Royal Veterinary College
University of London

Annual Report and Financial Statements

2017/18

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CHAIRMAN'S INTRODUCTION
for the year ended 31 July 2018

Once again, it is my great pleasure to welcome you to the Annual Report and Financial Statements of the Royal Veterinary College. It has been another exciting year in the College's history and I am delighted to say that we continue to go from strength to strength.

There is no doubt that the changing political landscape has required us to reflect carefully on what our longer term objectives need to be, not only to address societal needs, but also to ensure we remain, above all, a place where people come to learn in an environment that is intellectually stimulating, nurturing and safe. Wellbeing of all at the RVC underpins all our considerations.

Based on a strong financial performance, the College continues to grow and innovate and I know that I speak for all who serve on the RVC's governing body when I say that it is both a responsibility and a pleasure to be at the forefront of veterinary thinking.

None of this can happen without the dedication of the staff of the College and I am indebted to our Principal and his team for their continuing efforts in making the RVC the successful organisation described in this report.

LORD CURRY OF KIRKHARLE

PRINCIPAL'S REPORT
for the year ended 31 July 2018

I am pleased to add my welcome to that of our Chairman and to provide an introduction to our Annual Report and Financial Statements. I leave the figures to speak for themselves but encourage you to peruse the narrative, which brings both texture and colour to the account of our recent efforts.

Where to start? Our work on extending our strategic horizon in the face of the move to EU exit, our acquisition of a large first opinion practice, the highly successful securing of external financing from blue chip international investors or the extraordinary remodelling of both campuses? All important aspects of life over the last year but in reality only enablers for delivery of world class research, education and clinical training to the next generation of veterinary clinicians, researchers, nurses and bioscientists.

On the heels of our Teaching Excellence Framework Gold, we were delighted to retain 3rd place globally in both the Shanghai and QS rankings and the only organisation to be in the top three of both league tables. Notably leading the field in academic reputation, we have also made advances in areas where we know we need to improve. We continue to embed mental health and wellbeing as a strategic priority in each pillar of our mission and our Athena SWAN bronze award was a significant step forward for us. In the case of the latter, the action plan to which we have committed is considerable but we are determined to address issues of diversity and equality in everything that we do.

And through all this we keep our commitment to the broader profession and society: for the first time, the RVC simultaneously provided the presidents of both the Royal College of Veterinary Surgeons and the British Veterinary Association in the same year, not to mention leadership in many societies, associations and learned bodies, and our students as ever brought their energy to both intramural and extracurricular life ensuring we never lose sight of our primary purpose. With the new Office for Students now part of our reporting framework, we look forward to demonstrating the value specialist institutions bring to delivering education in a knowledge-led environment of inquiry and discovery.

More than ever, we are aware of our responsibilities to those with whom we engage – so whether you are a friend, collaborator, external stakeholder or already part of the RVC, thank you for your interest in our performance – and I am delighted that you are able to share in the successes of the last 12 months as we look forward to the next.

STUART W.J. REID
Principal

Context and risk analysis

Founded in 1791, the Royal Veterinary College (RVC), was the first of its kind in the UK and remains the only independent Higher Education institution for teaching and research in the veterinary and allied sciences, while also benefiting from its status as a constituent college of the federal University of London. As one of the largest veterinary schools in Europe, RVC also provides the most extensive veterinary, para-veterinary and animal science undergraduate and postgraduate courses of any veterinary school in the world.

The College's key strategic objectives are set out in its Strategic Plan 2014-2019. The three pillars of the College's mission are: the discovery of new knowledge, the dissemination of knowledge by education, and translation of knowledge through the delivery of optimal clinical care and opinion. Across all of the College's activities developing and enhancing excellence is our main focus. During 2018/19, it is intended to update the Plan and extend it for an additional two years.

The College has adopted a range of Key Performance Indicators to assess its overall strength and progress against the Strategic Plan. Areas covered include: student recruitment, retention and employability; improving the student experience in both educational and social terms; financial performance against budgets and longer-term sustainability; quality of research outputs and funding success; growth in clinical caseload driven by targeted investment in services and facilities. The mid-term review of the Strategic Plan has shown good progress against most of these indicators which are also being revisited as part of the refresh of the Plan.

The Strategic Risk Register focuses on the College's key strategic risks. These are regularly reviewed and re-assessed, new risks identified and all risks rated based on their likelihood and impact and the extent to which they can be, and have been, modified. The process is led by the College Executive Committee and, at the governance level, by Council. The identified risks are reviewed on a quarterly basis and reported to Audit Committee with a focus on changes in rating from one period to the next. Risk is a standing item on all of the College's management and governance committees. Operational level risks across the College are collated and reviewed twice yearly, ensuring that mitigating actions are aligned with strategic level risks and objectives.

The following themes inform the risks in the Strategic Risk Register:

- Financial sustainability
- Infrastructure investment and resilience
- Student recruitment, experience and well-being
- Staff recruitment and retention, including succession planning and staff engagement
- Leadership and governance
- Reputation and competitiveness
- Compliance

The RVC Council's appetite to risk is reflected in the following statement:

"The College is alert to both opportunities and threats. This 'risk aware' approach means that the College will manage risks using the established risk management process but where specific activities have potentially substantial benefits, a higher level of risk may be tolerable. Taking such risks should be in final agreement with Council."

Academic review

Learning and the student experience

Through its taught undergraduate programmes, the College provide education to the whole veterinary team and as well as degree programmes in the biological and biomedical sciences.

Despite a 2.5% fall in the 18 year-old population in the UK, recruitment to the BVetMed programme continues to be strong. For our five-year programme this year the College averaged approximately eight applicants per place with continued strong interest in both our graduate and gateway entry paths. In particular, applications and acceptances from international students on both the five year and graduate programmes were buoyant and our overall international student population on veterinary medicine courses increased by 16% compared to the previous year. Regardless of the entry pathway, our BVetMed programmes ensure our graduates are effectively able to work as veterinary surgeons anywhere in the world with the RVC degree remaining the only programme in the world to be accredited by the Royal College of Veterinary Surgeons, the Council on Education of the American Veterinary Medical Association, the Australasian Veterinary Boards Council and the European Association of Establishments for Veterinary Education.

The concept of the "veterinary team" as the future of veterinary practice underpins RVC's training and educational programmes. This is supported by our unique offering of a suite of programmes in veterinary nursing, including a Foundation Degree (FdSc) and an "in parallel" BSc, together with a Graduate Diploma in Practical and Clinical Veterinary Nursing. Competition for places on the RVC's BSc Veterinary Nursing degree continues to be the highest of any of our undergraduate offerings with an average of nine applicants per place. An addition to our suite of courses is the Graduate Diploma in Equine Locomotor Research which provides farriers with the skills to undertake evidence-based research. Our postgraduate clinical programmes, the Masters in Veterinary Medicine and the Postgraduate Diploma in Veterinary Clinical Practice, continue to be popular and heavily over-subscribed.

The College continues to attract significant interest in our portfolio of biological and bioveterinary science degrees despite strong competition from some larger multi-faculty universities. In the last year this has resulted in the creation of the specific BSc in Animal Biology, Behaviour, Welfare and Ethics and there are other potential developments in this area that will allow us to continue to play to our strengths.

The establishment of the Learning and Wellbeing directorate has focused our efforts in supporting students to reach their potential through managing their health and wellbeing. Combined with a sustained programme of enhanced student engagement and representation, this has reinforced the place of the student at the centre of our mission. This strategy is continuing to have a positive impact on our students' experience. The RVC was voted the best university in London for student experience in the 2018 Times Higher Student Experience survey. We are proud to have been placed first for teaching and joint fourth for student satisfaction in the UK's National Student Survey. For the fourth year in a row, we are ranked third in the world and first in Europe among veterinary educational establishments by the prestigious QS rankings. All these provide evidence of the high quality of the educational experience we offer.

Research and innovation

We are now within two years of the next Research Excellence Framework (REF) and the formation of Research England and its overarching body UK Research and Innovation (UKRI) was launched in April of this year. Whilst the situation regarding EU funding still remains unclear, UKRI funding is focusing on initiatives that help the UK economy (Industry Strategy Challenge Fund; Connecting Capabilities Fund) and address the Strategic Development Goals through collaboration with developing countries (Global Challenges Research Fund). The College is well placed to take advantage of all these initiatives.

Our success rate for grant applications made in the calendar year 2017 was 27.7% by value with £6.5m being awarded from competitive grant applications. In the run up to REF2021, increasing focus will be placed on research through more strategic appointments and management to ensure research active staff have time to write grant proposals. In the first half of 2018, these strategies appear to be working with increased numbers of grant applications being made.

Within the Livestock Health and Production research programme, three major grants awarded under the Zoonoses in Emerging Livestock Systems (ZELS scheme) are all proving successful in developing impact from the research they have undertaken in developing countries with all three grant holders being invited to apply for further funding to maximise the chances that impact can be realised. The College is therefore building a reputation of doing excellent research with impact in developing countries which augers well for future GCRF funding

We have made a senior appointment in Comparative Physiology and Medicine, in the field of type 1 diabetes; a major health issue for both humans and dogs. This supports our strategy to improve the application of modern genomic technology to comparative medicine research for which we have also made appointments in clinical genetics and bioinformatics.

Our research into Duchene Muscular Dystrophy has seen a significant break-through within the last few months. Pilot studies applying gene editing to dogs with a mutation in the dystrophin gene at the most common site for mutations leading to DMD in boys proved highly promising with the results being published in the journal *Science* and likely to lead to a larger clinical trial.

The College has been successful in two bids accessing the Research England funding to enable HEIs to work together in improving commercialisation of research, with funding made available under the Higher Education Innovation Funding (HEIF) on a competitive basis. The College led a bid for £5m to support a partnership between RVC, LSHTM, SOAS and London School of Economics to work together to combat the threat from infectious diseases and antimicrobial resistance by developing and deploying effective novel vaccines and early pathogen detection systems. The second bid in which we are a partner is led by Imperial College and focuses on commercialisation of medical and veterinary technologies.

We have also been successful in attracting capital funding from the Hertfordshire Local Enterprise Partnership with a grant of £7m to assist us in developing a Centre for Vaccinology and Cell Therapy at the Hawkshead Campus. This will enable us to bring SMEs to work alongside our researchers as we enter the next phase of development of that campus.

The London BioSience Innovation Centre (LBIC) has had another successful year, making a substantial financial contribution to the College, with a net surplus of £0.6m in 2017/18. The attraction of Merck as a new client within LBIC is a major development for the College. Merck's scientists working within LBIC will focus on neuroscience, which fits extremely well with the College's strategy of developing this area of research with the establishment of a new Brain Health and Behaviour group within our Comparative Physiology and Medicine research programme.

Clinical Affairs

Our objective is to deliver outstanding compassionate clinical care and expert advice to stakeholders through our veterinary teaching hospitals, simultaneously supporting delivery of educational objectives, contributing to our research, and making a contribution to the financial sustainability of the College.

We continue to focus our efforts on expanding general practice capacity within RVC facilities in order to provide the best possible quality and mix of clinical learning environments for our students, taking into account increases in the number of BVetMed students entering rotations, and to identify options for additional future caseload growth.

During the past year we have:

1. Carried out capital investment works at the Beaumont Sainsbury Animal Hospital (BSAH) to accommodate growth in small animal general practice and exotic animal work at our Camden campus and the increase in numbers in our Shelter Medicine programme.

2. Introduced a new "state of the art", CT scanner to our Queen Mother Hospital for Animals (QMHA). This is the most advanced CT scanner for small animals in the world and substantially enhances our capacity for high resolution imaging.

3. Expanded our Physiotherapy, Rehabilitation and Pain services and under-pinned this expanded set of services with the installation of a new underwater treadmill.

4. Had the QMHA certified as the first ACVECC[1] Level 1 Veterinary Trauma Centre outside North America. Currently there are only eight hospitals in the world that have achieved this level of recognition.

5. Completed the acquisition of Acorn House Veterinary Hospital, a small animal veterinary practice in Bedford, to complement our current clinical teaching in small animal general practice.

RVC's clinical services have continued to meet all accreditation standards while providing comprehensive clinical material for training our undergraduate veterinary medicine and veterinary nursing programmes as well as our various postgraduate programmes.

Corporate responsibility

Staff

As a leading provider of higher education in veterinary and biosciences, the College aims to be an employer of choice for those seeking to work in the veterinary, biosciences and one health sectors. We recognise the need to attract, develop, retain and reward the best possible staff from a range of diverse backgrounds.

Employment strategy is considered by the College's Council, through the Finance and General Purposes Committee and the Remuneration Committee. In addition, regular meetings are held between the College's management and Recognised Trade Unions (RTUs). The College strives to work collaboratively and constructively with the RTUs locally and contributes nationally to the aims and objectives of the Universities & Colleges Employers Association through participation in annual consultations about national pay award negotiations and other matters.

The College values its highly skilled workforce and encourages personal development at all levels. As such, it offers a broad range of personal, professional and skills-based development opportunities through a structured annual programme including leadership and management, IT, health and safety and wellbeing. There are specific programmes in support of Early Career Researchers, Mentoring and Teaching Observation schemes and a Management Development Programme (MDP) which promotes the use of the RVC behaviours framework and is specifically designed to support newly appointed managers at the College. In addition to this, we are developing a range of succession and leadership offerings to support staff in their career progression. Probationary lecturers are required to complete the College's PG Cert in Veterinary Education and encouraged to take up membership of the Higher Education Academy on completion. All staff development is underpinned through personal objectives agreed via the annual appraisal process. Academic Probation and Promotion Procedures have been re-designed to ensure a robust, transparent and equitable process.

Staff wellbeing is supported through encouraging open communication between staff and their managers, access to an occupational health service, onsite gym facilities and an Employee Assistance Programme that includes a free 24-hour telephone advice line available to all employees. We actively encourage flexible working both for new recruits and existing staff, if operationally viable. A Staff Wellbeing Group, reporting to Safety Committee, works to develop

[1] American College of Veterinary and Emergency Critical Care

good practice in supporting staff health and wellbeing. It also takes account of the work of the Equality Strategy Group, and the Student Development Committee.

Taking account of the scientific nature of the College's work in veterinary and related biosciences, the College has a well-established health & safety risk assessment process, training programme and set of standard operating procedures in these areas. The Safety Committee reviews policy and procedures and any incidents and these are reported directly to the College Council.

Equality and diversity

The importance of equality and diversity is widely promoted across the College. There is an Equality and Diversity Committee (EDC) responsible for developing strategy, policy and monitoring compliance. The EDC has revised its membership to improve the representation of both staff and students so that there is an integrated approach to this important area. All departments and groups within the College have nominated two members of staff to represent their interests on the EDC. Departmental Equality and Diversity Action Plans have been developed.

All staff must successfully complete online equality and diversity awareness training before being confirmed in post. All staff who are involved in recruitment and selection process and have in the past received recruitment training must attend a half-day refresher recruitment and selection training. Given demographic trends in the veterinary profession and the composition of its own staff and student bodies, an area of particular importance is women's career and personal development. In October 2017, the College received an Athena SWAN bronze award in recognition of its work to date and Action Plan. The College has also initiated the Aurora Leadership Programme to support the career development of our female staff.

Financial review

Scope of the Financial Statements

The consolidated financial statements cover the activities of the College, the Royal Veterinary College Animal Care Trust (ACT), London BioScience Innovation Centre Limited (LBIC), RVC Developments Limited, and Royal Veterinary College (Hong Kong) Limited. The College's newly established subsidiary company, RVC Veterinary Practices Limited was incorporated on 5 April 2018 as a vehicle to acquire Acorn House Veterinary Hospital, a successful first opinion practice based in Bedford. The acquisition was completed on 1 July 2018 and the financial results for the first month of trading have therefore been incorporated in this year's financial statements.

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice 2015: Accounting for Further and Higher Education ("SORP 2015"). The full accounting policies of the College are presented in Note 1 to the Financial Statements below.

Results for the year

The College's consolidated results for the period to 31 July 2018, compared to the prior year, are presented in the following table:

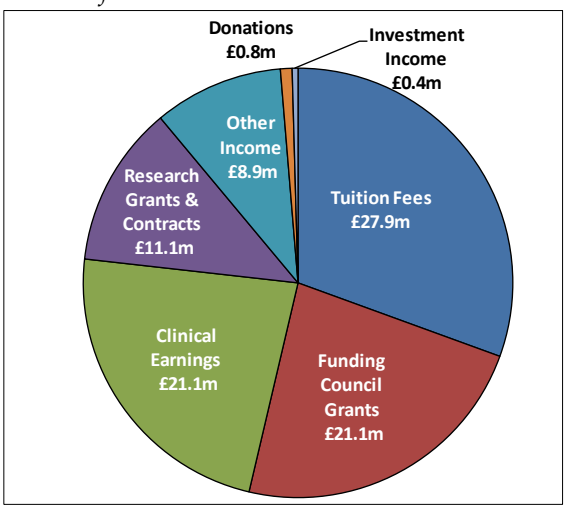
	2018	**2017**
	£'m	*£'m*
Income	91.2	85.6
Expenditure	83.3	78.6
Surplus before other gains/losses	7.9	7.0
(Loss)/Gain on investments	0.7	0.3
Asset impairment	(0.2)	0.0
Surplus for the year	**8.4**	**7.3**

At £8.4m, the surplus represents an improvement of 15% on the previous year.

Income

The College's total income was £91.2m, compared to £85.6m in 2017/18: an increase of 7%. The principal sources of income are shown in the following chart:

Sources of income 2017-18



Tuition fees, at £27.9m, are the College's main income stream. These increased by 16% (£3.9m) on the prior year, of which the greater part (£3.4m) represented fees from international students, who account for over 40% (2017: 32%) of total tuition fee income. The increase was a combination of fee rises and increased recruitment, including roll-through of prior years' student number growth.

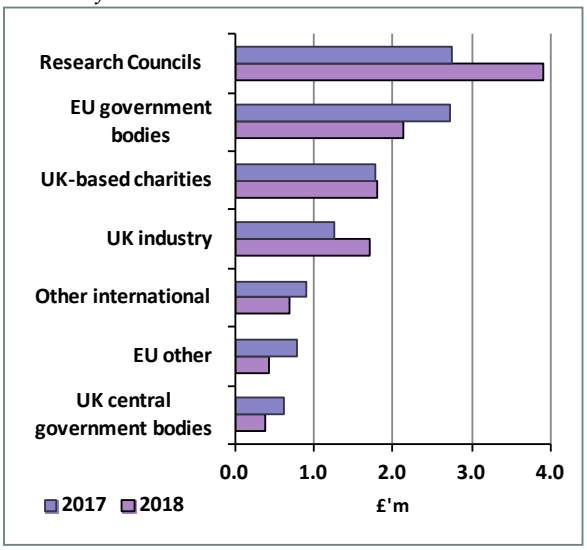
Funding body grants[2], at £21.1m, increased by 2%. The transitional impact of the shift in the teaching funding regime in 2012/13 from public funding towards tuition fees (funded by student loans) is now complete. Whilst it has reduced over the period, the Teaching Grant remains an important income stream (2018: £14.4m) for the College as our programmes are in high-cost, primarily clinical, subject areas, which continue to receive funding. Included within the Teaching Grant is an institution-specific funding allocation, awarded in recognition of the College's world-leading teaching provision.

Research (QR) and Higher Education Innovation (HEIF) funding, at £4.6m and £1.0m respectively, were in line with the previous year.

Clinical and related income increased by 6% to £21.1m. Clinical operations comprise the College's veterinary teaching first opinion and referral hospitals and diagnostic laboratories. Income growth was driven by increased caseload and pricing changes.

Income from externally-funded research grants and contracts increased by 1.6% to £11.1m. The breakdown of funding by sponsor type compared to the prior year was as follows:

Sources of research income 2017 and 2018



As income is reported in line with the related expenditure, there is a time lag before the full impact of changes in the balance of funding by sponsor type is reflected in the financial accounts data. Funding from Research Councils and UK industry were areas of growth during the past year and recent grant awards continue this positive trend. Conversely, the decline in income from EU sources shown above will become more pronounced as there has been a significant decline in awards.

Other income increased by 10.5% to £8.9m. Income derives from student residential fees, rental of office and laboratory space by external clients of the London BioScience Innovation Centre (LBIC), and services provided under commercial contracts for use of the College's research facilities.

Income from **Donations** was £0.8m compared to £1.6m in the previous year. The nature of fund

[2] In 2017-18, grant funding was provided by the Higher Education Funding Council of England (HEFCE) for the period 1 August 2017 to 31 March 2018. From April 2018, the Office for Students (OfS) provided teaching grant and UK Research and Innovation (via Research England) provided research and innovation funding.

raising is such that figures can vary significantly year-on-year, particularly in the case of legacies.

Investment income, at £0.4m, grew by 38% on the prior year.

Expenditure

Expenditure, at £83.3m, shows an increase of £4.7m (6%) compared to the prior year.

The year-on-year variance is, however, impacted by the reporting of movements in the valuation of liabilities, required under the SORP, notably pension provisions and the fair value of interest rate swaps. The overall movement on these was a credit of £2.3m in 2017/18 compared to £1.6m in 2016/17. Adjusting for these items, expenditure increased by £5.2m (6%).

Reported Staff costs were £47.2m. Adjusting for the impact (£1.3m) of the movement in the pension provision, staff costs increased by 7% on the prior year and represented 52% of turnover (2017: 53%). The increase is a combination of additional staff numbers (associated with income generation), incremental pay progression, a 1.7% national pay award and an uplift in clinical staff remuneration.

Other operating expenses, at £30.6m, rose by 6%. The increase is related to the growth in the volume of activity and associated income reported above, as well as inflationary pressures on certain costs.

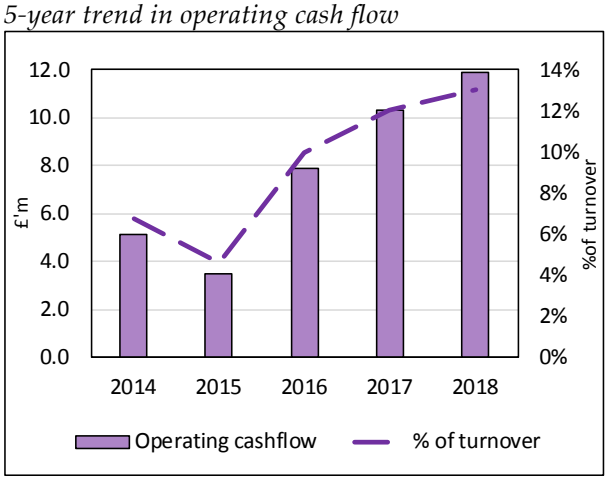
Depreciation costs increased by 5% to £5.5m. In addition, impairment costs of £0.2m have arisen as a result of the capital works undertaken to date at the Camden campus.

Interest and other finance costs include a credit of £1.1m relating to the change in the fair value of interest rate swaps. This compares to £1.6m in 2016-17. Adjusting for these, the respective figures were £1.1m and £0.9m. Whilst loan interest costs reduced (£0.2m), the net impact of exchange rate movements was more favourable (£0.4m) than in the prior year.

Operating cash flow

As discussed above, technical accounting adjustments required under FRS 102 may vary significantly year-on-year giving rise to swings in the reported surplus, which are not representative of the underlying operating business. The College, therefore, uses operating cash flow as a more consistent metric of financial performance, setting a target of 10+% of turnover. The following graph shows an improving trend in this metric over the past three years with the target met or exceeded. Operating cash flow in 2017/18 was £11.9m, representing 13% of turnover.

5-year trend in operating cash flow



Actual operating cash flow exceeded the budgeted position for the year by £4.5m. A prudent approach is taken to budgeting such that, in the absence of any unforeseen adverse events, an improved outturn can be anticipated. In particular, there is an in-built contingency in the budgetary assumption of a full staffing establishment. Further prudency is built into our budgeted student numbers and contributions from our commercial operations (Clinical Services, LBIC). The College Executive Committee and Finance and General Purposes Committee receive forecasts of actual performance against budget on a quarterly basis.

Capital investment

We highlighted in last year's Annual Report our plans for major capital investment at both of our campuses.

There has been significant progress towards this: external financing has been secured (see *Borrowing* below); works at the Camden Campus (c. £15m) are well underway with substantive components due to be completed by the end of the calendar year and

designs for the Hawkshead Campus (estimated cost: £45m) are well advanced.

Work at the Camden Campus involves extensive refurbishment and re-configuration of existing space in the Hobday Building to create: a student centre, student social learning space, new and upgraded teaching rooms and learning resource centre, new research laboratories, extended dining and student/staff social facilities, refurbished office space.

The project at Hawkshead represents a major re-development of the heart of the campus, replacing obsolete teaching, research and office space with state-of-the art and sustainable facilities including a major new lecture theatre. The recent approval by the local planning authority of the College's Masterplan for the site is a significant milestone for this project. In addition, the College has secured a £7m grant from the Hertfordshire Local Enterprise Partnership to support the creation of a Veterinary Vaccinology and Cell Therapy Hub which forms part of the new research facilities.

Other projects completed during the year include building works to remodel and refurbish space in our teaching hospitals, additional farm animal facilities, refurbishment of research facilities and renewal of major plant.

The College's IT Investment Plan has been reviewed and updated and a number of new projects added to those already underway or recently completed. As ever, these are aimed at improving the services and systems which underpin much of the College's activities, with an emphasis on capacity, resilience and security. Specific projects have included the upgrading of server and network core systems such as data storage on both campuses.

New subsidiary

The College has established a new trading subsidiary: RVC Veterinary Practices Limited providing investment in the form of share capital. Through the subsidiary, RVC acquired Acorn House Veterinary Hospital, located in Bedford, in June 2018. The Group financial statements incorporate initial income and expenditure, surplus, and balance sheet figures for the first month of operations to 31 July 2018.

Borrowing

During the financial year, the College engaged independent consultants to advise on external financing for the capital programme. Their recommendation was that, in addition to raising new finance, the College should re-finance its existing long-term debt held with the Royal Bank of Scotland (RBS) (£19.4m at 31 July 2017).

As a result, a notes issue for a £45m private placement was offered. The offering was four times over-subscribed and secured a highly competitive interest rate. The notes, held with Sun Life Assurance Company of Canada, are fixed rate and unsecured with 15 to 25-year maturities.

As the RBS debt was subject to floating-to-fixed interest rate swaps, early repayment incurred breakage costs of £4.2m. As these were less than had been provided for in the 2016/17 financial statements, there was a net credit to the SOCI of £1.1m (shown under Interest costs).

The College also has £1.1m outstanding in Salix interest-free loan funding to undertake a range of energy efficiency projects. The funding is repayable over a period to October 2022.

Treasury policy and investments

The College's Treasury Policy seeks to ensure an appropriate return on investments at a level of risk agreed by the College Council. Following a tender exercise, the management of the College's long-term investments, the majority of which are endowment assets, transferred during the year from Ruffer LLP to UBS AG. At 31 July 2018, the value of the portfolio was £13.3m (2017: £12.4m) comprising a range of equity, fixed interest and cash funds. Realised investment gains amounted to £1.3m (10%) compared to £0.4m (3%) in the previous year. The year-end market valuation showed an (unrealised) £0.6m loss (2017: £0.1m loss).

Short-term surplus cash balances were placed for fixed-term periods with counterparties approved under the Treasury Policy. With the securing of the private placement at the end of the financial year, the College consolidated its cash holdings and these are now administered by UBS AG. On 31 July 2018, £35m was transferred to UBS AG and these funds were subsequently placed with third parties.

Cash position

Cash generation from operating activities has been a priority as the College has built up its cash reserves over recent years to fund its capital investment plans. Key financial performance indicators relate to cash generation and cash balances. Cash balances at 31 July 2018 were £48.4m (2017: £22.4m). As discussed above, this included £35m in cash transferred to UBS AG for short-term investment. Cash held within the endowment fund portfolio amounted to £0.4m (2017: £0.6m). Excluding endowment fund cash, net liquidity days at the end of the year were 215 (2017: 130).

Pension funds

Staff at the College are entitled to join either the Universities Superannuation Scheme (USS) or the Superannuation Arrangements of the University of London (SAUL).

In common with the rest of the sector, pension costs represent a significant risk. Following the March 2014 triennial valuation of the USS, the Trustee introduced fundamental changes to both contribution rates and benefits, which took effect in April 2016. The March 2014 valuation of SAUL also showed it to be in deficit which was addressed by an increase in employer contributions.

As both USS and SAUL are pooled multi-employer schemes, it is not possible to reliably separate out each institution's share of the Schemes' assets and liabilities. However, under the SORP, the College is required to recognise its liability to fund the 2014 deficit recovery plans of each Scheme. As at 31 July 2018, the College's outstanding liability under USS was £6.6m (2017: £7.3m). As 2017/18 was the final year of the SAUL recovery plan, the liability is fully cleared (2017: £0.4m).

Both schemes were re-valued as at 31 March 2017. The SAUL valuation showed a small surplus and the Trustee and employers have agreed that no changes to contributions or benefits are required ahead of the next valuation in 2020. In contrast, the USS had moved into further deficit and agreement has yet to be reached on how this is to be addressed. As a result, the Trustee, under its statutory obligation, has commenced the cost-sharing process which, if implemented in full, would necessitate substantial increases in employer and employee contribution rates. Pending the outcome of ongoing consultations, this represents a significant risk.

Financial outlook

Uncertainty relating to pension costs, and pay costs generally, is one of a number of risks facing the RVC, in common with the Higher Education sector more widely. The external environment is arguably more challenging and uncertain than it has been in decades. In addition to the many uncertainties associated with the UK's departure from the EU, the future shape of HE funding is not clear with a major government review of post-18 education underway.

Financial planning in this context, even in the short-term, is extremely challenging and there is no doubt that the financial outlook for the next few years will be difficult on a number of fronts. The RVC enters this period in a relatively strong position, both reputationally and financially. Elsewhere in this report, we have highlighted recent achievements in all three of our mission areas, which have consolidated our position as a world-leading institution. This has been underpinned by robust and consistent financial performance. Measured by key financial metrics, we compare favourably with the rest of the sector. The strong interest from investors for our private placement offering was a welcome additional external validation of the College's institutional strength.

Nevertheless, committing to a major programme of capital investment at this time could be regarded as a risk. We take the view that this is essential to the College's future sustainability in order to continue to attract and retain students and staff. Demonstrating that we are a sustainable and forward-looking institution will be a key consideration in the upcoming accreditation visit by our principal veterinary regulators. We are not complacent, however. Our capital governance structures have been enhanced to ensure there is robust oversight of these major developments and an overriding mitigation, should the financial outlook deteriorate, would be to scale back the capital programme. This

is being phased appropriately to facilitate such an eventuality.

As part of the refresh of the College's Strategic Plan (2014-2019), which due to the EU related uncertainties, is being extended to 2021, we have reviewed and updated our financial strategy and associated KPIs. We continue to focus on targeted growth in, and diversification of, our income streams and a robust and proactive approach to cost control. Generation of sufficient cash to re-invest appropriately in our business and meet our loan repayment obligations is paramount.

Student demand for our courses from both UK and international students continues to be strong and we are proactively engaging with potential new markets. The RVC has a relatively small proportion of EU students and is less exposed in this regard than many other institutions.

As outlined earlier, whilst research funding from EU sources is on the decline, the College has been successful in securing awards from other sources despite the increasingly competitive environment. In particular, it is well placed to respond to major funding initiatives in the fields of infectious diseases and antimicrobial resistance, as well as research commercialisation and industrial strategy, and has had success in this regard. Following a positive REF 2014 outcome, preparations for the next exercise in 2021 are underway with investment being made in new academic appointments.

Clinical income generated by our veterinary teaching hospitals represents a significant third income stream to the College. Whilst financial contribution is necessarily constrained by the educational imperative, there is the potential to deliver an improved return by streamlining our business processes and refining our pricing strategy. The recent acquisition of a first opinion veterinary practice, under our new wholly-owned subsidiary, offers an alternative and complementary model for delivery of clinical training and income generation.

The success of the hospitals is critically dependent upon high-quality specialist clinicians. Their retention and recruitment represents a challenge as the College competes with the corporate veterinary market for their services, creating pressure on pay costs. EU exit is further exacerbating this issue because a sizeable proportion of our clinical staff are from mainland Europe. In the wider context of the veterinary profession, non-UK EU nationals play a significant role within the UK. Many are involved in public health and regulatory aspects of trade in animals and products of animal origin and there is the potential for a significant skills gap.

The RVC acknowledges its accountability to students and taxpayers for the investment provided by tuition fees and public funding and the need to demonstrate that it is operating efficiently and delivering value for money. Veterinary Science is one of the most expensive subjects to teach and we are focused on delivering our activities as efficiently as possible without compromising the academic quality and student satisfaction for which the RVC, as a specialist institution, is renowned.

This will require a continuing recognition by government in the funding outcomes from the post-18 education review of the high cost of delivery of clinical and science disciplines, as well as the unique contribution of specialist institutions to teaching excellence.

In summary, many of the factors impacting on our financial outlook are outwith our control, be they related to higher education or the veterinary profession itself. Our ability to respond and adapt effectively to the evolving changes in the external environment is critical and requires us to be proactive in anticipating, managing and mitigating risks.

The Council is satisfied that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues adopt the going concern basis in preparing the accounts.

The Strategic and Financial Review was approved by Council on 28 November 2018 and signed on its behalf by:

LORD CURRY OF KIRKHARLE

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT
for the year ended 31 July 2018

The Royal Veterinary College is an exempt charity under the terms of the Charities Act 2011[3]. The role of the principal regulator for exempt charities was formerly held by HEFCE, with the Office for Students (OfS) taking over this responsibility from April 2018.

In setting and reviewing the College's objectives and activities, the Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education. Attention is also paid to guidance (Regulatory Advice 5) issued by the OfS in its role as principal regulator on behalf of the Charities Commission.

General principles of public benefit

The public benefit requirement of the Charities Act 2011 has two aspects:

1. The 'benefit aspect' - to satisfy this aspect there must be an identifiable benefit or benefits:
   (a) It must be clear what the benefits are;
   (b) The benefits must be related to the aims;
   (c) Benefits must be balanced against any detriment or harm.

2. The 'public aspect' - to satisfy this aspect the benefit must be to the public, or section of the public:
   (a) The beneficiaries must be appropriate to the aims;
   (b) Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions;
   (c) People in poverty must not be excluded from the opportunity to benefit;
   (d) Any private benefit must be incidental.

In general, for a purpose to be a charitable purpose it must satisfy both the benefit and the public aspects.

Delivery of public benefit from the mission and strategic aims

The College's mission and goals, approved by the Council for the Strategic Plan 2014-2019, address this directly:

Our mission:
To provide inspirational leadership and excellence in veterinary science through innovative scholarship and pioneering clinical activity.

Our goals:

- To be leaders in the delivery of high quality programmes in veterinary education and associated subjects.
- To provide student focused environments delivering an educational, cultural and social experience that will underpin all College activities.
- To deliver relevant, useful and economically sustainable research programmes of international significance to the animal health and comparative biomedical sector in the context of One Health.
- To provide patient and client focused clinical care that is unrivalled in its commitment to quality and innovation.
- To be the employer of first choice for those seeking to work in the veterinary, biosciences and One Health Higher Education sector.
- To have an impact on animal and human health through global reach and international partnerships.

[3] Charities Act 2011, s 22 schedule 3.

Delivery of public benefit through education and training

The provision of undergraduate and postgraduate higher education remains the principal reason for the College's existence. Ultimately these programmes produce a skilled population able to contribute to the enhancement of society and the economy. In 2017/18, 500 students of the College graduated from undergraduate and postgraduate programmes including research study. As part of this process, graduates of the College's main undergraduate degree, the Bachelor of Veterinary Medicine, were also admitted to membership of the Royal College of Veterinary Surgeons with many engaged in a range of activities providing expert advice and treatment for the benefit of both animals and their owners. Pleasingly 94% of students on our BVetMed programme were employed within 6 months of graduation. The College recognises the growing relevance to society and the economy of the veterinary profession's contribution to food production, the control of disease and animal welfare, and has re-profiled some of its academic activities in response to this.

The College is also one of the largest suppliers of veterinary Continuing Professional Development (CPD) and postgraduate professional certificates accredited by the Royal College of Veterinary Surgeons. It therefore contributes substantially to the public good through promoting state-of-the-art veterinary services.

Since the internet is a publicly available resource, educational providers have recognised the opportunities for distance learning. In recent years the College has been developing better pedagogical expertise and technical capacity to support distance education courses at both undergraduate and postgraduate levels. Distance learning programmes allow students to study at their own pace from any location globally. In some of the College's highly specialised areas, distance learning creates a critical cohort mass of students thereby supporting the sustainable sharing of knowledge. The knowledge gained, especially by those from developing countries, is used directly to influence key decisions in the veterinary profession in those countries.

Delivery of public benefit through research

Researchers at the College are actively engaged in enhancing understanding in the basic biomedical sciences as well as in veterinary sciences. The vast majority of this research is undertaken for publication - often a condition of the research funder - and thus the outcomes of research activities add to the publicly available knowledge in these areas. Research is undertaken so that it has the potential to enhance or change society for the better through increasing understanding, influencing behaviours and stimulating economic opportunities.

Increasingly, the outcomes of research into improving animal health and wellbeing are applicable to understanding and improving human health (e.g., research into antimicrobial resistance, arthritis, neuromuscular disorders, tendon disease, type II diabetes, effect of dietary factors on vascular function, immune regulation and cancer). The College is actively involved in this 'one health' agenda. The findings of this work are being used to inform researchers working on these conditions in humans. A one health approach is also taken by the College in its research addressing infectious disease problems that cross between wild and domestic animals and humans (e.g., Avian Influenza, Brucellosis, E-coli O157, Schistosomiasis, Toxoplasmosis, Campylobacter infections and antimicrobial resistance).

The College is active in research to develop new vaccines for poultry and pigs; both major food-producing species globally. By reducing the need to use antibiotics in animal production, these vaccines would help to address problems of antimicrobial resistance. Yeast-based antigen delivery systems for vaccines are also being developed which are stable in a freeze-dried form making them accessible for animals kept in developing countries.

New technology developed by RVC researchers which enables antimicrobial drugs to be delivered into human and bacterial cells more effectively is to be used in a human clinical trial later this year. This technological advance is an important one in the global fight against antimicrobial resistance.

We participate with four other colleges of the University of London in jointly funding the London International Development Centre (LIDC) whose

focus is on cross-disciplinary research, training and building local capacity for the developing world. The College is involved, through LIDC, in a number of interdisciplinary projects in which animal, medical and social science researchers are operating collaboratively, the ultimate goal of which is to improve the health and welfare of both humans and animals in developing countries.

Delivery of public benefit through outstanding clinical activity

The RVC's veterinary teaching hospitals are staffed and equipped to cater for the full range of farm and companion animal species from dogs, cats, and horses through to exotic pets. Clinical Services provided over 24,000 first consultations with owners of animals presented through the College's range of clinical facilities.

Our capabilities range from the provision of routine clinical examinations and basic health care for all species to highly complex tertiary referral procedures such as open heart surgery in dogs, for which we are the only centre in the UK.

A number of specific services for clients in demonstrable hardship are underpinned by charitable donations or supported by endowment funds.

Our clinical teams offer a very broad range of diagnostic techniques and treatment options to provide optimal care, for all animals whether presented by directly their owners, or referred at the request of professional colleagues for secondary and tertiary services.

The College also provides support for wider public awareness of veterinary and allied health issues by supporting clinical employees of the College to regularly attend external events, such as talks, shows and professional exhibitions, to deliver lectures and workshops and to give media broadcasts to audiences including the general public and farmers, as well as veterinary surgeons.

Delivery of public benefit through access to opportunity

The College continually seeks to develop and refine our access activities to support educational attainment and social mobility.

As in previous years, our Gateway Programme continues to provide an important pathway towards the degree of BVetMed for a significant number of our widening participation students. Our ambition is to have a greater number from the WP cohort gaining a place via direct entry on to the first year of the BVetMed degree. We are also doing more to promote our BSc degrees to this cohort. In support of this aim, we provide an extensive range of outreach and inreach activities including masterclasses, school visits and both Easter and summer schools. Our own student ambassadors play a hugely important role in this work. We are an active partner in both regional and national networks working in local wards where interest in higher education is low and are particularly committed to supporting this work in London and Hertfordshire. The College engages with primary and secondary schools and further education colleges, basing our activity strategically around the student life cycle to increase the academic attainment of students in our target schools and colleges to deliver benefit through access to opportunity.

Each year the RVC holds a residential summer school for Year 12 secondary school and further education college students. This continues to be supported financially by the Sutton Trust. A significant proportion of those attending the summer school subsequently apply to the College for places on our range of degree programmes.

As well as working with school students, RVC also works with teachers and, for the past two years, we have run a teachers' summer school in partnership with Imperial College and King's College London, also funded by the Sutton Trust.

The RVC Access unit at the College has a dedicated team of individuals whose role is to ensure that the wider community, both nationally and internationally, have access to the educational and training opportunities offered by the RVC. To ensure that aspiring students are not deterred from studying by financial disadvantage, the College

offers generous bursaries to assist with tuition fees and living costs.

Delivery of public benefit through public and community engagement

The College also promotes knowledge and understanding of biosciences and veterinary sciences among the wider community contributing to adult learning and the enhancement of social, cultural and economic well-being.

"Night at the Vet College" is an evening programme of outreach events which runs twice a year and is supported not only by the College but also by other partner institutions. Thematic events introduce the general adult public to the research undertaken at the RVC. Throughout the year, groups of all ages are introduced to the study of anatomy and animal welfare, using in particular the College's anatomy museum in Camden.

The College continues to work closely with the King's Cross Knowledge Quarter to deliver local activities and we have also attended science fairs and public festivals around the country. The RVC is a regular partner in the termly family days run by the Royal Institution, which are attended by over 700 parents and children. Other societies and organisations with whom we work to engage the community with veterinary medicine and biological sciences include: the Francis Crick Institute, Wellcome Trust, Natural History Museum, Royal Society of Biology, Society of Physiology, and the Royal Society of Chemistry.

Our community engagement also includes building closer relationships with local residents near our two main campuses. As part of the process leading up the adoption of the Hawkshead Masterplan by Welwyn Hatfield Borough Council (WHBC) and the submission of a planning application relating to the proposed changes to the built estate at the Hawkshead Campus, we have undertaken a number of community engagement activities. These have included events at Hawkshead for local residents and members of the general public and engagement with groups such as the Green Belt Society as well as WHBC members and officers. We have regularly engaged with North Mymms Parish Council and have established a joint working group, also including a local County Councillor and County Highways officer, which is looking at potential improvements to areas of shared concern for local roads, pathways and cycle-ways.

Delivery of public benefit through sustainability

The College continues to implement its environmental policy and management system with the aim of reducing its environmental impacts across key areas including: carbon emissions, waste, water use and biodiversity.

The College has achieved its target of a 20% reduction in carbon emissions from the baseline in 2011-12 and has installed greywater harvesting systems to reduce the need for mains water. Further reductions in the carbon footprint will be achieved when the remaining thermally inefficient 1950s buildings are removed and replaced by a new 'Heart of the Campus Building' which is being designed with the aim of BREEAM 'excellent' status or a similar accreditation standard.

Recommendations provided by the Herts and Middlesex Wildlife Trust have been implemented to enhance biodiversity across the Hawkshead campus.

Sustainable procurement is encouraged and the College actively engages with suppliers to deliver sustainable solutions, where appropriate.

As part of the Green Travel Plan, the College continues to provide a dedicated shuttle bus service between the Hawkshead campus and Potters Bar station. The number of journeys per annum has increased from 91,000 to an estimated 130,000. This has allowed student parking to be reduced by 120 spaces over a two-year period. It is intended that a soon to be introduced car sharing scheme will help achieve more progress in a mode shift away from single occupancy car journeys to and from Hawkshead. Future planning applications will reflect the findings of annual monitoring reports and demonstrate alignment with the objectives of the Green Travel Plan.

The RVC Students' Union has engaged with the NUS Green Impact programme which aims to encourage students to take part in sustainability initiatives.

Over the coming year the College will be reviewing and updating its Environmental Sustainability Strategy in order to ensure continuous improvement in this area.

STATEMENT OF RESPONSIBILITIES OF THE COLLEGE COUNCIL in respect of the Annual Report and the Financial Statements for the year ended 31 July 2018

The Council are responsible for preparing the Annual Report and Financial Statements in accordance with the requirements of the Office for Students' *Terms and conditions of funding for higher education institutions* and Research England's *Terms and conditions of Research England grant* and applicable law and regulations.

Members of Council are required to prepare Group and parent College financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Council are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and parent College and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the Group and parent College financial statements, the Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent College or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Council are also responsible for ensuring that:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- funds provided by the Higher Education Funding Council for England have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them;
- there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the College's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE
for the year ended 31 July 2018

The College is committed to ensuring it operates in accordance with identified good practice in all aspects of its corporate governance. The RVC is confident that for the year ended 31 July 2018 that it is fully compliant with all those elements of the Higher Education Code of Governance issued by the CUC in December 2015 with which it must comply. It continues to monitor and ensure that its compliance with the Code is as effective and efficient as it should be and that its recommendations are not only met, but exceeded, where appropriate. In accordance with the CUC Code, the RVC has adopted a Statement of Primary Responsibilities as part of its governance arrangements.

The Council of the College has an on-going process for identifying, evaluating and managing the College's significant risks in support of institutional strategic and operational objectives. This process has been in place for the year ending 31 July 2018 and up to the date of Council's approval of the Annual Report and Accounts. The risk register is subject to a full annual scrutiny by Council each October and is available to Council members at every meeting. Aspects of our approach to risk management have also been subject to internal audit in this last year.

The College can trace its history as a corporate body back to 1791 and is an independent body, whose legal status derives from its Royal Charter. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, which were most recently revised in 2010, and are currently pending further revision as a consequence of amendments to the University of London act.

The Charter and Statutes require that the governance of the College shall be vested in the Council, which, as the governing body, is collectively responsible for overseeing the institution's activities, determining its future direction and fostering an environment to achieve the institutional mission. The Council has a majority of members from outside the College (known as independent members and numbering 11 out of 15 Council Members) from whom the Chairman, Vice-Chairman and Honorary Treasurer are elected. None of the independent members receives any payment for the work done for the College, apart from the reimbursement of expenses, if claimed.

The Statutes also require that there shall be an Academic Board, members of which are the Professors of the College and representatives of the teaching staff and of which the Principal is Chairman. The Board advises the Council on all academic matters.

The Principal is the Chief Executive of the College, who, under the Statutes, is responsible for the conduct of the College and exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of institutional ethos. In these aspects of the Principal's portfolio of responsibilities, senior staff contribute collaboratively. In accordance with the Terms and Conditions of Funding for Higher Education Institutions and Regulatory Advice 10: Accountable Officers (OfS 2018.29) the Principal is the Accountable Officer of the College and, in that capacity, can be summoned to appear before the Public Accounts Committee of the House of Commons.

Although the Council ordinarily meets four times a year, much of its detailed work is initially discussed at its Committees. All Council Committees are formally constituted with terms of reference and specified membership and report to the Council.

The Finance and General Purposes Committee meets four times a year and inter alia recommends to Council the adoption of the College's Financial,

Estate and Human Resource Strategies. It recommends to Council the annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also monitors the performance of the College's investments.

There is a Senior Staff Remuneration Committee, comprised of independent members of Council, including the Chairman and Honorary Treasurer, which meets annually to determine the remuneration of the Principal and other senior staff. The Committee's decisions are informed by the professional advice of the Director of Human Resources, appropriate sector benchmarking and other relevant factors. In this year the operation of the SSRC has been reviewed to ensure that it is operating in accordance with the CUC's Higher Education Senior Staff Remuneration Code.

The Audit Committee meets four times a year (with the College's external/internal auditors in attendance as appropriate) and considers detailed audit reports, together with recommendations for the improvement of the College's systems of internal control and management's response thereto. It also receives and considers relevant documents from the Office for Students as they affect the College's business and monitors adherence to regulatory requirements. The Council receives reports on risk and control from the Audit Committee, whose emphasis is on ensuring that the relevant degree of assurance is provided and is not merely reporting by exception. The Council itself also receives regular reports from the Safety Committee, the Ethics and Welfare Committee and the Academic Board which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for assurance and internal control. Whilst some senior staff attend Audit Committee meetings, they are not members of the Committee. The Audit Committee normally has a pre-meeting of members only, meets with internal and external auditors without College staff present and retains the right to hold its full meetings in their absence.

Academic assurance is provided to Council in accordance with the requirements of the Annual Provider Review and the Terms and Conditions of Funding for Higher Education. In addition to reports from senior academic staff and the Academic Board, substantive reports detailing the College's arrangements and approach to quality assurance, teaching excellence and the student experience, and external judgements of these, are also provided.

The Principal and the College's senior managers receive reports setting out key risk areas and consider possible control issues. The risk register is regularly reviewed and amended as appropriate, and the nature of the risk process overseen by Audit Committee. The risk management process was reviewed and improved in 2015/16 and work continues in embedding a risk management culture within the organisation from operational through to strategic risks.

In compliance with the Charity Commission [www.charitycommission.gov.uk], the College maintains a Register of Interests of members of the Council which is published on our website. Any enquiries about the constitution and governance of the College should be addressed to the Secretary to the Council.

Statement of internal control

The Council, as governing body, is responsible for ensuring that the College has a sound system of internal control and for reviewing its effectiveness. Such a system is designed to understand and manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The risk management process covers business, operational and compliance risks as well as financial risks.

The College's system of internal control, which is designed to discharge the responsibilities set out in the Statement of Responsibilities of Council, includes the following elements:

- clear definitions of the responsibilities and delegated authority of heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, 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 approval and control of expenditure, with

investment decisions involving capital or revenue expenditure being subject to formal appraisal and review according to approval limits set by the Council;
- Financial Regulations, together with supporting financial policies and procedures, approved by Finance Committee and/or Audit Committee as appropriate;
- a professional Internal Audit team, provided by an external firm, whose annual programme is approved by the Audit Committee, and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the College, and the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Planning of both external and internal audit work is risk based. On the recommendation of Audit Committee, Council has adopted a revised Risk Management Strategy and Policy which sets out the College's approach to risk management. It ensures that key risks are identified and managed appropriately and that risk management is integrated with planning activity, operational plans and performance monitoring.

In accordance with the Strategy and Policy:
- Council has charged Audit Committee with keeping the integrity and effectiveness of the organisation's risk management under regular review, which duty is discharged by regular review of the College's Strategic Risk Register;
- the Principal has responsibility for implementing the policies and strategies on risk management and internal control; and
- the College Executive Committee supports the Principal in discharging the responsibility for implementation of the Strategy and Policy as well as ensuring that risk management is embedded in strategic and operational decision-making processes. It also ensures ownership of risk management throughout the organisation (including the identification and management of risks) and regularly reviews strategic and operational risk registers.

The strategic risk register informs Audit Committee's decisions on the College's internal audit programme.

The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the College's system of internal controls, and found it provides reasonable assurance against material misstatement or loss.

Council is of the view that there is an ongoing process for identifying, evaluating and managing the principal risks to achievement of the College's objectives; that it has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements; and that it accords with OfS guidance.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE ROYAL VETERINARY COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Royal Veterinary College ("the College") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2018, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Council is responsible for the other information, which comprises the Chairman's introduction, the Principal's report, strategic and financial review, charitable status and public benefit statement and corporate governance statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Council responsibilities

As explained more fully in their statement set out on page 18, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error; assessing the Group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by the Higher Education Funding Council for England ("HEFCE") have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Council, in accordance with Section 13 of the Charter of the institution. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Council for our audit work, for this report, or for the opinions we have formed.

NEIL THOMAS

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

30 November 2018

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
for the year ended 31 July 2018

	Notes	RVC Group		College	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	3	27,936	24,081	27,936	24,081
Funding body grants	4	21,128	20,803	21,128	20,803
Research grants and contracts	5	11,051	10,877	11,051	10,877
Clinical and related income	6	21,078	19,957	20,875	19,957
Other income	6	8,907	8,061	6,582	6,050
Investment income	7	379	281	444	379
Total income before endowments and donations		**90,479**	**84,060**	**88,016**	**82,147**
Donations and endowments	8	759	1,587	1,378	980
Total income		**91,238**	**85,647**	**89,394**	**83,127**
Expenditure					
Staff costs	9	47,187	45,145	46,524	44,619
Other operating expenses	13	30,581	28,973	29,259	27,718
Depreciation	11	5,523	5,222	5,301	5,000
Interest and other finance costs	12	34	(729)	49	(783)
Total expenditure		**83,325**	**78,611**	**81,133**	**76,554**
Surplus before other gains and losses		**7,913**	**7,036**	**8,261**	**6,573**
(Loss) on disposal or impairment of fixed assets	14	(226)	(8)	(226)	(8)
Gain / (loss) on investments	15	704	281	420	227
Surplus before tax		**8,391**	**7,309**	**8,455**	**6,792**
Taxation	16	(43)	-	-	-
Surplus for the year		**8,348**	**7,309**	**8,455**	**6,792**
Total Comprehensive Income for the year		**8,348**	**7,309**	**8,455**	**6,792**
Represented by:					
Endowment comprehensive income for the year		168	(53)	168	(14)
Restricted comprehensive income for the year		1,355	1,159	952	573
Unrestricted comprehensive income for the year		6,825	6,203	7,335	6,233
		8,348	**7,309**	**8,455**	**6,792**

The consolidated income and expenditure relates wholly to continuing operations.
The notes on pages 28 to 63 form an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 July 2018

	Income and expenditure account			Revaluation	
	Endowment	Restricted	Unrestricted	Reserve	Total
	£'000	£'000	£'000	£'000	£'000
GROUP					
Balance at 1 August 2017	**9,798**	**4,434**	**136,455**	**4,583**	**155,270**
Surplus / (deficit) from the income and expenditure statement	168	1,355	6,825	-	8,348
Revaluation of heritage assets	-	-	-		-
Other comprehensive income	-	-	-	-	-
Transfer between reserves	(776)	(2,781)	3,557	-	-
Total comprehensive income for the year	**(608)**	**(1,426)**	**10,382**	**-**	**8,348**
Balance at 31 July 2018	**9,190**	**3,008**	**146,837**	**4,583**	**163,618**
COLLEGE					
Balance at 1 August 2017	**9,779**	**2,134**	**135,209**	**4,583**	**151,705**
Surplus / (deficit) from the income and expenditure statement	168	952	7,335	-	8,455
Revaluation of heritage assets	-	-	-		-
Other comprehensive income	-	-	-	-	-
Transfer between reserves	(776)	(2,781)	3,557	-	-
Total comprehensive income for the year	**(608)**	**(1,829)**	**10,892**	**-**	**8,455**
Balance at 31 July 2018	**9,171**	**305**	**146,101**	**4,583**	**160,160**

The notes on pages 28 to 63 form an integral part of these financial statements.

BALANCE SHEET
for the year ended 31 July 2018

	Notes	RVC Group 2018 £'000	RVC Group 2017 £'000	College 2018 £'000	College 2017 £'000
Non-current assets					
Intangible assets and goodwill	18	3,849	86	96	86
Fixed assets	19	154,978	151,196	154,102	150,232
Heritage assets	20	4,583	4,583	4,583	4,583
Investments	21	12,748	11,765	13,755	9,835
Non-current receivables	22	-	-	1,247	1,470
		176,158	**167,630**	**173,783**	**166,206**
Current assets					
Stock	23	1,242	935	1,170	935
Trade and other receivables	24	7,488	8,304	8,364	8,869
Investments - short term	25	-	5,000	-	5,000
Cash and cash equivalents	26	48,370	22,360	47,904	21,765
		57,100	**36,599**	**57,438**	**36,569**
Less: Creditors due within one year	27	(16,411)	(16,555)	(18,235)	(18,749)
Net current assets		**40,689**	**20,044**	**39,203**	**17,820**
Total assets less current liabilities		**216,847**	**187,674**	**212,986**	**184,026**
Creditors - amounts due after more than one year	28	46,256	24,597	46,256	24,597
Provisions					
Pension provisions	29	6,640	7,807	6,570	7,724
Other provisions	29	333	-	-	-
Total net assets		**163,618**	**155,270**	**160,160**	**151,705**
Restricted reserves					
Income and expenditure reserve - endowment reserves	30	9,190	9,798	9,171	9,779
Income and expenditure reserve - restricted reserves	31	3,008	4,434	305	2,134
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		146,837	136,455	146,101	135,209
Income and expenditure reserve - revaluation reserve		4,583	4,583	4,583	4,583
Total Reserves		**163,618**	**155,270**	**160,160**	**151,705**

The financial statements on pages 28 to 63 are due to be approved by the Council on 28 November 2018 and signed on its behalf by:

LORD CURRY OF KIRKHARLE
Chairman of Council

MR ROGER BRIGHT
Honorary Treasurer

PROFESSOR STUART REID
Principal

CASH FLOW STATEMENT
for the year ended 31 July 2018

	Notes	RVC Group 2018	2017
Cash flow from operating activities		£'000	£'000
Surplus for the year		8,349	7,309
Adjustment for non-cash items			
Depreciation	11	5,523	5,222
Amortisation of intangible assets	11	118	98
Loss on impairment of fixed assets	14	226	8
Unrealised loss on investments	15	613	91
Unrealised (gain) on foreign exchange		(471)	(199)
(Increase)/decrease in stock	23	(307)	47
Decrease in trade and other receivables	24	816	646
Increase in trade and other payables	27	1,163	331
(Decrease) in economic hedge	17	(1,114)	(1,641)
(Decrease)/increase in pension provision	29	(1,167)	45
(Decrease) in other provisions	29	333	(438)
Other non-cash items		16	(156)
Adjustment for non-cash items		*5,749*	*4,054*
Adjustment for investing or financing activities			
Investment income	7	(379)	(281)
Interest payable	12	956	1,082
Endowment income	8	(1)	(1)
Realised (loss) on investments	15	(1,317)	(372)
New restricted funds	8	(431)	(914)
Capital grant income	4	(1,010)	(598)
Net cash inflow from operating activities		**11,916**	**10,279**
Cash flows from investing activities			
Capital grants receipts	4	1,010	598
Disposal of non-current asset investments	21	13,884	4,692
Withdrawal of deposits	25	5,000	10,000
Change in investment portfolio cash		(134)	167
New restricted funds	8	431	914
Investment income	7	379	281
Realised gain on investments	15	1,317	372
Payments made to acquire new subsidiary	35	(3,816)	-
Payments made to acquire fixed assets	19	(9,556)	(6,552)
New non-current asset investments	21	(14,162)	(4,534)
New deposits	25	-	(5,000)
		(5,647)	*938*
Cash flows from financing activities			
Loan interest	12	(899)	(1,051)
Finance lease interest	12	(58)	(31)
Private placement	28	45,000	-
New unsecured loans	28	80	-
Loan capital repayments	27/28	(19,743)	(1,179)
Breakage costs of economic hedge	17	(4,255)	-
Finance lease capital repayments	27/28	(384)	(149)
		19,741	*(2,410)*
Increase in cash and cash equivalents in the year		**26,010**	**8,807**
Cash and cash equivalents at beginning of the year	26	22,360	13,553
Cash and cash equivalents at end of the year	26	48,370	22,360
Movement in the year		**26,010**	**8,807**

The notes on pages 28 to 63 form an integral part of these financial statements.

1. Accounting Policies

a. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 ("SORP 2015") and in accordance with Financial Reporting Standards (FRS 102). The Royal Veterinary College ("the College") is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments). They conform to guidance published by the Higher Education Funding Council for England.

The activities of the College and its subsidiary undertakings ("the RVC Group"), together with the factors likely to affects its future development, performance and position are set out in the Strategic Review. The financial position of the College and its subsidiaries, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Review. The Council has a reasonable expectation that the College and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Council continues to adopt the going concern basis in preparing the annual financial statements.

b. Basis of consolidation

The consolidated financial statements include the College and all undertakings in which it has a controlling interest for the financial year to 31 July 2018. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-RVC Group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Royal Veterinary College Students' Union as the College does not exert control or dominant influence over its policy decisions.

Associated companies and joint ventures are accounted for, where appropriate, using the equity method.

c. Income recognition

Tuition fees and education contracts

Tuition fee income represents all fees chargeable to students or their sponsors, received and receivable, which are attributed to the current accounting period. Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Revenue grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the RVC Group is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Funds the College receives and disburses as paying agent on behalf of a funding body are

excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Capital grants

Capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Other income

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

Investment income

Investment income is credited to the statement of income and expenditure on a receivable basis.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College (or the ACT as applicable) is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income relating to endowments and appreciation of endowment assets is recorded in income in the year in which it arises and is recognised in line with the College's right to the investment income.

There are four main types of donations and endowments identified within reserves:

a. Restricted donations - the donor has specified that the donation must be used for a particular objective, which may include the acquisition or construction of fixed assets.

b. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.

c. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College has the power to use the capital

d. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

d. Accounting for retirement benefits

Defined benefit 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 (SAUL). The schemes are defined benefit schemes which are externally funded and were contracted out of the State Second Pension (S2P) up to 5 April 2016. Each fund is valued every three years by professionally qualified independent actuaries.

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

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

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the College pays fixed contributions into a separate entity. The College will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods

during which services are rendered by employees.

e. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits (such as holiday entitlements not utilised in the year) are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

f. Operating leases

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

g. Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

h. Interest and other finance costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

i. Accounting for joint operations, jointly controlled assets and jointly controlled operations

Where material, the College accounts for its share of joint ventures using the equity method.

The College accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Income and Expenditure.

j. Service concession arrangements

The RVC Group had no service concession arrangements at the balance sheet date.

k. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of RVC Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus or deficit of the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the RVC Group's RVC presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

l. Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the College is potentially

exempt from taxation in respect of income or capital gains received within categories covered by sections 478 to 488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Royal Veterinary College Animal Care Trust ("the ACT") is a charity registered in England and Wales with the Charity Commission (charity no. 281571).

The subsidiary companies are each subject to Corporation Tax in the same way as any other commercial organisation but can reduce their profits subject to Corporation Tax to the extent that these profits are gift aided to the College.

The College, London BioScience Innovation Centre Ltd. ("LBIC") and the ACT are VAT registered as part of the College's VAT Group. The College's VAT RVC Group receives no exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

m. Intangible assets and goodwill

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition.

Goodwill is amortised over 10 years representing the remaining expected economic lives of the long life assets to which the goodwill relates.

Other intangible assets are amortised between 3 and 1 years representing the remaining estimated economic life of the assets. Intangible assets are subject to periodic impairment reviews as appropriate.

Goodwill and intangible assets are subject to periodic impairment reviews as appropriate.

Negative goodwill is amortised over 5 years or the service lives of long life assets to which the goodwill is attributed.

n. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets (itemised below) that had been revalued to fair value on or prior to the date of transition to the FEHE SORP 2015, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets (components). No depreciation is charged on assets in the course of construction.

Land

Land was revalued at the date of transition to the FEHE SORP 2015 (1 August 2014) and is held at deemed cost. Freehold land is not depreciated as it is considered to have an indefinite useful life.

Buildings

Costs incurred in relation to buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the College. From 1 August 2015, a de minimis of £10,000 was applied for any individual project. Where applicable projects are divided into three components: structure; fit-out; and plant and machinery provided that any individual component exceeds the de minimis of £10,000 per component.

Components of freehold buildings are depreciated on a straight line basis based on the expected useful economic life of each component for between 10 and 50 years.

From 1 August 2015, depreciation is charged on the individual building component in the financial year following completion or acquisition of the specific component. Depreciation is charged on a straight line annual basis over the expected remaining useful economic life.

Equipment

Equipment, including computers and software, costing less than £5,000 per individual item and which does not form part of a larger set of equipment, is recognised as expenditure. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic lives to the RVC Group of between 3 and 10 years, except that any equipment integral to a leasehold building is depreciated over the shorter of the remaining lease term and the equipment's expected useful economic life. No depreciation is charged on assets not yet deployed, which will be shown as work in progress. Depreciation is charged in the year in which the asset is brought into use with the depreciation being charged on a straight line monthly basis beginning the first full month after deployment.

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

o. Heritage assets

Works of art and other valuable artefacts valued at over £25,000 and the College's historic library collection have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

Heritage assets are formally reviewed every three years. All other classes of heritage asset, which are less material in value, are reviewed periodically, not more than six years from the previous review, to determine whether a formal revaluation is required.

p. Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. The RVC Group held no investment properties at the balance sheet date.

q. Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the College's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

r. Stock

Stock comprises stores held by clinical services, farm livestock and produce and some building maintenance supplies. Stocks are stated at the lower of their cost and net realisable value except in the case of farm livestock where some livestock valuations are available externally. For practical purposes, it is assumed that net realisable value is the same as either the cost charged on to external customers or the cost of the equivalent item most recently purchased. Stocks are valued at the lower of cost and expected selling price. Stock counts are carried out as close to the year end as is practically feasible with estimates for stock movements being used where appropriate.

Stocks of consumables held for administrative purposes and in academic departments are expensed during the year and are not valued on the balance sheet.

s. Cash and cash equivalents

Cash includes cash in hand, and deposits (including cash at bank) repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to

known amounts of cash with insignificant risk of change in value.

t. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

(a) the RVC Group has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the RVC Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the RVC Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the RVC Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the RVC Group.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes to the Financial Statements.

u. Derivatives

Derivatives are held on the Balance Sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

v. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College (or the ACT), are held as a permanently restricted fund which the College (or the ACT) must hold in perpetuity.

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

2. Accounting Estimates and Judgements

Establishment of RVC Veterinary Practices Ltd. and Acquisition of Acorn House Veterinary Hospital

As disclosed in Note 35, the College established a new subsidiary registered in England and Wales on 5 April 2018 as RVC Veterinary Practices Limited ("RVP"). On 1 July 2018, the company acquired the business of Acorn House Veterinary Hospital, an existing first opinion veterinary practice based in Bedford, from the partners, and commenced active trading. For its first year of operations, the company has adopted an extended financial year to end on 31 July 2019.

These financial statements incorporate initial income and expenditure, surplus, and balance sheet figures for the first month of operations to 31 July 2018. Calculation of the goodwill has been derived from the contract agreeing the acquisition, being the difference between payments for specific assets (mainly equipment, debtors up to 60 days, and stock at the date of acquisition) and the total consideration agreed in the contract.

A provision has been made for future payments expected to be made within 12 months. The directors of RVP consider that this payment is virtually certain given the financial performance of the practice and the results reported in the due diligence process prior to acquisition.

Office for Students Median Pay Disclosure

Following its establishment in April 2018, the Office for Students have introduced a number of new additional disclosures for the accounts for the year ending 31 July 2018 and these were summarised in the OfS accounts direction published on 19 June 2018. There has been debate in the sector on the implementation of some of these disclosures. Following the Office for Students decision on 3 October 2018 to give institutions the option "to comply or explain" with the additional informal guidance provided, the College has opted to explain its approach which is reflected in the figures reported in Note 10 below.

Identifiable agency staff spend at the College was £703,000 for the year ending 31 July 18 (2017: £652,000). In addition there was expenditure through the payroll of £163,000 (2017: £166,000) on remuneration of non-contracted personnel (mainly on casual visiting lecturers and external examiners).

The total spend on these two categories (2018: £866,000; 2017: £818,000) equates to 1.83% of the total salaries pay bill as defined in the SORP (2017: 1.81%). This reflects the College's policy of only engaging agency staff where there is an urgent, and usually short-term, requirement to provide staff cover. RVC's view is therefore that the cost of the additional manual analysis of agency and atypical posts (not coded to the salaries pay bill) would not make a material difference to the required disclosures around median pay. In addition the College is of the view that the long-term approach of aligning financial reporting (through the HESA Finance Return) and other reports in the public domain (including the HESA Staff Record) would be undermined (and comparability distorted) by including agency and non-established atypical staff in averages relating to established staff.

Fixed Assets – Impairment Review

The College has carried out a review to assess potential impairment of fixed assets at 31 July 2018 and this is reflected in Note 19 (Fixed Assets).

In terms of external factors, the College considers that commercial property, although not an exact match for the College's estate at its two main sites in central London and in Hertfordshire, remains the most appropriate compactor. The last available UK commercial property survey from the Royal Institution of Chartered Surveyors reports an overall deterioration in market sentiment. However, this is largely informed by negative rental and capital value projections. As the main alternative uses of the College's estate will be for office or industrial use, the College would expect to see positive capital and rental growth projections would apply to the College's estate, despite flattening demand in parts of the sector.

The College is confident that it is reasonable to continue with current valuations for its buildings as, at the last valuation of the College's property portfolio as at 31 July 2014, the College's buildings were identified as significantly under-valued overall. In addition, income generated by the College's operational properties continues to be positive and supports this approach.

The College has reviewed its fixed asset register to assess whether there has been a material impairment of any individual assets. As a result of this, a number of assets which have been identified as obsolescent, or impaired in full or in part, have been written down and this is reflected in these financial statements.

Pension Provisions

FRS 102 makes the distinction between a group pension plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL).

The accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit). The resulting expense is recognised in the Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS 102. Council are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme. As disclosed in Note 36 below, the College and RVC Group have therefore recognised the discounted fair value of the contractual contributions under the funding plans in existence at the date of approving the financial statements.

The RVC Group and College's provisions for pension liabilities have been calculated using a methodology agreed by the sector and informed by discussions with the two main pension schemes, USS and SAUL.

In April 2018, Mercer Ltd., the actuaries for the SAUL scheme, confirmed that SAUL had a funding level of 102% as of 31 March 2017. Accordingly, no provision for future employer's contributions to SAUL is required for the financial year ended 31 July 2018.

For the USS scheme, in line with current financial planning assumptions, as set out in the College's financial forecasts supplied to its main regulator, the Office for Students ("OfS"), the College has assumed that salary costs will rise by 3.8% a year over the period of the USS recovery plan. These expected cost increases assume underlying pay awards and increases in pay arising from promotions and re-grading, as well as the effect of inflation and the need to recruit highly skilled staff. Forecast changes in the staffing establishment, associated with growth in student numbers and clinical caseload, have also been assumed, taking into account forecasts for future income over the remaining 13 years of the USS current recovery plan. The College has utilised information provided by Mercers to the British Universities Finance Directors Group to inform its use of discount rates in the calculation of the provisions for liabilities for future pension contributions.

3. Tuition Fees and Education Contracts

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Full-time undergraduate students - UK and EU	14,286	13,664	14,286	13,664
Full-time postgraduate students - UK and EU	683	716	683	716
Part-time undergraduate students - UK and EU	83	67	83	67
Part-time postgraduate students - UK and EU	217	265	217	265
International students	11,064	7,627	11,064	7,627
Higher Education course fees	**26,333**	**22,339**	**26,333**	**22,339**
Research training support grants	688	880	688	880
Short course fees	915	862	915	862
	27,936	**24,081**	**27,936**	**24,081**

4. Funding Body Grants

	Note	RVC Group		College	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Recurrent grants					
Teaching		14,372	14,556	14,372	14,556
Research		4,437	4,565	4,437	4,565
Specific grants					
Higher Education Innovation Fund		910	961	910	961
Other specific grants		399	123	399	123
Capital grants	31	1,010	598	1,010	598
		21,128	**20,803**	**21,128**	**20,803**

Grants up to March 2018 were received from the Higher Education Funding Council for England. From April 2018, teaching and general grants were received from the Office for Students. Grants for general research capacity, innovation and capital expenditure were received from Research England from April 2018.

5. Research Grants and Contracts

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Research councils	3,911	2,777	3,911	2,777
UK based charities	1,801	1,777	1,801	1,777
UK central government, local, health and hospital a	396	739	396	739
UK industry, commerce, public corporations	1,697	1,297	1,697	1,297
EU government bodies	2,122	2,725	2,122	2,725
EU other	422	828	422	828
Other international	687	687	687	687
Other source of funding	15	47	15	47
	11,051	**10,877**	**11,051**	**10,877**

6. Other Income including Clinical and Related Income

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Residences, catering and conferences	2,898	2,789	2,848	2,769
Rent and other income	3,468	2,918	3,734	3,281
Subsidiaries trading income	2,541	2,354	-	-
Other income	**8,907**	**8,061**	**6,582**	**6,050**
Clinical and related income	21,078	19,957	20,875	19,957
	29,985	**28,018**	**27,457**	**26,007**

7. Investment Income

		RVC Group		College	
		2018	2017	2018	2017
	Note	£'000	£'000	£'000	£'000
Investment income on endowments	30	178	117	178	116
Investment income on restricted reserves	31	45	20	-	-
Other investment income		156	144	266	263
		379	**281**	**444**	**379**

8. Donations and Endowments

	Note	RVC Group 2018 £'000	RVC Group 2017 £'000	College 2018 £'000	College 2017 £'000
New endowments	30	-	1	-	1
Donations with restrictions	31	431	914	397	615
Unrestricted donations		328	672	981	364
		759	**1,587**	**1,378**	**980**

9. Staff Costs

The average number of staff (including senior post holders) employed by the Group during the year ended 31 July, expressed as full-time equivalents, was:

	2018 Number	2017 Number
Academic departments	198	195
Academic services	105	99
Research grants and contracts	75	86
General education expenditure	22	19
Residences, catering and conference services	9	8
Premises	66	60
Staff and student facilities	16	12
Clinical and other services	305	251
Subsidiary undertakings	11	9
Administration and central services	94	88
	901	**827**

Staff costs for the above:	2018 £'000	2017 £'000
Salaries	38,695	35,984
Social security costs	3,825	3,593
Pension schemes - employer contributions	5,795	5,387
Movement on pension provisions		
- USS Pension Scheme Provision	(903)	98
- SAUL Pension Scheme Provision	(405)	(187)
Restructuring and redundancy costs	180	270
	47,187	**45,145**

10. Remuneration of Senior and Higher Paid Staff

	2018	2017
Emoluments of the Principal:	**£**	**£**
Salary	251,547	246,845
Bonuses and Awards	15,000	5,494
Allowances *	45,900	55,081
	312,447	307,420
Pension contributions to USS	47,439	46,637
	359,886	**354,057**

* 2016/17 figure includes a one-off sum of £9,636 relating to back-dated allowance:

Justification for Head of Institution's remuneration

The remuneration of the Principal, Professor Stuart Reid, along with other senior staff, is determined by the Senior Staff Remuneration Committee (SSRC) which meets annually and comprises independent members of Council, including the Chairman and Honorary Treasurer. The Committee's decisions are informed by the professional advice of the Secretary to Council and the Director of Human Resources, appropriate sector benchmarking and other relevant factors. The Committee has a duty to ensure that the Principal's remuneration is appropriate to attract and retain the calibre of individual required to lead a complex world-leading specialist institution delivering across three core mission areas: teaching, research and clinical services.

The RVC is the largest and longest established veterinary school in the English-speaking world and the only one globally to hold full accreditation from the major veterinary bodies. RVC produces world-class research and provides support for the veterinary profession through its referral hospitals, including the Queen Mother Hospital for Animals, Europe's largest small animal hospital. It also owns a number of subsidiary entities including a registered charity, a centre for innovation in biosciences and a newly acquired first opinion veterinary hospital. Given the RVC's specialist nature, the Principal represents the College, not only as the head of an academic institution but also as a leading veterinary professional. Salaries on offer in the private veterinary market and at veterinary schools overseas are, therefore, further contextual considerations for the Committee in determining the Principal's remuneration package.

In 2017/18, Professor Reid's base salary (excluding London weighting) was £248k. Since his appointment in January 2011, this has increased by an average of 2.5% p.a. Whilst more than the average annual pay award over the same period made to College staff (1.2%), the latter also receive annual incremental pay increases, until they reach their grade maxima, which range between 3% and 4% p.a. Under Professor Reid's seven-year tenure, the RVC has achieved notable success including TEF Gold, significant improvement in student satisfaction scores and a sound financial performance. In recognition of this, and other achievements, he was awarded a one-off bonus of £15k in 2017/18.

Professor Reid's remuneration also includes (taxable) allowances for accommodation and car travel. As the Principal is required to live within a reasonable travelling distance of the College, the accommodation allowance is provided to meet the rental costs of a property located a short drive from the Hawkshead Campus and on a direct train route to London (Camden Campus). The car allowance recognises the considerable travel undertaken by the Principal on College business.

10. Remuneration of Senior and Higher Paid Staff *continued*

Median pay

The disclosures made in this note reflect judgements made in accordance with the annual accounts direction issued by the Office for Students and sector guidance. Further details are provided in Note 2 Accounting Estimates and Judgements.

The Principal's basic salary is 7.5 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the College to its staff.

The Principal's total remuneration is 9.2 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the College of its staff.

Key management personnel:

At the College, the College Executive Committee (CEC) comprises those persons having authority and responsibility for operational planning, directing, and controlling the activities of the College. Staff costs costs reported above includes compensation paid to members of the CEC.

	2018	2017
	£	£
Key management personnel compensation	2,693,997	2,315,285
Numbers of key management personnel	19	16

10. Remuneration of Senior and Higher Paid Staff *continued*

Remuneration of other higher paid staff, excluding employer's pension contributions:	**2018 No. of Staff**	**2017 No. of Staff**
£100,000 to £104,999	3	2
£105,000 to £109,999	3	3
£110,000 to £114,999	2	-
£115,000 to £119,999	-	2
£120,000 to £124,999	-	-
£125,000 to £129,999	2	1
£130,000 to £134,999	2	2
£135,000 to £139,999	1	1
£140,000 to £144,999	2	1
£145,000 to £149,999	-	1
£150,000 to £154,999	1	2
£155,000 to £159,999	1	-
£160,000 to £184,999	-	-
£185,000 to £189,999	1	-
	18	**15**

The figures presented are payments made or due in the financial year. Direct comparisons cannot be made year on year as individuals may only be in post for a proportion of the year and/or receive one-off payments in a given period.

Compensation for loss of office of £nil was paid in respect of higher paid staff (2017: £nil).

11. Depreciation

	Note	RVC Group 2018 £'000	RVC Group 2017 £'000	College 2018 £'000	College 2017 £'000
Depreciation of fixed assets - wholly owned		5,276	5,092	5,054	4,870
Depreciation of fixed assets - held on finance lease		247	130	247	130
Depreciation of fixed assets	19	**5,523**	**5,222**	**5,301**	**5,000**
Amortisation of intangible assets		118	98	86	98
		5,641	**5,320**	**5,387**	**5,098**

Amortisation is disclosed under Other Operating Expenses (Note 13 below).

12. Interest and Other Finance Costs

	Note	RVC Group 2018 £'000	RVC Group 2017 £'000	College 2018 £'000	College 2017 £'000
Loan interest		899	1,051	913	1,051
Finance lease interest		58	31	58	31
Exchange differences		50	(303)	52	(355)
Change in fair value of financial instruments	17	(1,114)	(1,641)	(1,114)	(1,641)
Net charge on pension scheme		141	133	140	131
		34	**(729)**	**49**	**(783)**

13. Other Operating Expenses and Analysis of Expenditure

2017/18	Staff Costs £'000	Other Operating Expenses £'000	Depreciation £'000	Interest and other finance costs £'000	2018 Total £'000
Academic departments	14,260	3,933	20	-	18,213
Academic services	5,574	2,383	427	51	8,435
Research grants and contracts	3,889	4,490	33	1	8,413
General education expenditure	996	4,146	-	-	5,142
Residences, catering and conference services	301	1,853	694	(140)	2,708
Premises	2,411	4,439	3,754	-	10,604
Staff and student facilities	567	1,009	46	-	1,622
Clinical and other services	13,477	5,017	328	8	18,830
Subsidiary undertakings	571	1,220	221	16	2,028
Administration and central services	6,329	2,990	-	48	9,367
Other expenditure	(1,188)	(899)	-	50	(2,037)
	47,187	**30,581**	**5,523**	**34**	**83,325**

2016/17	Staff Costs £'000	Other Operating Expenses £'000	Depreciation £'000	Interest and other finance costs £'000	2017 Total £'000
Academic departments	13,573	3,599	13	-	17,185
Academic services	5,068	2,614	219	19	7,920
Research grants and contracts	4,400	4,566	-	(54)	8,912
General education expenditure	947	4,134	-	-	5,081
Residences, catering and conference services	276	1,159	701	(457)	1,679
Premises	2,160	3,846	3,918	-	9,924
Staff and student facilities	354	999	53	-	1,406
Clinical and other services	11,891	4,660	5	11	16,567
Subsidiary undertakings	526	1,636	221	47	2,430
Administration and central services	5,937	2,123	-	(248)	7,812
Other expenditure	13	(363)	92	(47)	(305)
	45,145	**28,973**	**5,222**	**(729)**	**78,611**

The Other Expenditure category relates mainly to RVC Group wide provisions for liabilities which are disclosed in Note 29 below.

13. Other Operating Expenses and Analysis of Expenditure *continued*

Included in Other Operating Expenses (net of VAT) are:

External auditor's fees for the College's financial statements of £36,800 (2017: £35,900)

External auditor's fees for other audit work of £8,825 (2017: £43,575)

External auditor's fees for non-audit services of £21,516 (2017: £33,143)

Other audit work includes the following:

	2018	2017
	£	£
Audit of Subsidiaries' financial statements	8,825	8,575
Audit of US GAAP statements for US loans	-	35,000

The United States Department of Education requires the College to provide audited US GAAP accounts (currently on a triennial basis) in accordance with the rules of the Federal Loans programme.

Non-audit services relate to Corporation Tax compliance and submission of the College's and Subsidiaries' Corporation Tax returns and external compliance audit services:

	2018	2017
	£	£
Tax compliance services	11,916	26,583
London BioScience Innovation Centre Ltd. service charge audit	2,000	2,000
External compliance audits	7,600	4,560

Council members (Trustees)

The College's Council Members are the trustees of the College as an exempt charity. The Council is also the Corporate Trustee for the Royal Veterinary College Animal Care Trust, a registered charity. Related party transactions involving members of Council are disclosed in Note 37 below.

No member of Council has received any remuneration (or waived any payments) for acting as a member of Council. Staff and, where applicable, ex officio Council members' remuneration as employees of the College are disclosed in Notes 9 and 10 above.

The total expenses paid to 8 Council members in the year was £5,593 (2017: paid to 4 members, £5,213).

14. (Loss) on Disposal of Fixed Assets

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Disposal of fixed assets - equipment	1	-	1	-
Impairment of fixed assets - land and buildings	(227)	(8)	(227)	(8)
	(226)	**(8)**	**(226)**	**(8)**

15. Gain / (Loss) on Investments

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Investments - realised gains / (losses)	1,317	372	1,015	300
Investments - unrealised (losses) / gains	(613)	(91)	(594)	(73)
Gain / (loss) on investments	**704**	**281**	**421**	**227**

Further details of the investments are disclosed in Note 21.

16. Taxation

Group	2018	2017
	£'000	£'000
Recognised in the Statement of Comprehensive Income		
Tax on profits of subsidiary undertakings	43	-
Current tax charge	43	-
Factors affecting current tax charge		
Surplus / (deficit) before taxation	8,391	7,309
Surplus / (deficit) multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.67%)	1,594	1,438
College surplus exempt from tax	(1,540)	(1,305)
Balances eliminated on consolidation exempt from tax	(54)	(76)
Expenses disallowable for tax in subsidiary	221	210
Capital allowances in subsidiary	(178)	(265)
Loss in Subsidiary	(3)	(2)
Corporation tax due to prior year correction	1	-
Corporation tax due before Gift Aid relief	118	83
Gift Aid relief	(116)	(83)
Total current tax charge	**43**	**-**

17. Change in Fair Value of Hedging Financial Instruments

		RVC Group		College	
		2018	2017	2018	2017
	Note	£'000	£'000	£'000	£'000
Gross book value at 1 August		(5,369)	(7,010)	(5,369)	(7,010)
Breakage cost of economic hedge		4,255	-	4,255	-
Less: Gross book value at 31 July		-	5,369	-	5,369
Change in fair value of economic hedge	12	**(1,114)**	**(1,641)**	**(1,114)**	**(1,641)**

As a result of repayment of unsecured loans previously held with the Royal Bank of Scotland (and disclosed in Note 26 to these Financial Statements), the College disposed of its financial instruments (economic hedge through interest rate swaps) in July 2018.

18. Intangible Assets and Goodwill

Software	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Gross book value at 1 August	1,713	1,713	1,713	1,713
Additions in the year	96	-	96	-
Gross book value at 31 July	**1,809**	**1,713**	**1,809**	**1,713**
Accumulated amortisation at 1 August	1,627	1,529	1,627	1,529
Amortisation charge for the year	86	98	86	98
Accumulated amortisation at 31 July	**1,713**	**1,627**	**1,713**	**1,627**
Net book value at 31 July	**96**	**86**	**96**	**86**

Goodwill	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Gross book value at 1 August	-	-	-	-
Additions in the year	3,785	-	-	-
Gross book value at 31 July	**3,785**	**-**	**-**	**-**
Accumulated amortisation at 1 August	-	-	-	-
Amortisation charge for the year	32	-	-	-
Accumulated amortisation at 31 July	**32**	**-**	**-**	**-**
Net book value at 31 July	**3,753**	**-**	**-**	**-**
Total Intangible assets and goodwill	**3,849**	**86**	**96**	**86**

Intangible assets relate to software intangible assets. The amortisation period is 5 years.
Goodwill relates to the acquisition of Acorn House Veterinary Hospital, acquired by RVC Veterinary Practices Limited on 1 July 2018. The amortisation charge relates to the single month post acquisition. Goodwill is amortised over 10 years.

19. Fixed Assets

	Land and Buildings			Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total Fixed Assets
	Land and Structure	Fit-Out	Plant and Machinery			
	£'000	£'000	£'000	£'000	£'000	£'000
GROUP						
Cost or valuation						
At 1 August 2017	148,326	23,009	26,332	9,110	3,937	210,713
Additions	-	65	-	1,487	8,004	9,556
Transfers	278	3,381	2,628	-	(6,287)	-
Impairments	(1)	(127)	(248)	-	-	(376)
Disposals	-	-	-	(68)	-	(68)
At 31 July 2018	**148,603**	**26,328**	**28,712**	**10,529**	**5,654**	**219,825**
Depreciation						
At 1 August 2017	31,230	9,791	12,651	5,846	-	59,518
Charge for the Year	1,498	1,663	1,511	851	-	5,523
Impairments	-	(49)	(100)	-	-	(149)
Disposals	-	-	-	(45)	-	(45)
At 31 July 2018	**32,728**	**11,405**	**14,062**	**6,652**	**-**	**64,847**
Net book value						
At 31 July 2017	117,096	13,218	13,681	3,264	3,937	151,196
At 31 July 2018	**115,875**	**14,923**	**14,650**	**3,877**	**5,654**	**154,978**
COLLEGE						
Cost or valuation						
At 1 August 2017	144,093	23,009	26,332	9,010	3,939	206,382
Additions	-	65	-	1,355	8,002	9,422
Transfers	278	3,381	2,628	-	(6,287)	-
Impairments	(1)	(127)	(248)	-	-	(376)
Disposals	-	-	-	(68)	-	(68)
At 31 July 2018	**144,370**	**26,328**	**28,712**	**10,297**	**5,654**	**215,360**
Depreciation						
At 1 August 2017	27,949	9,791	12,651	5,760	-	56,151
Charge for the Year	1,286	1,663	1,511	841	-	5,301
Impairments	-	(49)	(100)	-	-	(149)
Disposals	-	-	-	(45)	-	(45)
At 31 July 2018	**29,235**	**11,405**	**14,062**	**6,556**	**-**	**61,258**
Net book value						
At 31 July 2017	116,144	13,218	13,681	3,250	3,939	150,232
At 31 July 2018	**115,135**	**14,923**	**14,650**	**3,741**	**5,654**	**154,102**

At 31 July 2018, freehold land and buildings included £81m in respect of freehold land held by the College and which is not depreciated.

19. Fixed Assets *continued*

The College carried out an impairment review of fixed assets for the year ended 31 July 2018. This led to a net write-back of loss on impairment of £227k which is shown in the Statement of Comprehensive Income. Further details of the impairment review are disclosed in Note 2 to these Financial Statements.

Building-related assets leased by the College included above:

	Fixtures, Fittings and Equipment
Net book value	**£'000**
At 31 July 2017	170
At 31 July 2018	**693**

Consolidated fixtures, fittings and equipment include assets held by the College under finance leases were as follows:

	2018	2017
	£'000	£'000
Cost	1,470	1,256
Accumulated depreciation	(430)	(956)
Assets written down at end of lease		
Cost	(300)	(656)
Accumulated depreciation	200	656
Charge for year	(247)	(130)
Net book value	**693**	**170**

The freehold land comprising the Royal Veterinary College estate was valued as part of a valuation of land and buildings as at 31 July 2014 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation - Professional Standards, January 2014 amendment, and April 2015 UK amendment and Financial Reporting Standard 102 and the 2014 Statement of Recommended Practice 'Accounting for Further and Higher Education'. valuation was undertaken on a Fair Value basis, with specialised properties valued by reference to Depreciated Replacement Cost, and with non-specialised properties valued on a Fair Value basis equating to Market Value on the assumption of a continuation of the existing use. The valuation reported under the special assumptions to exclude any value of development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced.

20. Heritage Assets

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Heritage assets held at valuation	4,583	4,583	4,583	4,583
At 31 July 2018	**4,583**	**4,583**	**4,583**	**4,583**

There were no additions or disposals in the year.

Heritage assets are held for their contribution to knowledge and culture. The assets recognised as such are principally works of art and illustrations of the racehorse Eclipse (the post-mortem examination of Eclipse in 1789 was in effect the beginning of the veterinary profession in the UK) and a collection of historic veterinary books and articles dating from the 17th and 18th centuries. Works of art are stated at their insurance valuation. These assets are formally re-valued every 3 years. The most recent valuation was undertaken by Bonhams as at 31 July 2017.

21. Investments

Group	Subsidiary Companies	Other Fixed Asset Investments	Total
	£'000	£'000	£'000
At 1 August 2017	-	11,765	11,765
Additions	-	14,162	14,162
Disposals	-	(13,884)	(13,884)
Realised gains	-	1,317	1,317
Unrealised losses	-	(612)	(612)
At 31 July 2018	**-**	**12,748**	**12,748**
College			
At 1 August 2017	123	9,712	9,835
Additions	3,816	10,905	14,721
Disposals	-	(11,222)	(11,222)
Realised gain	-	1,015	1,015
Unrealised losses	-	(594)	(594)
At 31 July 2018	**3,939**	**9,816**	**13,755**

Details of the subsidiary undertakings are disclosed in Note 35 below, including the addition of RVC Veterinary Practices Ltd., which was set up during the 2017/18 financial year.

The other fixed asset investments relate mainly to listed investments, the majority of which are managed by the College's external investment managers. During 2017/18, the College transferred its investments from Ruffer LLP to UBS AG. These investments have been valued at 31 July in each year. The investments held directly by the College are recorded in the accounts at fair value.

22. Non-Current Receivables

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year:				
Loan to subsidiary undertaking	-	-	1,247	1,470
	-	**-**	**1,247**	**1,470**

The loan relates to the long-term portion of a loan to London BioScience Innovation Centre Ltd. (LBIC). At 31 July 2018 the value of the loan provided to LBIC was £1.5m (2017: £1.7m) of which £224,000 is due within one year. The loan is on commercial terms and mirrors the arrangements for the loan previously held by the College with Royal Bank of Scotland (and repaid in July 2018) to fund the development of the McFadyean building occupied by LBIC. The College's loan to LBIC is not expected to be fully repaid until 2024.

23. Stock

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
General consumables	935	658	863	658
Farm stock	307	277	307	277
	1,242	**935**	**1,170**	**935**

24. Trade and Other Receivables

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grant receivables	1,943	1,922	1,943	1,922
Other trade receivables	4,205	4,450	3,889	4,130
Other receivables	320	411	93	414
Prepayments and accrued income	953	1,469	917	1,438
Amounts due from subsidiary undertakings	-	-	1,455	913
Amounts due from concessionary loans	67	52	67	52
	7,488	**8,304**	**8,364**	**8,869**

The College has provided a loan to its subsidiary, RVC Hong Kong Ltd., at commercial rates. The total amount loaned was HK$6,800,000 and at 31 July 2018 the amount due was £660,271 (2017: £662,563). The loan is repayable within 12 months.

The short-term element of the loan to London BioScience Innovation Centre Ltd. is also included under Amounts due from subsidiary undertakings: further details are provided in Note 22 above.

25. Investments – Short Term

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Short term deposits	-	5,000	-	5,000
	-	**5,000**	**-**	**5,000**

Following the implementation of a revised treasury management policy and the appointment of new investment managers, UBS AG, the short term deposits held at 31 July 2017 were withdrawn during the 2017/18 financial year. These funds, along with additional cash raised through a private placement (see Note 28 below), were placed with UBS AG and subsequently invested with counterparties.

26. Cash and Cash Equivalents

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cash in hand	88	30	88	34
Cash at bank	12,771	11,685	12,423	11,234
Current deposits	35,511	10,645	35,393	10,497
	48,370	**22,360**	**47,904**	**21,765**

As noted below in Note 28, the College successfully completed a private placement in July 2018 of £45m. Following repayment of unsecured loans formerly held with the Royal Bank of Scotland (disclosed in Note 28), £35m was placed at 31 July 2018 with the College's appointed investment managers, UBS AG, and this is shown in the table above under Current deposits. The resultant trades to invest the funds were completed on 1 August 2018 and will therefore appear in 2018/19 within the Investments - Short term category.

27. Creditors – Amounts falling due within one year

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Unsecured loans	334	1,632	334	1,632
Obligations under finance leases	255	264	255	264
Trade payables	2,052	1,649	2,052	1,649
Taxation due including social security	1,797	1,745	1,657	1,685
Research grant payables	6,502	6,273	6,502	6,273
Accrued expenses and deferred income	5,471	4,992	4,869	4,761
Amounts owed to subsidiaries	-	-	2,566	2,485
	16,411	**16,555**	**18,235**	**18,749**

28. Creditors – Amounts falling due after one year

	RVC Group		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts falling due after one year:				
Obligations under finance leases	479	86	479	86
Economic hedges	-	5,369	-	5,369
Unsecured loans	777	19,142	777	19,142
Private placements	45,000	-	45,000	-
	46,256	**24,597**	**46,256**	**24,597**

In July 2018 the College raised £45m through a private placement with Sun Life Investment Management. The funds received were used in part to repay unsecured loans held with the Royal Bank of Scotland, as well as meeting the breakage costs of the related economic hedges.

Analysis of unsecured loans and private placements:				
Due between one and two years	334	1,677	334	1,677
Due between two and five years	443	4,923	443	4,923
Due in five years or more	45,000	12,542	45,000	12,542
Due after more than one year	**45,777**	**19,142**	**45,777**	**19,142**
Due within one year	334	1,577	334	1,577
Total unsecured borrowings	**46,111**	**20,719**	**46,111**	**20,719**

To facilitate investment in major campus developments, in July 2018 the College raised £45m through a a private placement with Sun Life Investment Management. The funds received were used to repay unsecured loans from the Royal Bank of Scotland, as well as disposing of the related economic hedges.

The loan terms, applicable interest rates and counter-parties of unsecured borrowings are as follows:

Lender	Amount	Term ends	Interest rate
	£'000		%
Salix	1,111	October 2022	nil
Sun Life Canada	15,000	July 2033	2.55
Sun Life Canada	15,000	July 2038	2.72
Sun Life Canada	15,000	July 2043	2.82
Total unsecured borrowings	**46,111**		

The College drew down a further £80,136 on its Salix facility in 2017/18, the repayments on which will fall due between two and four years.

28. Creditors – amounts falling due after one year *continued*

	RVC Group		College	
	2018	2017	2018	2017
Analysis of finance leases	£'000	£'000	£'000	£'000
Due between one and two years	240	70	240	70
Due between two and five years	239	16	239	16
Due in five years or more	-	-	-	-
Due after more than one year	**479**	**86**	**479**	**86**
Due within one year	255	264	255	264
Total finance lease payments	**734**	**350**	**734**	**350**

29. Provisions for Pension and Other Liabilities

	Obligation to fund deficit on USS Pension	Obligation to fund deficit on SAUL Pension	Total Pension Provisions	Provision for future payments on acquisition	Total Other Provisions
	£'000	£'000	£'000	£'000	£'000
RVC Group					
At 1 August 2017	7,402	405	7,807	-	-
Utilised in the year	(903)	-	(903)	-	-
Additions in the year	141	-	141	333	333
Unused amounts released in the year	-	(405)	(405)	-	-
At 31 July 2018	**6,640**	**-**	**6,640**	**333**	**333**
College					
At 1 August 2017	7,324	400	7,724	-	-
Utilised in the year	(894)	-	(894)	-	-
Additions in the year	140	-	140	-	-
Unused amounts released in the year	-	(400)	(400)	-	-
At 31 July 2018	**6,570**	**-**	**6,570**	**-**	**-**

The obligations to fund the past deficits for the Universities Superannuation Scheme (USS) and for the Superannuation Arrangements of the University of London (SAUL) arise from the contractual obligations with the respective pension schemes for total payments relating to benefits to be provided arising from past performance of the respective schemes. As disclosed in Note 1 above, management have assessed potential growth in the pay bill for employee members of the schemes over the period of the contracted obligation to reach an assessment of the provision required. The provisions unwind over the period of the respective scheme's contractual obligations, taking into account the relevant scheme's surplus or deficit and the applicable discount rates in each year. As the SAUL scheme is no longer in deficit, the balance of the provision has been released. Further details of both pension schemes are provided in Note 36 below.

29. Provisions for Pensions and Other Liabilities *continued*

The provision for future payments relates to potential additional payments to be made by RVC Veterinary Practices Limited relating to the acquisition of Acorn House, subject to performance of the business in the year ending 31 July 2018.

30. Endowments Reserves

RVC Group	Restricted Permanent £'000	Expendable Endowments £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August				
Capital	1,119	4,395	5,514	5,421
Accumulated income	2,304	1,980	4,284	4,430
	3,423	**6,375**	**9,798**	**9,851**
New endowments	-	-	-	1
Investment income	73	105	178	117
Expenditure	(167)	(265)	(432)	(400)
Increase / (decrease) in market value of investments	220	202	422	229
Total endowment comprehensive income for the year	**126**	**42**	**168**	**(53)**
Transfer to unrestricted reserves to fund endowment funded capital expenditure	(776)	-	(776)	-
Balances at 31 July	**2,773**	**6,417**	**9,190**	**9,798**

College	Restricted Permanent £'000	Expendable Endowments £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August				
Capital	1,119	4,377	5,496	5,370
Accumulated income	2,304	1,979	4,283	4,423
	3,423	**6,356**	**9,779**	**9,793**
New endowments	-	-	-	1
Investment income	73	105	178	116
Expenditure	(169)	(262)	(431)	(359)
Increase / (decrease) in market value of investments	220	201	421	228
Total endowment comprehensive income for the year	**124**	**44**	**168**	**(14)**
Transfer to unrestricted reserves to fund endowment funded capital expenditure	(776)	-	(776)	-
Balances at 31 July	**2,771**	**6,400**	**9,171**	**9,779**

Analysis by type of purpose:

	RVC Group		College	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Scholarships and prizes	2,871	2,730	2,852	2,711
Student welfare and support	1,522	1,463	1,522	1,463
Research support	3,623	3,717	3,623	3,717
Clinical services support	1,174	1,888	1,174	1,888
	9,190	**9,798**	**9,171**	**9,779**

No funds were in deficit in either 2017/18 or the prior year.

31. Restricted Reserves

RVC Group	Unspent Capital Grants £'000	Donations and Other £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August	**1,771**	**2,663**	**4,434**	**3,375**
New grants	1,010	-	1,010	598
New donations	-	431	431	914
Investment income	-	45	45	20
Expenditure	-	(406)	(406)	(412)
Increase / (decrease) in market value of investments	-	275	275	39
Total restricted comprehensive income for the year	**1,010**	**345**	**1,355**	**1,159**
Capital grants utilised and released to unrestricted reserve	(2,781)	-	(2,781)	(100)
Balances at 31 July	**-**	**3,008**	**3,008**	**4,434**

College	Unspent Capital Grants £'000	Donations and Other £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August	**1,771**	**363**	**2,134**	**1,661**
New grants	1,010	-	1,010	598
New donations	-	397	397	615
Investment income	-	-	-	-
Expenditure	-	(455)	(455)	(640)
Total restricted comprehensive income for the year	**1,010**	**(58)**	**952**	**573**
Capital grants utilised and released to unrestricted reserve	(2,781)	-	(2,781)	(100)
Balances at 31 July	**-**	**305**	**305**	**2,134**

Analysis by type of purpose:

	RVC Group		College	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Research support	443	1,998	305	1,927
Student welfare and support	405	307	-	-
Scholarships and prizes	20	18	-	-
Teaching support and general education	144	333	-	207
Clinical services support	1,996	1,778	-	-
	3,008	**4,434**	**305**	**2,134**

32. Capital and Other Commitments

	£'000	£'000	£'000	£'000
Commitments contracted for	7,720	1,612	7,720	1,612
Authorised but not contracted	9,312	1,627	9,312	1,627
	17,032	**3,239**	**17,032**	**3,239**

Note 34 Pensions Schemes

33. Contingent Assets and Liabilities

The College has given written undertakings to support the subsidiary companies for twelve months from the date of approval of these financial statements.

34. Lease Obligations

Total rentals payable under operating leases:	**Year ending 31 July 2018**				**Year ending 31 July 2017**
	Land and buildings	**Plant and machinery**	**Other leases**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Payable during the year	92	4	108	204	259
Future minimum payments due:					
Not later than 1 year	92	-	56	148	259
Later than 1 year and not more than 5 years	-	-	64	64	36
Later than 1 years	-	-	-	-	-
Total lease payments due	**92**	**-**	**120**	**212**	**295**

35. Subsidiary Undertakings

The Subsidiary undertakings which are wholly owned or effectively controlled by the College are as follows:

Company	Holding	Nature of Business	Jurisdiction where registered	Shareholding
London BioScience Innovation Centre Limited	100%	Laboratory and offices for bioscience companies	England and Wales (no. 04013123)	123,000 ordinary £1
RVC Developments Limited	100%	Construction services provided to RVC	England and Wales (no. 07114564)	2 ordinary £1
RVC Veterinary Practices Limited	100%	Veterinary practice	England and Wales (no. 11293077)	3,816,000 ordinary £1
Royal Veterinary College (Hong Kong) Limited	100%	Education provision in Hong Kong	Hong Kong (no. 1337151)	2 ordinary £1

The Council of the College is the corporate (sole) Trustee of the Royal Veterinary Animal Care Trust, a charity registered with the Charity Commission in England and Wales (charity no. 281571). Therefore the accounts of the Animal Care Trust are fully consolidated in the Group accounts.

All the entities listed share the College's financial statements reporting date of 31 July.

RVC Veterinary Practices Ltd. was incorporated in England and Wales on 5 April 2018 and commenced active trading activity on 1 July 2018 on the acquisition of Acorn House Veterinary Hospital from a private partnership. The company has adopted an extended accounting period ending on 31 July 2019. Initial trading and balance sheet figures as of 31 July 2018 have been incorporated into the RVC Group Finance Statements.

36. Pension Schemes

The two principal pension schemes for the College's staff are the Universities Superannuation Scheme and the Superannuation Arrangements of the University of London. To meet its pension auto-enrolment obligations towards directly engaged staff who are not eligible for the two main pension schemes, the College is also a member of the Universities and Colleges Retirement Savings Scheme.

The total employer's contributions made by the College and its subsidiaries and chargeable under Staff Costs to the Statement of Comprehensive Income and Expenditure were as follows:

	RVC Group	
	2018	2017
	£'000	£'000
Universities Superannuation Scheme (USS)	3,900	3,658
Superannuation Arrangements for the University of London (SAUL)	1,888	1,729
Universities and Colleges Retirement Savings Scheme (UCRSS)	7	-
	5,795	**5,387**

In accordance with FRS 102, annual contributions to USS and SAUL are accounted for as if each was a defined contribution scheme. The College's obligations to fund past deficits are reflected in Note 27 above and Note 2 sets out the accounting and management judgements that have been made to arrive at the respective provisions.

USS

The College participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The College is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS 102, *Employee benefits*, the RVC Group and the College therefore account for USS as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of each accounting period.

Since the College has entered into an agreement, the USS Recovery Plan, that determines how each employer within the scheme will fund the overall deficit, the RVC Group recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised. The approach taken by the College in calculating and providing for its liability in these financial statements is outlined in Note 2 to these financial statements.

The cost charged to the Statement of Comprehensive Income and Expenditure for current contributions is £3,900k (2017: £3,658k). The latest available full actuarial valuation of the Retirement Income Builder section of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2018 is underway but is not yet completed.

Since the College cannot identify its share of the Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion

36. Pension Schemes *continued*

indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is completed.

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

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.20%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
USS assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

SAUL

The College participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme within the United Kingdom and was contracted-out of the Second State Pension (prior to April 2016). SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

36. Pension Schemes *continued*

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings (CARE) basis.

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

Funding policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the technical provisions). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from members' accrued pension rights to be met.

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

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

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

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

Accounting policy and costs reflected in the College's accounts

The College is a participating employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £3,205 million representing 102% of the liabilities for benefits accrued up to 31 March 2017.

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

As there was a technical provisions surplus at 31 March 2017, there is no defined benefit liability (i.e. the present value of any deficit contributions due to SAUL) to be recognised by the College.

UCRSS

The College participates in the Universities and Colleges Retirement Savings Scheme (UCRSS), which is a defined contribution scheme for the higher and further education sector. It is a centrally arranged scheme, established under a Framework Agreement with Advanced Procurement for Universities and Colleges Limited. UCRSS is delivered through the Mercer Master Trust. UCRSS provides pensions provision for those staff who are not eligible for the two main schemes operated by the College.

37. Post Balance Sheet Event

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The provisions for pension liabilities included within the financial statements at note 29 will only be impacted to the extent the change in benefits increases the demand for additional cash financing.

38. Related Party Transactions

The operating statements of the Royal Veterinary College include transactions with related parties. These transactions are disclosed where members of the College's Council and College Executive Committee (CEC) disclose an interest in a body with whom the College undertakes transactions which are considered material to the College's Financial Statements and/or those of the other party. Due to the nature of the College's operations and the composition of Council (being drawn from local and private sector organisations and the College), it is inevitable that transactions will take place with organisations in which members of Council or CEC may have an interest. All transactions involving organisations in which a member of Council or CEC may have an interest, including those identified below, are conducted at arms- length and in accordance with RVC's Financial Regulations and usual procurement procedures.

A register of the interests of members of Council and CEC is maintained. RVC has not disclosed transactions with other group entities (as all those entities are fully controlled by the RVC and the College holds more than 90% of the voting rights of those entities with share capital).

Ms Christina Paish was President of the RVC Students' Union (RVCSU) for the 2017/18 academic year and was succeeded by Mr Gorprit Singh from 1 August 2018. The President of the RVCSU is ex officio a member of Council of the RVC. The RVCSU received £156,497 from RVC in the normal course of business (£272,754 in 2016/17) including both grant funding and trading transactions. In addition, the College provided grant-in-kind in the year in the form of rent-free premises and associated services estimated to total £94,000 to RVCSU (estimated at £92,100 in 2016/17).

The Principal, Professor Stuart Reid, is a trustee of the University of London. In 2017/18, RVC made payments in the normal course of business totalling £85,762 to the University of London and its associated undertakings (2017: £58,526).

COUNCIL MEMBERS

The Council members who held office during the year and until the date on which the Financial Statements were formally approved were as follows:

Chairman

The Baron Curry of Kirkharle CBE +*

Vice Chairman

Mr E Barnett +*

Hon Treasurer

Mr R Bright CB +*

Independent Members

Ms J Alexander +
Mr D Danson #
Mr J Grosvenor #
Mr R Hargreaves
Mr R Kidson #
Dr S Lishman CBE
Mr P Reid

Members elected by the Academic Board

Professor A Pitsillides
Professor J Maddison

President of the Students' Union *(ex-officio)*

Ms Christina Paish (2017/18) + *(to 31 July 2018)*
Mr Gorprit Singh (2018/19) + *(from 1 August 2018)*

Principal *(ex-officio)*

Professor SWJ Reid CBE +

The members of Council are considered to be the Trustees of the Royal Veterinary College as an exempt charity.

CO-OPTED MEMBERS OF COUNCIL COMMITTEES

Mr A Garnett # *(to 31 July 2018)*
Mr J Heawood +

Members of Council Committees

+ Finance and General Purposes Committee # Audit Committee * Remuneration Committee

IN ATTENDANCE AT COUNCIL

Secretary to Council and Chief Operating Officer

Mr I Darker

The Royal Veterinary College

Finance Department

Financial Accounting Team

4 Royal College Street

London

NW1 0TU

United Kingdom

+44 (0)20 7468 5000

Email: finance@rvc.ac.uk

www.rvc.ac.uk

ROYAL VETERINARY COLLEGE

Celebrating over 227 years.
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Established in 1791, the RVC is the UK's longest-standing veterinary college – with a proud heritage of innovation in science, clinical practice and education.