching links.

An extension to the School of Management which provides additional postgraduate teaching space has been completed for the start of the 2011-12 session, together with a refurbishment of the Students' Union building. A new Drama theatre has been designed and is programmed to be completed for 2012-13, together with refurbishment of existing space. A major addition to student library and learning resource space is being planned, potentially for 2013-14, and options for additional student residences are being considered. The College has continued its dialogue to develop a new master-plan for the campus with Runnymede Borough Council. This now depends on the adoption of a new core planning strategy by the Council, something which is not expected to be formulated until 2013.

The College is committed to the principles and practices of sustainable development, and has a 5-year Sustainability Strategic Plan and a Carbon Management Plan. It has successfully completed the required Carbon Reduction Commitment (CRC) reporting and has achieved accreditation under the CRC Energy Efficiency Scheme Early Action Metric. A programme of investment in energy metering is being rolled out across the campus. The School of Management Extension achieved a BREEAM (Building Research Establishment Environmental Assessment Method) Very Good rating. Recycling bins have been installed in academic and office areas and recycling rates have increased in the last year. A network of recycling champions is being recruited and an awareness campaign and training for staff and students to promote environmentally-friendly practices are being planned.

The College assesses risk, and both strategic and operational risk registers are maintained. Risk mitigation plans are developed and results are monitored.

Professor Paul Layzell was appointed as Principal from 16th August 2010. Deputy Principal Professor Rob Kemp was Acting Principal from 1st August 2009 until then. Professor Layzell was formerly Deputy Vice-Chancellor at Sussex University.

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. The results of Royal Holloway Students' Union (RHSU) are consolidated up to 13 April 2011. On this date RHSU registered as a separate charity with new constitutional arrangements and an independent trustee board, and it has been assessed that from this point RHSU no longer satisfies the conditions for its financial results to be consolidated through the exercise of dominant influence over RHSU. This change in treatment is shown as a deemed disposal in the financial statements.

Results for the Year

The consolidated results for the year ended 31 July 2011 are presented in these Financial Statements. In summary, the consolidated results were:

	2010-11 £000	2009-10 £000
Income	132,204	132,121
Expenditure	125,568	126,184
Surplus	6,636	5,937

In 2010-11, total income was little changed from 2009-10, with an increase of £0.1m while expenditure fell slightly by £0.6m. After tax and adjusting for income transferred to accumulated income within endowments and the transfer out of the RHSU reserves of £0.9m, the surplus retained within general reserves was £5.7m compared to £5.9m for 2009-10.

HEFCE Grants

Income from the Higher Education Funding Council for England (HEFCE) decreased by £0.2m (0.4%) to £41.1m. The recurrent teaching grant was reduced by £1.1m but the overall decrease was offset by an increase in Specific Grant Income of £0.9m, in particular the recognition of income from the Higher Education Innovation Fund (HEIF).

Tuition Fees

Income from tuition fees and education contracts decreased by £1.1m (2.3%) to £47.3m from £48.4m in 2009-10. There was a 13% decrease in overseas student FTEs to 1,598 FTEs, with overseas fee income falling by £2.1m. Overall, student FTEs fell by 2.8% to 8,571, with Home/EU student FTEs of 6,973 at the same level as the previous year.

Operating and Financial Review

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Other Income

Income from research grants and contracts increased to £15.2m compared to £14.1m in 2009-10, with increases from both Research Council funding and other funders. Other Operating Income remained at £27.0m. Excluding Students' Union income, which was not included for the full-year in 2010-11, there was a small increase of £0.4m. Endowment and investment income increased by 11% to £1.6m.

Expenditure

Overall, expenditure fell by £0.6m to £125.6m from £126.2m in 2009-10. Excluding the Students' Union, which was included for part of 2010-11, there was a decrease of £0.3m.

Staff costs decreased by £0.9m (1.3%) to £71.5m. Staff FTEs fell by 29 (2.2%) to 1,312, due to voluntary severances and other savings and a reduction in the number of staff employed on research contracts. There was a 0.4% nationally-agreed increase in pay costs from August 2010 and employer's national insurance rates increased by 1% from April 2011. Additional costs were also incurred as a result of pay increments and promotions and the introduction of a banded pay structure for professorial staff from August 2010. Staff costs include £0.3m for staff restructuring costs compared to £0.8m in 2009-10, mainly from the voluntary severance scheme.

Other operating expenses also fell slightly, down to £40.3m from £40.5m in 2009-10. Expenditure on student awards continued to increase, but there was a fall in equipment expenditure, primarily on PCs, following substantial expenditure to upgrade PC laboratories and PC facilities in academic departments in 2009-10. Other Expenses also fell reflecting a lower level of activity in RHE Limited, a reduced bad debt provision and lower exchange rate losses arising mainly from Euro denominated research grants.

Depreciation costs increased by £0.7m (6.2%), to £11.5m, including charges for the refurbishment of Runnymede II halls of residence, electrical infrastructure upgrading and improvements to Founder's quads. Interest payable decreased by £0.1m from £2.3m to £2.2m. 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 fairly stable during the year.

Capital Investment

Net capital investment in the year was £10.2m, financed by capital grants of £3.6m and £6.6m cash. Projects included the extension to the School of Management, the Student's Union refurbishment, upgrades to the quadrangles of the Founder's building and cyclical refurbishment of Runnymede and Gowar and Wedderburn student residences.

Cash Flow and Liquid Assets

The net cash flow generated from operating activities was £10.6m and this, together with capital grants of £3.6m, financed capital expenditure of £10.2m and loan repayments of £2.0m. During the year there was an increase in the proportion of cash deposited in on-demand Money Market Funds compared to term deposits, resulting in a reduction of investment deposits of £13.5m and an overall increase in cash of £12.9m.

Investment Performance

The balance sheet value of the College's endowment assets investments at the year-end increased by £5.7m (8.8%) to £70.8m from £65.1m in 2009-10. A full revaluation of the Picture Collection was carried out in July 2011 and this resulted in an increase in value of £1.9m to £29.3m. The value of the investment portfolios increased by £3.8m to £41.6m.

The investments (excluding the Picture Collection) are managed by two fund managers, Aberdeen Asset Management and Newton Investment Managers. During the year Newton was appointed and the portfolios managed by Kleinwort Benson were transferred to Newton and to Aberdeen. The managers' performance is monitored by WM Performance Services. A new total return target has been set of 8.5% per annum over a five-year period with the managers' performance also being monitored against appropriate benchmarks for each major asset class. The introduction of this new target is too recent for the managers' performance to be evaluated against it.

Professor P Layzell
Principal

Sir Andrew Burns
Chairman of Council

Public Benefit Statement

Charitable status

The College is an exempt charity and, as such, is exempt from registration with the Charity Commission. With effect from 1 June 2010, the College is monitored by the Higher Education Funding Council for England as its Principal Regulator, in accordance with the Charities Act 2006. As part of these new arrangements, there is a requirement for the College to make a report on how it has delivered its charitable purposes for the public benefit. In making this statement the Trustees have had regard to the Charity Commission's guidance on public benefit.

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."

The public benefit mission of the College is summarised in the Strategic Plan:

"Our agenda-setting research, which is addressing some of the world's biggest cultural, social, scientific and economic challenges in innovative and impactful ways and distinctive range of programmes that are relevant to lifelong employment needs combine to provide real value for students, both while they are studying and in the opportunities that their Royal Holloway degree will bring them now and throughout their lives."

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 successfully to complete 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 Variable Fees to full-time undergraduate HEU students, overseen by the Office for Fair Access, awards to students totalled £2,281k in 2010/11 (2009/10 £2,360k). Other awards from the College's resources and endowment income, mainly to support postgraduates, were £2,623k in 2010/11 (2009/10 £2,374k). £246k (2009/10 £287k) 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 our 'Ladder of Learning' aspiration-raising events and residential

Summer Schools for Year 9 and 10 students from low-participation neighbourhoods, under-represented groups and parents with no previous experience of Higher Education. In addition, we have a programme for primary school pupils involving one-day 'Experience University' workshops. We also seek to provide opportunities to students with non-traditional qualifications to study at the College. For example, a Science Foundation Year programme provides students, without the normal A-level entry requirements, the opportunity to undertake a study programme at a local sixth form college to gain entry for a science degree. As part of the College's undergraduate bursary programme, Access Bursaries are offered to provide additional financial support to selected students with non-traditional educational backgrounds.

For overseas students, the College's Language Centre provides English language teaching in pre-sessional programmes to improve English language skills and to prepare students to undertake a degree programme. English Language support is also provided on an in-sessional basis.

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 the Access for Learning grant, 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 RAE 2008 in which 60% 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 activities:

- Academics from the School of Biological Sciences at Royal Holloway, University of London are exploring the causes and consequences of threats to insect pollinators asking questions about the decline of bees. In one project, 'The impact and mitigation of emergent disease on major UK insect pollinators', Dr Mark Brown and Professor Vincent Jansen are working in partnership with Queen's University Belfast and Rothamsted Research, to focus on diseases caused by Deformed Wing Virus and a fungus-like microorganism called Nosema Ceranae. These are among the most serious diseases that affect honeybees and have recently been found to infect some bumblebees as well.

- Professor Jane Everson is leading a collaborative project funded by the Arts and Humanities Research Council exploring the

Public Benefit Statement

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Italian Academies 1525-1700. The project is creating an enhanced catalogue and directory of information on the Italian Academies, opening up the British Library's extensive holdings to new research. The Academies brought together scholars and experts in all branches of the arts and sciences and were places of cultural discussion, inspiring the founding of major institutions across Europe such as The Royal Society and the Académie Française.

The dissemination of research is a vital aspect of the College's academic purpose, and this has been improved by the implementation of a new Research Information System and Open Access Repository. When entering into research contracts with private organisations, the ability to disseminate the results of research is an important consideration, and research which cannot be disseminated is not eligible for inclusion in the RAE or 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-miles radius of the College. A varied programme of events and activities are offered. This includes an annual programme of lectures and musical events which are open to the public; the College participates in the annual heritage day, has an annual garden party for the local community 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, the Windsor Arts Festival and the Runnymede Literary Festival.

Of particular importance to community engagement are the volunteering opportunities provided to students organized through a Volunteering Manager and the Students' Union. More than 1,000 students are currently registered with the College's Community Action Volunteering Scheme and take part in a range of activities including working with charities, supporting youth and sports clubs, visiting residential homes, tutoring young refugees and undertaking gardening, painting, litter clearing and renovation projects for the local community.

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. For example, the College has developed entrepreneurial activities and opportunities for its students. This includes support for an entrepreneurial society with over 1,000 members, believed to be the largest such group in the sector.

In 2010, six months after graduation 90% of our first degree students were in work or further study. 125 employers visited the campus last year, often represented by enthusiastic alumni. Our latest initiative to enhance the ability of our students to gain graduate-level jobs is the Royal Holloway Passport: this co-curricular award is a formal means of recording and rewarding volunteering, tutoring and other achievements beyond the curriculum.

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. Progress is being made in a number of areas to reduce the environmental impact of the College, including the reduction of emissions and of waste sent to landfill.

Responsibilities and Membership of the 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 Financial Memorandum between the College and the HEFCE and the College's charitable status. There is an obligation to act reasonably and this includes taking into account any guidance issued by such bodies as HEFCE, CUC, the National Audit Office, the Public Accounts Committee et al (comply or explain).

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 the Council

(continued)

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 Financial Memorandum 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.

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 Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure management controls 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.

Responsibilities and Membership of the Council

(continued)

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.

Membership

During the period from 1 August 2010 and up to the date of the signing of the Financial Statements, the Council had the following membership:

Lay Members

Mr David Beever (Vice Chair of Council; to 31 July 2011)
Mr Paul Blagbrough
Sir Andrew Burns (Chair of Council to 21 November 2011)
Mr Richard Buswell (to 31 December 2010)
Mr Stephen Cooksey
Mr Stephen Cox (from 1 August 2011, Chair of Council from 22 November 2011)
Mr Gurpreet Dehal (from 13 October 2010)
Mr Majid Hawa (from 5 October 2011)
Mrs Esther Horwood
Dr Jackie Hunter (from 1 January 2011)
Mrs Margaret Jack (from 1 January 2011)
Mr Jeremy McIlroy
Cllr Hugh Meares
Mr Mark Newlands (from 13 October 2010)
Mr Bob Potts (to 5 October 2011)
Mr Bill Rooke (to 31 December 2010)
Mr Iain Ross (Vice Chair of Council from 5 October 2011)
Mr David Spence (from 13 October 2010)
Mrs Gloria Stuart (to 15 December 2010)
Mrs Sarah Tyacke

Elected staff members

Mr Andy Alway
Professor Clare Bradley
Professor Felix Driver (to 1 December 2010)
Professor Mary Fowler
Mr Andrew Martin (to 29 June 2011)
Dr Emmett Sullivan (to 14 June 2011)
Professor Johannes Zanker (from 9 December 2010)

Elected student members

Mr Jayjit Dave (from 1 November 2010 to 31 July 2011)
Mr Joseph Rayment (from 1 August 2011)

Ex officio members

Professor Rob Kemp, Acting Principal (to 16 August 2010)
Professor Paul Layzell, Principal (from 16 August 2010)
Miss Rachel Pearson, President Students' Union (2010/11 academic year)
Mr Daniel Cooper, President Students' Union (2011/2012 academic year)

Responsibilities and Membership of the Council

(continued)

Membership of Committees

Council Executive

Sir Andrew Burns (to 21 November 2011)
Mr David Beever (to 31 July 2011)
Mr Bob Potts (to 5 October 2011)
Mr Iain Ross (from 6 October 2011)
Mr Jeremy McIlroy (from 6 October 2011)
Mr David Spence (from 3 November 2011)
Mrs Margaret Jack (from 3 November 2011)
Mrs Gloria Stuart (to 15 December 2010)
Professor Paul Layzell (from 16 August 2010)
Mrs Sarah Tyacke (from 3 November 2011)

Nominations and Honorary Awards Committee (to 31 July 2011)

Chair

Sir Andrew Burns

Ex Officio

Mr David Beever
Professor Adam Tickell (to 1 February 2011)
Miss Katie Kerr
Miss Rachel Pearson
One Faculty Dean

Other Members

Mrs Sarah Tyacke
Mr Iain Ross

Nominations Committee (from 1 August 2011)

Chair

Sir Andrew Burns

Ex Officio

Professor Paul Layzell
Miss Katie Kerr
One Faculty Dean

Other Members

Mrs Sarah Tyacke
Mr Iain Ross

Remuneration Committee (from 1 August 2010 to 10 June 2011)

Chair

Sir Andrew Burns

Ex Officio

Mr David Beever
Mrs Gloria Stuart
Mr Bob Potts
Professor Paul Layzell

Other Members

Mr Iain Ross
Mrs Margaret Jack (from 19 May 2011)

Remuneration Committee (from 10 June 2011)

Chair

Sir Andrew Burns

Ex Officio

Mr David Beever (to 31 July 2011)
Mr Bob Potts (to 5 October 2011)
Mr Iain Ross (from 6 October 2011 as lay member to 5 October 2011)
Professor Paul Layzell

Mr Simon Higman

Other Members

Mrs Margaret Jack

Audit and Compliance Committee

Chair

Mr Bill Rooke (to 31 December 2010)
Mr David Spence (from 1 January 2011)

Other Members

Mr Richard Buswell (to 31 December 2010)
Mr Stephen Cooksey
Mrs Esther Horwood
Mr Mark Newlands

Finance Committee

Chair

Mr Bob Potts (to 5 October 2011)
Mr Jeremy McIlroy (from 6 October 2011)

Ex Officio

Mr David Beever (to 31 July 2011)
Mr Iain Ross (from 5 October 2011)
Professor Paul Layzell
Professor Geoff Ward (to 31 July 2011)
Professor Rob Kemp (from 1 August 2011)
Mr Simon Higman (from 1 January 2011)
Mr Graeme Robinson

Other Members

Mr Paul Blagbrough
Mr Gurpreet Dehal (from 1 March 2011)
Dr Jackie Hunter (from 1 March 2011)
Mr Jeremy McIlroy (from 1 October 2010)

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 Financial Memorandum 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 2011 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 four times a year. Following a review of the committee structure during 2010/11, its major committees are now the Council Executive Committee, the Finance Committee, the Equality and Diversity Committee, the Audit and Compliance Committee, the Nominations and Honorary Awards Committee and the Remuneration 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.

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 Nominations and Honorary Awards Committee 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 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 Unit, which operates to standards defined in the HEFCE Code of Practice, and which was last reviewed for effectiveness by the HEFCE Audit Service in June 2010. The Internal Auditor submits regular reports to the Audit and Compliance Committee. These reports include the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

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.

The Council has welcomed advice from the Committee on Standards in Public Life (the Neill Committee) and the Committee of University Chairmen on Corporate Governance, and has implemented the good practice recommendations of both bodies.

Independent Auditors' 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 2011 which comprise consolidated Income and Expenditure Account, the consolidated statement of historical cost surpluses and deficits, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the College balance sheet, the consolidated cash flow statement, the statement of principal accounting policies and the related notes 1 to 30. 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) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council, in accordance with the Charter and Statutes of the College and with the Financial Memorandum effective 1 August 2010. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to the Council 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and the Auditors

As explained more fully in the Council's Responsibilities Statement, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2011 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2011 has been applied in accordance with the College's statutes and, where appropriate, with the financial memorandum, with the funding council effective from 1 August 2010.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the College.

Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans

25 November 2011

Consolidated Income and Expenditure Account

For the Year Ended 31 July 2011

	Note	2010/11 £000	2009/10 £000
Income			
Funding body grants	2	41,130	41,296
Tuition fees and education contracts	3	47,266	48,373
Research grants and contracts	4	15,246	14,092
Other income	5	27,000	26,951
Endowment and investment income	6	1,562	1,409
Total Income	7	132,204	132,121
Expenditure			
Staff costs	8	71,532	72,467
Other operating expenses	9	40,275	40,539
Depreciation	13	11,540	10,864
Interest and other finance costs	10	2,221	2,314
Total expenditure	11	125,568	126,184
Surplus on continuing operations after depreciation of assets at valuation before taxation		6,636	5,937
Taxation	12	(3)	(6)
Surplus on continuing operations after depreciation of assets at valuation and taxation		6,633	5,931
Transfer out of accumulated reserves of Royal Holloway Students' Union		(860)	-
Surplus on continuing operations after depreciation of assets at valuation and deemed disposal of Royal Holloway Students' Union		5,773	5,931
Transfer to accumulated income within endowment funds			
	19	(97)	(42)
Surplus for the year retained within general reserves	21	5,676	5,889

Consolidated Statement of Historical Cost Surpluses and Deficits

For the Year Ended 31 July 2011

		2010/11 £000	2009/10 £000
Surplus on operations before taxation		6,636	5,937
Taxation	12	(3)	(6)
Surplus on operations after taxation		6,633	5,931
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	319	322
Historical cost surplus for the period after taxation		6,952	6,253

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2011

	Note	2010/11	2009/10
		£000	£000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and deemed disposal of Royal Holloway Students' Union		5,773	5,931
Appreciation of endowment asset investments	19	3,613	4,243
Appreciation of endowment asset investments – The Picture Collection	19	1,945	-
New endowments	19	77	89
Capital withdrawn	19	(10)	-
Total Recognised Gains Relating to the Year		11,398	10,263
Reconciliation to the movement of reserves and endowments			
Opening reserves and endowments		142,782	132,519
Total recognised gains in the year		11,398	10,263
Closing reserves and endowments		154,180	142,782

Consolidated and College Balance Sheets

At 31 July 2011

	Note	Consolidated		College	
		2011	2010	2011	2010
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	13	140,973	142,872	140,973	142,309
Endowment Assets					
	14	70,835	65,113	70,835	65,113
Current Assets					
Stocks and stores		281	312	281	293
Debtors:					
- due within one year	15	8,773	6,764	8,902	6,816
- due after one year	15	-	103	-	103
Investments	23	21,000	34,500	21,000	34,500
Cash at bank and in hand	27	28,773	13,992	28,553	13,267
		58,827	55,671	58,736	54,979
Creditors: Amounts Falling Due Within One Year	16	(31,305)	(33,178)	(31,263)	(32,870)
Net Current Assets		27,522	22,493	27,473	22,109
Total Assets less Current Liabilities		239,330	230,478	239,281	229,531
Creditors: Amounts Falling Due After One Year	17	(56,659)	(58,684)	(56,659)	(58,684)
Net Assets		182,671	171,794	182,622	170,847

Consolidated and College Balance Sheets

(continued)

	Note	Consolidated		College	
		2011	2010	2011	2010
		£000	£000	£000	£000
Deferred Capital Grants	18	28,491	29,012	28,491	29,012
Endowments					
Permanent	19	70,719	65,000	70,719	65,000
Expendable	19	116	113	116	113
		70,835	65,113	70,835	65,113
Reserves					
Revaluation reserve	20	25,570	25,889	25,570	25,889
General reserve	21	57,775	51,780	57,726	50,833
		83,345	77,669	83,296	76,722
Total		182,671	171,794	182,622	170,847

The financial statements on pages 15 to 39 were approved by Council on 21 November 2011 and signed by:

Sir Andrew Burns
Chairman of Council

Professor P Layzell
Principal

Consolidated Cash Flow Statement

For the year ended 31 July 2011

	Note	2010/11	2009/10
		£000	£000
Cash Flow from Continuing Operating Activities	24	10,607	19,181
Returns on investments and servicing of finance	25	(659)	(905)
Taxation	12	(3)	(6)
Capital expenditure and financial investment	26	(8,518)	(4,547)
Cash inflow before financing and management of liquid resources		1,427	13,723
Financing:			
Capital repayments	27	(2,010)	(232)
Management of liquid resources:			
Movement on placing of investment deposits	27	13,500	(3,300)
Increase in cash in the period	27	12,917	10,191
 Reconciliation of Net Cash Flow to Movement in Net Debt			
Increase in cash in the period		12,917	10,191
Cash outflow from movement in debt financing		2,010	232
Cash outflow/(inflow) from management of liquid resources		(13,500)	3,300
Decrease in net debt in period	27	1,427	13,723
Net Debt at 1 August 2010	27	(6,228)	(19,951)
Net Debt at 31 July 2011	27	(4,801)	(6,228)

Notes to the Financial Statements

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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 in Further and Higher Education Institutions (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 2011 and those of the Royal Holloway Students' Union for the period to 13 April 2011 when a deemed disposal occurred.

3 Recognition of Income

Income from specific donations, 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 account on a receivable basis and are held in a designated 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.

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 microcomputers 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.

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.

Notes to the Financial Statements

(continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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 Cap and Interest Rate Swaps

The prepayment for an interest rate cap is amortised evenly over the period of the cap. 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. A full valuation was carried out by a professional valuer in 2011. 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, if the maturity date is within one year, and as fixed asset investments for maturity dates greater than one year.

11 Stocks

Stocks are stores of catering supplies, bar supplies and other items held by Residence and Catering Services, stores and oil 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 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 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

(continued)

	2010/11	2009/10
	£000	£000
2 FUNDING BODY GRANTS		
Recurrent grant		
Teaching	21,196	22,284
Research	13,569	13,698
	34,765	35,982
Specific grants	2,537	1,659
Deferred capital grants released in year:		
Buildings (note 18)	2,384	2,122
Equipment (note 18)	1,444	1,533
	41,130	41,296
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	22,487	21,882
Full-time students charged overseas fees	19,971	22,096
Part-time students	957	953
Research training support grants	508	620
Short course and other fees	3,343	2,822
	47,266	48,373
4 RESEARCH GRANTS AND CONTRACTS		
Research Council grants	8,839	8,047
Other grants and contracts	6,407	6,045
	15,246	14,092
The income includes deferred capital grants released of £231k (note 18) (2009/10 £220k)		
5 OTHER INCOME		
Residences, catering and conferences	21,760	21,016
Other services rendered	1,021	1,228
Released from deferred capital grants (note 18)	77	77
Other income	4,142	4,630
	27,000	26,951

Notes to the Financial Statements

(continued)

	<u>2010/11</u>	<u>2009/10</u>
	£000	£000
6	ENDOWMENT AND INVESTMENT INCOME	
Income from permanent endowment asset investments	959	852
Income from expendable endowment asset investments	12	2
Total income from endowments (note 19)	<u>971</u>	<u>854</u>
Other interest receivable (note 25)	591	555
	<u>1,562</u>	<u>1,409</u>
7	ANALYSIS OF INCOME BY ACTIVITY	
Academic and general income	109,955	110,538
Residences, catering and conferences (excluding Students' Union)	21,055	20,072
Students' Union to 13 April 2011	1,194	1,511
	<u>132,204</u>	<u>132,121</u>

Notes to the Financial Statements

(continued)

	2010/11	2009/10
	£000	£000
8 STAFF COSTS		
Staff costs		
Wages and salaries	55,893	58,099
Social security costs	4,749	4,771
Other pension costs (note 28)	10,890	9,597
	71,532	72,467
Emoluments of the Principal from 16 August 2010		
Including benefits in kind		
Remuneration	216	
College pension contributions	51	
Total emoluments	267	
Emoluments of the Acting Principal to 16 August 2010		
Including benefits in kind		
Remuneration	8	222
College pension contributions	2	40
Total emoluments	10	262
	No.	No.
Remuneration of other Higher Paid Staff, excluding employer's pension contributions:		
£100,000 - £109,999	5	5
£110,000 - £119,999	2	-
£120,000 - £129,999	3	3
£130,000 - £139,999	1	-
£220,000 - £229,999	1	1
	No.	No.
Average staff numbers by major category		
Academic, research and other related grades	632	653
Technical	61	62
Administrative and other	488	494
Manual and ancillary	116	109
College	1,297	1,318
Students' Union until deemed disposal	15	23
	1,312	1,341

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 based upon an early retirement and severance pay scheme totalled £261k (2009/10 £818k). The cost is financed from general College resources. Payments made within the scheme are defined as compensation payments for loss of office.

Notes to the Financial Statements

(continued)

	2010/11	2009/10
	£000	£000
9 OTHER OPERATING EXPENSES		
Staff related expenditure	5,126	5,090
Teaching and research consumables and related costs	3,240	3,359
Books, periodicals and other library costs	1,670	1,613
Student maintenance, awards and facilities	9,260	7,784
Computer operating	1,515	1,576
General educational	1,445	1,490
Administrative	5,352	5,219
Federal costs	795	818
Heat, light, power and water	2,192	2,410
Other premises related costs	3,848	4,102
Non-capitalised equipment	1,141	2,019
Auditors' remuneration - audit fees	57	53
Auditors' remuneration in respect of other services	6	6
Residence and catering direct costs of sale and related costs	2,663	2,534
Other expenses	1,965	2,466
Total Other Operating Expenses before taxation	<u>40,275</u>	<u>40,539</u>

Payments to Trustees

Council members (the trustees) received no payment for acting as trustees in 2010/11 and no such payment was made in prior years. In 2010/11 expenses of £4k (2009/10 £7k) were paid to 7 (2009/10 5) non-staff trustees for travel, subsistence and business entertaining.

10 INTEREST AND OTHER FINANCE COSTS

Loans not wholly repayable within five years	<u>2,221</u>	<u>2,314</u>
	<u>2,221</u>	<u>2,314</u>

Interest payable includes £1,653k paid on interest rate swaps (2009/10 £1,659k).

Notes to the Financial Statements

(continued)

11 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Depreciation	Other Operating Expenses	Interest Payable	2010/11 Total	2009/10 Total
	£000	£000	£000	£000	£000	£000
Academic departments	41,702	1,123	5,216	-	48,041	48,802
Academic services	4,326	574	4,120	-	9,020	9,136
Research grants and contracts	5,798	231	5,471	-	11,500	10,022
Other contracts	227	-	573	-	800	1,171
Residences, catering and conferences	5,219	3,235	7,377	2,090	17,921	17,875
Premises (see footnote)	2,378	6,269	4,463	131	13,241	13,377
Administration	8,429	17	3,976	-	12,422	12,425
Students' Union to 13 April 2011	749	78	859	-	1,686	2,189
Other expenses	2,443	13	8,220	-	10,676	10,369
Staff restructuring	261	-	-	-	261	818
Expenditure	<u>71,532</u>	<u>11,540</u>	<u>40,275</u>	<u>2,221</u>	<u>125,568</u>	<u>126,184</u>

Premises costs exclude costs relating to residences and catering which are included in that section.

Expenditure for the Students' Union includes £442k of grant from the College to 13 April 2011 (2009/10 £645k for the full year).

12 TAXATION

UK Corporation Tax

3

6

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.

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 is payable for 2010/11 or 2009/10.

Notes to the Financial Statements

(continued)

13 TANGIBLE ASSETS

	Land and Buildings		Furniture and	Equipment	Total
	Freehold	Short Lease	Fittings		
	£000	£000	£000	£000	£000
a Consolidated					
At 1 August 2010					
Valuation	60,170	1,800	795	-	62,765
Cost	110,981	2,900	13,746	21,652	149,279
	<u>171,151</u>	<u>4,700</u>	<u>14,541</u>	<u>21,652</u>	<u>212,044</u>
Additions at cost	6,095	27	1,468	2,582	10,172
Disposals	-	-	-	(83)	(83)
Disposal of fixed assets held by the Students' Union at the deemed disposal date	(964)	-	(303)	(402)	(1,669)
At 31 July 2011					
Valuation	60,170	1,800	795	-	62,765
Cost	116,112	2,927	14,911	23,749	157,699
	<u>176,282</u>	<u>4,727</u>	<u>15,706</u>	<u>23,749</u>	<u>220,464</u>
Depreciation					
At 1 August 2010	45,133	965	7,012	16,062	69,172
Charge for year (see note below)	7,475	258	1,230	2,577	11,540
Eliminated on disposals	-	-	-	(58)	(58)
Removal of accumulated depreciation on fixed assets held by the Students' Union at the deemed disposal date	(605)	-	(212)	(346)	(1,163)
At 31 July 2011	<u>52,003</u>	<u>1,223</u>	<u>8,030</u>	<u>18,235</u>	<u>79,491</u>
Net Book Value					
At 31 July 2011	<u>124,279</u>	<u>3,504</u>	<u>7,676</u>	<u>5,514</u>	<u>140,973</u>
At 1 August 2010	<u>126,018</u>	<u>3,735</u>	<u>7,529</u>	<u>5,590</u>	<u>142,872</u>
Historical Net Book Value					
At 31 July 2011	<u>100,309</u>	<u>2,410</u>	<u>7,170</u>	<u>5,514</u>	<u>115,403</u>
At 1 August 2010	<u>101,620</u>	<u>2,604</u>	<u>7,170</u>	<u>5,590</u>	<u>116,984</u>
The depreciation charge has been funded by:					
Deferred capital grants released (note 18)					4,136
Revaluation reserve released (note 20)					319
General income					7,085
					<u>11,540</u>

Notes to the Financial Statements

(continued)

13 TANGIBLE ASSETS (continued)

	Land and Buildings		Furniture and Fittings	Equipment	Total
	Freehold	Short Lease			
	£000	£000	£000	£000	£000
b College					
At 1 August 2010					
Valuation	60,170	1,800	795	-	62,765
Cost	110,017	2,899	13,451	21,264	147,631
	170,187	4,699	14,246	21,264	210,396
Additions at cost	6,095	28	1,460	2,568	10,151
Disposals	-	-	-	(83)	(83)
At 31 July 2011					
Valuation	60,170	1,800	795	-	62,765
Cost	116,112	2,927	14,911	23,749	157,699
	176,282	4,727	15,706	23,749	220,464
Depreciation					
At 1 August 2010					
	44,566	965	6,815	15,741	68,087
Charge for year	7,437	258	1,215	2,552	11,462
Eliminated on disposals	-	-	-	(58)	(58)
At 31 July 2011					
	52,003	1,223	8,030	18,235	79,491
Net Book Value					
At 31 July 2011					
	124,279	3,504	7,676	5,514	140,973
At 1 August 2010					
	125,621	3,734	7,431	5,523	142,309

c Consolidated and College

At 31 July 2011 freehold land and buildings at cost included £2,879k (2010 £2,178k) in respect of assets in the course of construction, primarily the extension to the School of Management, refurbishment of the Students' Union and fire protection upgrade.

At 31 July 2011 freehold land and buildings at cost included £1,320k of capitalised finance costs (2010 £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 14).

Notes to the Financial Statements

(continued)

14 ENDOWMENT ASSETS

	Consolidated and College	
	2011	2010
	£000	£000
Balance at 1 August 2010	65,113	60,739
Additions and income	28,304	7,499
Disposals and expenditure	(28,140)	(7,368)
Appreciation of investments (note 19)	3,613	4,243
Gain on revaluation of Picture Collection (see note below and note 19)	1,945	-
Balance at 31 July 2011	70,835	65,113
Represented by:		
Fixed interest at valuation	12,487	5,634
Equities at valuation	24,526	25,738
Fixed interest and equities	37,013	31,372
Cash and Bank balances	4,567	6,431
Total Investments (note 19)	41,580	37,803
Picture Collection (see note below and note 19)	29,255	27,310
Balance at 31 July 2011	70,835	65,113
Fixed interest and equities at cost	34,930	28,653

A revaluation of the Picture Gallery Collection was provided on a high auction basis (excluding costs) by Christie's in July 2011.

	Consolidated		College	
	2011	2010	2011	2010
	£000	£000	£000	£000
15 DEBTORS				
Amounts falling due within one year:				
Trade debtors	2,016	1,576	1,962	1,468
Amounts owed by subsidiary undertaking	2	-	188	-
Other debtors- interest cap	158	206	158	206
Prepayments and accrued income	6,594	4,982	6,594	4,899
VAT	3	-	-	-
	8,773	6,764	8,902	6,573
Amounts falling due after more than one year:				
Prepayments and accrued income	-	103	-	103

Notes to the Financial Statements

(continued)

16 CREDITORS: Amounts Falling Due Within One Year

	Consolidated		College	
	2011	2010	2011	2010
	£000	£000	£000	£000
Secured and unsecured loans	3,162	3,187	3,162	3,187
Payments received on account	3,391	2,757	3,389	2,755
Other creditors	7,779	7,573	7,765	7,482
Social security, other taxation and pension contributions payable	2,666	2,605	2,663	2,575
Accruals	1,962	3,611	1,939	3,426
Deferred income	12,345	13,445	12,345	13,445
	31,305	33,178	31,263	33,178

Unsecured loans include interest-free repayable grants totalling £1,117k from the Higher Education Council for England repayable within one year (2010 £1,807k)

17 CREDITORS: Amounts Falling Due After More than One Year

Unsecured loans repayable after one year and within five years	5,832	4,272	5,832	4,272
Unsecured loans repayable after five years	25,377	26,938	25,377	26,938
Secured loans repayable after one year and within five years	7,537	6,192	7,537	6,192
Secured loans repayable after five years	17,233	20,562	17,233	20,562
	55,979	57,964	55,979	57,964
Deferred income	680	720	680	720
	56,659	58,684	56,659	58,684

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	2,977	1,440	2,977	1,440
After two years and within five years	10,392	9,024	10,392	9,024
After five years and within ten years	15,732	15,688	15,732	15,688
After ten years	26,878	31,812	26,878	31,812
	55,979	57,964	55,979	57,964

Notes to the Financial Statements

(continued)

17 CREDITORS: Amounts Falling Due After More than One Year (continued)

At the balance sheet date the College had committed to loan facilities totaling £59,455k of which £59,141k had been drawn down. The College had interest rate swaps and an interest rate cap 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:			
Swaps:	10,000	5.49	3 December 2012
	5,000	4.48	1 September 2026 (option for bank to terminate in 2016)
	5,000	4.815	1 September 2017
	5,000	4.8175	1 September 2019
	5,000	4.65	1 September 2022
	5,000	4.55	1 September 2027
	5,000	4.88	1 September 2029
Cap:	10,000	6.00	1 December 2014
	50,000		
Effective after the balance sheet date:			
Swaps	10,000	4.82	1 December 2024 (effective 3 December 2012)

18 DEFERRED CAPITAL GRANTS

	Consolidated and College		
	Funding Council	Other Grants and Benefactions	Total
	£000	£000	£000
At 1 August 2010			
Buildings	23,943	927	24,870
Equipment	3,976	166	4,142
Total	27,919	1,093	29,012
Grants receivable			
Buildings	1,601	4	1,605
Equipment	1,884	126	2,010
Total	3,485	130	3,615
Release to income and expenditure for year			
Buildings (notes 2 and 5)	(2,384)	(60)	(2,444)
Equipment (notes 2, 4 and 5)	(1,444)	(248)	(1,692)
Total	(3,828)	(308)	(4,136)
At 31 July 2011			
Buildings	23,160	871	24,031
Equipment	4,416	44	4,460
Total	27,576	915	28,491

The release of Other Grants and Benefactions for the year was £231k to Research Grants and Contracts (note 4) and £77k to Other Income (note 5).

Notes to the Financial Statements

(continued)

19 ENDOWMENTS

	Consolidated and College				2011	2010
	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	Total	Total
	£000	£000	£000	£000	£000	£000
At 1 August 2010						
Capital	2,138	61,565	63,703	109	63,812	59,479
Accumulated income	6	1,291	1,297	4	1,301	1,260
	<u>2,144</u>	<u>62,856</u>	<u>65,000</u>	<u>113</u>	65,113	60,739
New endowments	-	77	77	-	77	89
Capital withdrawn	-	-	-	(10)	(10)	-
Income for year (note 6)	59	900	959	12	971	854
Expenditure for year	(59)	(811)	(870)	(4)	(874)	(812)
Transfer to accumulated income	0	89	89	8	97	42
Appreciation of investments (note 14)	278	3,330	3,608	5	3,613	4,243
Appreciation of Picture Collection (note 14)	-	1,945	1,945	-	1,945	-
At 31 July 2011	<u>2,422</u>	<u>68,297</u>	<u>70,719</u>	<u>116</u>	70,835	65,113
Represented by:						
Capital	2,416	66,917	69,333	104	69,437	63,812
Accumulated income	6	1,380	1,386	12	1,398	1,301
	<u>2,422</u>	<u>68,297</u>	<u>70,719</u>	<u>116</u>	70,835	65,113
Hilda Martindale Educational Trust	-	860	860	-	860	777
Other scholarship, prize and fellowship funds	-	5,649	5,649	116	5,765	5,146
Founder's Endowment Fund	-	32,533	32,533	-	32,533	29,736
Other funds	2,422	-	2,422	-	2,422	2,144
Total endowment asset investments (note 14)	<u>2,422</u>	<u>39,042</u>	<u>41,464</u>	<u>116</u>	41,580	37,803
Founder's Picture Collection (note 14)	-	29,255	29,255	-	29,255	27,310
	<u>2,422</u>	<u>68,297</u>	<u>70,719</u>	<u>116</u>	70,835	65,113

The income of £971k received in respect of restricted endowments was credited in full to the income and expenditure account; £874k was spent in the year and the unspent income of £97k (2009/10 £42k) was transferred back to the funds.

Notes to the Financial Statements

(continued)

19 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. 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 funds or by other usual university funding sources.

	£000
Balance brought forward	29,736
Income	740
Expenditure	(740)
Appreciation of investments	2,797
Balance carried forward	<u>32,533</u>

20 REVALUATION RESERVE

	Consolidated		College	
	2011	2010	2011	2010
	£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	8,309	7,987	8,309	7,987
Released in year (note 13a and 21)	319	322	319	322
Net revaluation amount				
At 1 August and 31 July	25,570	25,889	25,570	25,889

21 MOVEMENT ON GENERAL RESERVES

Income and Expenditure Account Reserve

At 1 August	51,780	45,569	50,833	44,613
Surplus for the year transferred to general reserves	5,676	5,889	6,574	5,898
Transfer from revaluation reserve (note 20)	319	322	319	322
Balance at 31 July	57,775	51,780	57,726	50,833

Notes to the Financial Statements

(continued)

22 CAPITAL COMMITMENTS

	Consolidated		College	
	2011	2010	2011	2010
	£000	£000	£000	£000
Commitments contracted at 31 July	2,165	2,040	2,165	2,040
Authorised but not contracted at 31 July	2	1,492	2	1,492
	2,167	3,532	2,167	3,532

The amounts contracted include £1,077k for the extension to the Moore Building and £669k for the refurbishment of the Students' Union.

23 INVESTMENTS

(i) Fixed Asset Investments

Name	Country of Incorporation	Principal Activity
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Subsidiary Undertakings

Royal Holloway Enterprise Ltd	Great Britain	Consultancy
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Associates and Joint ventures

Reelives Limited (see below)	Great Britain	Internet
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Reelives Limited is a spin-out and Royal Holloway's shareholding will be diluted if it receives investor funding. In the year to 31 July 2011 income was £1k.

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

(ii) Current Asset Investments

	Consolidated		College	
	2011	2010	2011	2010
	£000	£000	£000	£000
Cash deposits maturing within one year (note 27)	21,000	34,500	21,000	34,500

Notes to the Financial Statements

(continued)

24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES

	2010/11	2009/10
	£000	£000
Surplus before tax on continuing activities	6,636	5,937
Depreciation (note 13)	11,540	10,864
Deferred capital grants released to income (note 18)	(4,136)	(3,952)
Loss on disposal of fixed assets (note 13)	531	-
Endowment and Investment income (note 6)	(1,562)	(1,409)
Interest payable (note 10)	2,221	2,314
Decrease / (increase) in stocks	31	(47)
(Increase) in debtors	(1,906)	(889)
(Decrease)/increase in creditors (excluding loans)	(1,888)	6,363
Elimination of general reserves on deemed disposal (note 30)	(860)	-
	10,607	19,181

25 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Income from endowments (note 19)	971	854
Other interest received (note 6)	591	555
Interest paid (note 10)	(2,221)	(2,314)
	(659)	(905)

No interest paid has been capitalised in the year (2009/10 nil).

26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Payments to acquire tangible assets (note 13)	(10,172)	(7,844)
Payments to acquire endowment asset investments:		
- Additions and income (note 14)	(28,304)	(7,499)
- Cash outflow (note 14)	(1,864)	(149)
Total payments to acquire fixed and endowment asset investments	(40,340)	(15,492)
Receipts from sales of endowment asset investments (note 14)	28,140	7,368
Deferred capital grants received (note 18)	3,615	3,488
Endowments received (note 19)	77	89
Capital withdrawn (note 19)	(10)	-
	(8,518)	(4,547)

Notes to the Financial Statements

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27 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2010	Cash Flows	Other non cash changes	At 31 July 2011
	£000	£000	£000	£000
Cash at bank and in hand				
Endowment assets (note 14)	6,431	(1,864)	-	4,567
Other	13,992	14,781	-	28,773
	<u>20,423</u>	<u>12,917</u>	<u>-</u>	<u>33,340</u>
Debt due within one year (note 16)	(3,187)	2,010	(1,985)	(3,162)
Debt due after one year (note 17)	(57,964)	-	1,985	(55,979)
	<u>(61,151)</u>	<u>2,010</u>	<u>-</u>	<u>(59,141)</u>
Current asset investments (note 23)	34,500	(13,500)	-	21,000
	<u>(6,228)</u>	<u>1,427</u>	<u>-</u>	<u>(4,801)</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 maturing with one year.

Notes to the Financial Statements

(continued)

28 PENSION SCHEMES

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

	<u>2010/11</u>	<u>2009/10</u>
	£000	£000
Contributions to USS	9,357	8,193
Contributions to SAUL	1,487	1,356
Other pension contributions and costs	46	48
Total Pension Cost (note 8)	10,890	9,597

The College participates in the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL), and has adopted FRS 17 for accounting for pension costs. USS provides benefits based 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.

From December 2009 employees were 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. The contributions for both USS and SAUL have therefore increased. The amount relating to the salary sacrifice in 2010/11 was £2,988k (2009/10 £1,943k).

The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds. It is not possible to identify the College's share of the underlying assets and liabilities of the schemes on a consistent and reliable basis and therefore, as required by FRS 17 "Retirement Benefits", the College 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 schemes for 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 published actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality:	PA92 MC YoB tables - rated down 1 year
Female members' mortality:	PA92 MC YoB tables - no age rating

Notes to the Financial Statements

(continued)

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) 22.8 (24.8) years
currently aged 65

Males (females) 24.0 (25.9) years
currently aged 45

At the valuation date, the value of the assets of the scheme was £28,843 million, and the value of the scheme's technical provisions was £28,135 million indicating a surplus of £708 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the

sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the Scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,013m). Compared to the previous 12 months, the funding level has improved from 74% (as at March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption, which in turn impacts on the salary and pension increase assumptions).

On the FRS 17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase / decrease by 0.5%	Decrease / Increase by £2.2bn
Rate of pension increases	Increase / decrease by 0.5%	Increase / decrease by £1.5bn
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.7bn
Rate of mortality	More prudent assumption (move to long cohort)	Increase by £1.6bn

Notes to the Financial Statements

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USS is a “last man standing” scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund’s liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of the covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme’s technical provisions close to or above 100% thereby minimizing the introduction of deficit contributions. The actuary has confirmed that the scheme’s cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The USS pension cost for the College was £9,357k (2009/10 £8,193k) of which £2,531k (2009/10 £1,635k) related to salary sacrifice. The pension cost includes £844k (2009/10 £852k) outstanding contributions at the balance sheet date. The contribution rate payable by the College was 16% of pensionable salaries from 1 October 2009 and 14% up to that date.

SAUL

The latest triennial actuarial valuation of the scheme was at 31 March 2008. The following assumptions were used to assess the past service funding position and future service liabilities:

Investment return on liabilities p.a. -before retirement	6.9% (past service)	7.0% (future service)
Investment return on liabilities p.a. -after retirement	4.8% (past service)	5.0% (future service)
Salary growth p.a. excluding an allowance for increments	4.85% (past service)	4.85% (future service)
Pension increases p.a.	3.35% (past service)	3.35% (future service)

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 £1,266 million representing 100% 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.

A comparison of SAUL’s assets and liabilities calculated using assumptions consistent with FRS 17 revealed SAUL to be in surplus at the last formal valuation date of 31 March 2008.

The next formal actuarial valuation of the scheme is due at 31 March 2011 when the rates above will be reviewed.

The pension cost for the College was £1,487k (2009/10 £1,356k), of which £457k (2009/10 £308k) related to salary sacrifice. The pension cost includes £124k (2009/10 £98k) outstanding contributions at the balance sheet date.

Notes to the Financial Statements

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29 ACCESS FUNDS

	Consolidated and College	
	2010/11	2009/10
	£000	£000
Balance unspent at 1 August 2010	23	11
Funding Council grants	97	119
Interest earned	-	-
	120	130
Disbursed to students	(98)	(107)
	22	23

Access Fund grants 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.

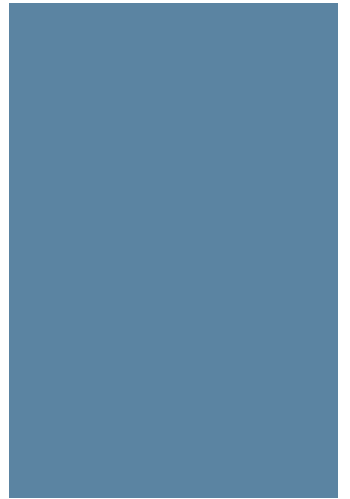
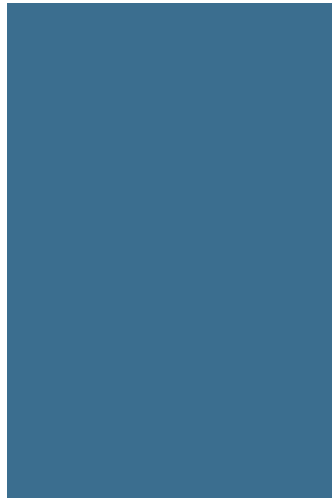
30 DEEMED DISPOSAL OF ROYAL HOLLOWAY STUDENTS' UNION AND RELATED PARTY TRANSACTIONS

The College has consolidated the results of Royal Holloway Students' Union up to 13 April 2011. The Royal Holloway Students' Union has adopted a new Constitution with an independent trustee board, and a new Memorandum of Understanding and Operating Agreements with the College have been adopted. As a result of these changes the College considers that it is no longer able to demonstrate dominant influence over the Royal Holloway Students' Union and a deemed disposal has therefore occurred on 13 April 2011.

The consolidated results of the Royal Holloway Students' Union up the date of the deemed disposal are:

	£000
Income	1,194
Expenditure	(1,244)
Deficit for the Period	(50)

Royal Holloway paid grants of £221k to Royal Holloway Students' Union for the period from 13 April 2011 onwards following the date of the deemed disposal.



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