



Annual Report and Financial Statements

2018/19

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CHAIRMAN'S INTRODUCTION for the year ended 31 July 2019

It is my pleasure and privilege to present the Royal Veterinary College's Annual Report and Financial Statement for the year 2018/19: a pleasure because it tells the story of an organisation that continues to perform well; a privilege because it is my first since taking over the chairmanship of the college from Lord Curry of Kirkharle.

Despite the convention of the current Chair signing off this important document, I make clear at the outset that all credit must go to my predecessor for the successful oversight of the RVC's activities during the last 12 months. Don and his fellow Council members have worked with the Executive Team, the staff and students to deliver significant results – most notably this year being the signal recognition in the QS World University subject rankings – and I find myself in the daunting position of wondering “where do we go from here?”!

There are many metrics that one might apply in assessing a university and whilst, as you will see from the pages that follow, the vast majority bear up well to scrutiny, the fact remains that we can always do better. Indeed, in an environment that continues to see tuition income eroded by inflation and the flow from other traditional sources reduced, we must be ever more entrepreneurial in generating income and imaginative in the way we deploy our resources.

With significant capital investment underway on both campuses – a major refurbishment at Camden and an exciting new build at Hawkshead – as well as diversification of our educational and clinical offerings, there has been, and will continue to be, plenty to occupy everybody at the RVC. Of course, we do not do this alone. As we strive to make a good thing better, we are privileged to enjoy the support of a wide variety of stakeholders and for which we are grateful.

I am delighted to be entrusted with the position of Chairman of Council and look forward to working with my colleagues in governance - old and new - in providing support for the Principal and his team as we continue to chart our way through uncertain and, at times, turbulent waters.

I look forward to helping ensure we continue to flourish in the coming year and I thank you for your interest in the Royal Veterinary College.

With best wishes,

Barbara, Baroness Young of Old Scone

PRINCIPAL'S REPORT for the year ended 31 July 2019

I am delighted to echo the welcome of the new Chairman of Council, Baroness Young, to this annual account of the Royal Veterinary College's performance. I also add my grateful thanks to her predecessor, Lord Curry of Kirkharle, for his guidance, mentorship and support through the years of his tenure, including the period covered by this report.

There is no doubt that the last year has been a signal one in the College's history and, whilst our QS #1 ranking was an important milestone, there have been many other achievements that make it a remarkable 12 months.

In our clinical endeavours, not only has the RVC taken its first steps into primary practice acquisition to bolster the educational experience of our veterinary students, but we have also continued to lead the field in the quality markers awarded by the Royal College of Veterinary Surgeons' Practice Standards Schemes. Our research is ever buoyant and it is with a deal of pride that I record that, amongst the external funding acquired this year, RVC staff were successful and are leading not one but two Global Challenges Research Fund programmes, with a total value of £40 million. And in our educational programmes, besides the successful reaccreditations of our veterinary degree, we are also diversifying our offering through partnerships with institutions in the UK, the EU and internationally.

We have again celebrated a good number of our staff and students being recognised with awards for their endeavours in research, teaching, clinical service and social inclusion, but are ever mindful that our collective success is the combination of the efforts of the many – and that the need for a team approach remains paramount to our planning as we scan the challenging horizons ahead.

Ensuring that we have a sustainable base is also critical and, underpinning the narrative and successes outlined in this report, is the College's financial performance. This remains healthy and, together with a focus on the provision of efficient and effective professional services, makes possible all that we seek to do in our strategy... a strategy that we will see refreshed for the next two years as the UK decides where its future lies.

I and my colleagues look forward to building on recent achievements and, again echoing my Chairman, thank you and our many stakeholders for helping us make the RVC the success it is today.

With all best wishes

Stuart WJ Reid CBE
Principal

STRATEGIC AND FINANCIAL REVIEW for the year ended 31 July 2019

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 dedicated to teaching and research in the veterinary and allied sciences, while also benefiting from its status as a member institution 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 have been 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 the year, an extended Strategic Plan for the period to 2021 was considered and approved by Council.

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. Over the period of the Strategic Plan, good progress has been made against most of these indicators, which have been refreshed in the extended Plan.

The Strategic Risk Register focuses on the College's key strategic risks which are regularly

reviewed and re-assessed and new risks identified. All risks are 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 provides education to the whole veterinary team and as well as degree programmes in the biological and biomedical sciences. Recruitment to our BVetMed programmes continues to be strong. For our five-year programme, the College averaged eleven applicants per place this year and the graduate (four-year) and gateway (foundation) entry paths were also over-subscribed. 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 widely throughout the world with the RVC holding accreditations from 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. Competition for places on the RVC's BSc Veterinary Nursing degree is strong with over nine applicants per place. We also run a Graduate Diploma in Practical and Clinical Veterinary Nursing and have begun the process of updating and broadening our offering of post-graduate qualifications for nurses.

The Graduate Diploma in Equine Locomotor Research, a recent addition to our courses which provides farriers with the skills to undertake evidence-based research, is recruiting its third cohort. Our postgraduate clinical programmes, the Masters in Veterinary Medicine and the

Postgraduate Diploma in Veterinary Clinical Practice, continue to be very 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 larger multi-faculty universities. We are planning to create additional, specific named pathways within the course comparable to our popular BSc in Animal Biology, Behaviour, Welfare and Ethics which will allow us to continue to play to our strengths. One area we are exploring is the development of a BSc in Wild Animal Biology.

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. We were proud to be ranked first in the world among veterinary educational establishments by the prestigious QS rankings after being third for the past few years. This evidences the high quality of the educational experience we offer.

Research and innovation

With the formation of Research England and its overarching body UK Research and Innovation (UKRI) in April of 2018, the focus is 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 these initiatives which provide some mitigation for the loss of EU research funding.

Our success rate for grant applications made in the calendar year 2018 was 36.4% by value with £13.3m awarded from competitive grant applications. About 50% of this total is accounted for by the College's share of two UKRI GCRF Hub awards, one of which the College leads and the other we are a partner.

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In the run up to the next Research Excellence Framework (REF) 2021, we have invested in strategic research appointments that are synergistic with these and other major grant successes.

Within Livestock Health and Production, success in attracting funding to undertake research that benefits low and middle income countries has been remarkable. The two UKRI GCRF Hubs represent an incredible opportunity for the College to build sustainable networks and attract further funding over the next 10 years. Our reputation for undertaking research into food safety that impacts on the poorest societies, improving the lives of people and animals, has been rewarded with two major grants (from MRC and the Bill and Melinda Gates Foundation). RVC is the lead partner, with three other London institutions (the Bloomsbury SET), in a £5m Connecting Capabilities Fund grant from Research England to support research impact through commercialisation. A total of £4m funds from the grant are to be awarded on a competitive basis and RVC researchers have won more than 30% of those distributed to date.

The College continues to attract funding to work in a One Health context on the global challenge posed by antimicrobial resistance (AMR). In partnership with medical and social scientists in different parts of the world, we are defining the drivers for antimicrobial drug use in many livestock systems, include aquaculture. We are also identifying novel ways of delivering existing antibiotics in greater concentrations through the use of nanoparticles and devising innovative ways to identify resistant organisms using phages. Much of this work involves early career researchers appointed over the last two years. A recent new senior appointment will provide leadership in this important area.

In Comparative Medicine and Clinical Sciences, two major investigator awards have been won:

- i. a Wellcome Investigator award (the first for the RVC) will develop methods to simulate

ageing in muscle, modelling the effects of stiffening of connective tissue on the ability of muscle to control movement.

- ii. a European Research Council grant (the College's 4th in 5 years) which is funding fundamental cell biology work on how mitochondria communicate with the nucleus.

Mitochondrial biology and the regulation of removal of ageing organelles from the cell is thought to be important in neurodegenerative diseases of ageing. As such, both of these 5-year programme grants support our strategy to study healthy ageing in animals and people and, ultimately, to benefit society through novel ways of ensuring we age more healthily.

Brain Health and Behaviour is a new research group for the College established during the REF2021 period. As part of this strategy, we have recently appointed a new Professor in Neurosciences who brings expertise in the molecular pathogenesis of neurodegenerative conditions, such as Parkinson's disease.

Providing a modern infrastructure, which supports excellent research, is essential if we are to attract and retain high quality researchers. The College has updated its confocal microscopy equipment, fundamental to its cell biology research. In addition, the new laboratories created in Camden as part of the refurbishment of the Hobday Building has enabled co-location of skeletal biologists in open plan offices and new customised laboratory space. Funding from the Hertfordshire Local Enterprise Partnership as well as contributing to the Hawkshead Campus redevelopment project is also being invested in replacement and new state of the art equipment, including cell sequencers.

The London BioScience Innovation Centre (LBIC) has had another successful year, making a substantial financial contribution to the College, with a net surplus of £0.4m in 2018/19. The attraction of Merck as a new client within LBIC is a major development for the College. Collaboration with Merck has already commenced with the co-funding of a two-year

project in an area of mutual interest and the sharing of equipment to which RVC researchers would not otherwise have access.

Clinical services

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

We continue to focus in two broad areas. First is the provision and expansion of clinical centres allowing enhanced experiential learning opportunities for our undergraduate and postgraduate students in veterinary medicine and nursing both in general and specialist veterinary practice and related activities. Second is to develop our teaching hospitals as true centres of excellence, offering the most advanced diagnostic and therapeutic clinical facilities and services, exploiting our national and international collaborative biomedical research strengths.

During the past year we have:

1. Completed a range of capital investment works at the Beaumont Sainsbury Animal Hospital (BSAH) to accommodate growth in small animal general practice and exotic animal work.
2. Introduced major modifications to the equine clinical centre's CT scanner, substantially enhancing our capacity for high resolution imaging in large animals.
3. Expanded our increasingly successful cardiac bypass and advanced intracranial corrective surgical services in small animals and introduced a novel nerve graft technique for the management of recurrent laryngeal paralysis in horses.
4. Had all three of the College's hospitals judged as outstanding by the RCVS's Practice Standard Scheme programme. Each hospital

received outstanding in five categories, the first time this has been achieved anywhere.

5. Secured the services of further clinical training resources at Blue Cross Victoria, two commercial abattoirs, the Horse Trust Equine Charity, and the new Wood Green clinical and rehoming facilities at Godmanchester. Additionally, the two-week clinical rotation in farm animals delivered by the Endell Veterinary Group has been further enhanced with a new purpose built accommodation and teaching facility in Hampshire.
6. Completed the first year of operations of Acorn House Veterinary Hospital, a first opinion practice acquired in June 2018 through our new trading subsidiary, RVC Veterinary Practices Ltd.

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

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Employers Association through participation in annual consultations about national pay award negotiations and other matters.

The College values its highly skilled workforce and supports positive and proactive engagement with its behaviours framework as part of a commitment to professionalism and personal development at all levels. It offers a broad range of personal, professional and skills-based development opportunities through a structured annual programme including leadership and management, health and safety and wellbeing.

There are specific programmes in support of Early Career Researchers, 'inset' days for teaching staff and a Management Development Programme (MDP) which promotes the use of the behaviours framework and is specifically designed to support newly appointed and promoted managers at the College. In addition to this, we are developing a range of talent management and leadership offerings to support staff in their career progression, as well as a coaching network. 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 by personal development objectives agreed via the Annual Appraisal and Review 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. Where operationally viable, we actively encourage flexible working both for new recruits and existing staff. A Staff Health & Wellbeing Group, reporting to Safety Committee, works to develop 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.

The College approved a new Health and Safety Strategy in July 2018 based around the HSG65 Safety Management Model and identified sector best practice. It has a well-established health & safety risk assessment process, a targeted training programme and set of policies and standard operating procedures in key areas. The Safety Committee reviews policy and procedures, monitors leading and lagging KPIs including accident and incident reporting and reports at each meeting of 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 reports to the College Executive Committee and 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. In addition, there has been active recruitment and training of Dignity at Work advisors for all departments.

Newly recruited staff must successfully complete online equality and diversity awareness training before being confirmed in post. Staff involved in recruitment and selection must also attend specific training. Given demographic trends in the veterinary profession and the composition of the College's 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. There were a large number of applicants for the programme and the eight successful candidates gave very positive feedback as to the benefits of the

programme to their personal and professional development. There will be a further eight women enrolled in the programme for 2019/20.

A Project Group has been formed to begin work on the new Equality Objectives and Action Plan (2020-24). This group includes representation from all staff groups and will involve extensive consultation with the wider College community.

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, Royal Veterinary College (Hong Kong) Limited and RVC Veterinary Practices Limited (RVP).

RVC Developments Limited and Royal Veterinary College (Hong Kong) Limited are no longer actively trading. RVC Veterinary Practices Ltd was incorporated as a wholly owned subsidiary in April 2018, acquiring Acorn House Veterinary Hospital, a first opinion practice based in Bedford, on 1 July 2018. The financial results for the first month of trading were incorporated in the 2017-18 Group 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 2019, compared to the prior year, are presented in the following table:

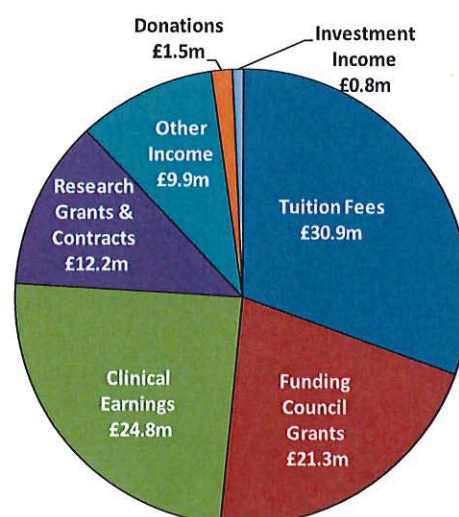
	2019 £'m	2018 £'m
Income	101.4	91.2
Expenditure	108.6	83.3
(Loss)/Surplus before gains/losses	(7.2)	7.9
Gain on investments	0.3	0.7
Asset impairment	0.0	(0.2)
(Loss)/Surplus	(6.9)	8.4
Pension provision	12.8	(1.2)
Interest rate swaps	0.0	(1.1)
Adjusted Surplus	5.9	6.1

As shown in the table, there has been a significant adverse impact on the reported outturn for the 2018/19 financial year due to increased liabilities relating to pension costs, resulting in a £6.9m deficit. Further details are provided below under *Pension funds*. Adjusting for the impact of changes in pension provisions (and, in the prior year, release of a provision for interest rate swaps), the re-stated surplus was £5.9m, compared to £6.1m in 2017/18.

Income

The College's total income was £101.4m, compared to £91.2m in 2017/18: an increase of 11%. Sources of income are shown in the following chart:

Sources of income 2018-19



Tuition fees, at £30.9m, are the College's main income stream. These increased by 9% (£3.0m) on the prior year, of which the greater part (£2.5m) represented fees from international students, who

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account for 44% (2018: 40%) 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 grants¹, at £21.3m, increased by 1%. Whilst the Teaching Grant has reduced over the period since 2012/13 when the teaching funding regime shifted from public funding towards tuition fees (funded by student loans), it remains an important income stream (2018: £14.3m) for the College. 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 (£1.3m), awarded in recognition of the College's world-leading teaching provision.

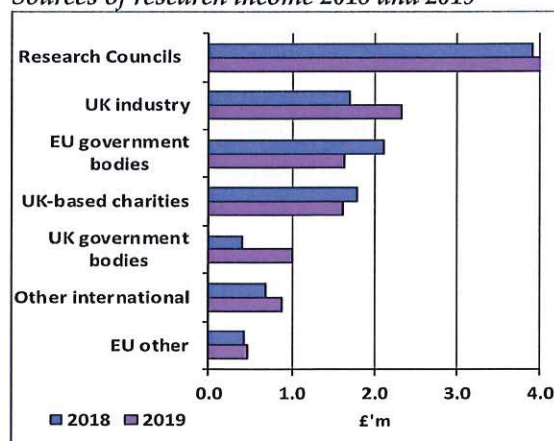
Research (QR) funding at £4.5m was in line with the previous year. In the period between Research Excellence Framework (REF) exercises, this funding tends to remain relatively stable. Higher Education Innovation (HEIF) funding rose by 34% (to £1.2m) due to a combination of increased eligible activity within the College and additional government investment, notably through the National Productivity Investment Fund (NPIF).

Remaining funding in this category relates to the Connecting Capability Fund (£0.5m), discussed above, and teaching/research capital grants (£0.7m).

Clinical and related income increased by 18% to £24.8m. Clinical operations comprise the College's veterinary teaching first opinion and referral hospitals and diagnostic laboratories. Income growth was driven by increased caseload, pricing changes and a full year of operation of Acorn House Veterinary Hospital (one month in the prior year).

Income from externally-funded **research grants and contracts** increased by 11% to £12.2m. The breakdown of funding by sponsor type, compared to the prior year, was as follows:

Sources of research income 2018 and 2019



Included under UK government bodies in 2019 is a sum of £510k received from the Hertfordshire Local Enterprise Partnership (LEP) which is part of a £7m capital grant towards the construction and equipping of a Centre for Vaccinology and Cell Therapy within the Hawkshead campus capital programme.

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, in particular, 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 11% to £9.9m. 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. In 2018/19, the College sold its share of a property, jointly owned with four other University of London institutions,

Innovation (via Research England) awards research and innovation funding.

¹ 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. Since April 2018, the Office for Students (OfS) has awarded teaching grant and UK Research and

which housed the London International Development Centre (LIDC). The RVC's share of the proceeds was £0.7m.

Income from **Donations**, at £1.5m, almost doubled compared to 2017/18. The nature of fund raising is such that figures can vary significantly year-on-year, particularly in the case of legacies. Of the funds received, just over half were unrestricted in nature.

Investment income, at £0.8m, more than doubled on the prior year. This was a combination of improved performance of the College's investment fund portfolio and interest earned on short-term cash balances. The latter were unusually high due to the receipt of external financing ahead of major capital spend being incurred.

Expenditure

Expenditure, at £108.6m, increased by £25.3m (30%) compared to the prior year. As discussed above, the year-on-year variance was significantly distorted by the impact of 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 debit of £12.9m in 2018/19 compared to a credit of £2.8m in 2017/18. Adjusting for these items, expenditure increased by £10.1m (12%).

Staff costs, excluding the pension provision adjustment, were £54.1m, increasing by 12% on the prior year and representing 53% of turnover (2018: 53%). The increase is a combination of additional staff numbers (associated with income generation), incremental pay progression, a 2.0% national pay award, a 1.5% increase in the USS employer contributions (from April 2019) and the full-year impacts of Acorn House Veterinary Hospital and an uplift in clinical staff remuneration.

Other operating expenses, at £34.1m, rose by 11%. 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. The full year costs of operation of Acorn House Veterinary Hospital, as well as the amortisation of goodwill associated with the acquisition, are also included.

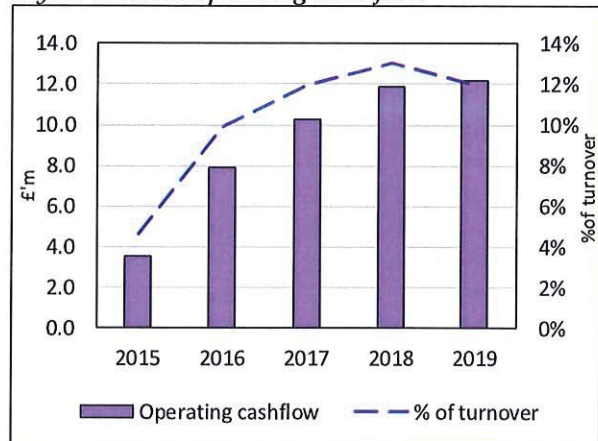
Depreciation costs increased by 14% to £6.3m reflecting the completion of a number of capital projects.

Interest and other finance costs in 2018-19, at £1.3m, are primarily related to the private placement of £45m secured at the end of 2017-18. The unwinding of a provision in respect of interest rate swaps associated with previous borrowing had given rise to a significant credit (£1.1m) 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 the trend in this metric over the past five years with the target having been met or exceeded in the last four of these. Operating cash flow in 2018/19 was £12.2m, representing 12% of turnover.

5-year trend in operating cash flow



Capital investment

We reported in last year's Annual Report on the progress with our plans for major capital investment at both of our campuses.

The work at the Camden Campus (£15m) is now complete and has involved extensive refurbishment and re-configuration of existing space in the main Hobday Building creating a student centre, student social learning space, new and upgraded teaching rooms and learning resource centre, new research

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laboratories, extended dining and student/staff social facilities, refurbished office space. The works were officially opened by the Chancellor of the University of London, HRH The Princess Royal, in May 2018.

The £45m project at the Hawkshead campus is 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. Enabling works have been completed and the main contractor appointed.

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

The College's IT Strategy and Investment Plan have been 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.

Borrowing

As reported in last year's Annual Report, the College restructured and increased its borrowing to support capital developments. A successful notes issue for a £45m private placement was concluded with Sun Life Assurance Company of Canada in July 2018. The notes are fixed rate and unsecured with 15 to 25-year maturities. The funds raised were deployed in part to pay off existing long-term debt held with the Royal Bank of Scotland (£19.4m at 31 July 2018). As this debt was subject to floating-to-fixed interest rate swaps, early repayment incurred breakage costs of £4.2m.

The College also has £0.8m 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. For long-term reserves, the objective is to achieve a total return above inflation (CPI) of at least 3.5% p.a. (net of fees) over a rolling three-year period.

The College's investment portfolio has been managed by UBS AG since January 2018. At 31 July 2019, the value of the portfolio was £14.0m (2018: £13.3m) comprising a range of equity, fixed interest and cash funds. Since inception, the fund has achieved an annualised return of 7.1%, exceeding the target (CPI + 3.5%) by 1.3%.

With the securing of the private placement in July 2018, the College consolidated its cash holdings and the majority of surplus cash is also now administered by UBS AG. For short-term reserves, our policy is to achieve the best possible return whilst preserving the capital value with a minimum level of risk. Funds are placed for in fixed-term deposits with counterparties meeting criteria set out in the Treasury Policy. At 31 July 2019, £30.4m was under such arrangements.

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 2019 were £14.2m compared to £48.4m at 31 July 2018. On the latter date, £35m had been transferred to UBS AG for onward short-term investment with counterparties but the transactions were not concluded until 1 August 2018. Excluding endowment fund cash of £0.3m (2018: £0.4m), net liquidity days (based on cash and short term deposits) at the end of the year were 181 (2018: 215). This is well in excess of the College's KPI of 90 days and reflects the securing of external financing ahead of major capital spend.

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 to the RVC. Both USS and SAUL are pooled multi-employer schemes and, as such, it is not possible to separately identify each employer's share of the schemes' assets and liabilities. Institutions are, however, required to recognise their liability for any pension deficit recovery plans put in place.

The 2014 triennial valuations showed both schemes to be in deficit. In order to address this, the Trustees introduced deficit recovery plans alongside changes to benefits and contribution rates. As at 31 July 2018, the College's outstanding liability under USS was £6.6m. 2017/18 was the final year of the SAUL recovery plan and the liability was fully cleared.

Both schemes were re-valued as at 31 March 2017. The SAUL valuation showed a small surplus and the Trustee and employers agreed that no changes to contributions or benefits were required ahead of the next valuation.

In contrast, the USS had moved into further deficit, which led to a lengthy and protracted period of negotiation and consultation between the Trustee and employers (represented by Universities UK) on how to address this given the significant increases in employer and employee contributions being indicated. As part of this process, an updated actuarial valuation at 31 March 2018 was undertaken, which showed a reduced deficit compared to the 2017 valuation. Following further consultation, which required certain commitments from employers, a revised, less punitive, schedule of contributions and deficit recovery plan were agreed with the valuation formally concluded in September. As part of the settlement, the next scheme valuation has been brought forward a year to March 2020.

Since resolution had not been reached at 31 July 2019, we are required to recognise in our financial statements, the liability associated with the deficit recovery plan as indicated by the 2017 valuation. As a result, the pension provision has increased by £12.9m to £19.5m. Under the now agreed deficit recovery plan, the provision would have been £11.1m – an improvement of £8.4m. The impact of

this will be recognised in the 2019/20 financial statements.

Financial outlook

Continuing 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 than it has been in decades. In addition to the many uncertainties associated with the UK's exit from the EU, the future funding of HE following the Augar review of post-18 education remains unclear.

Risks, and mitigations, relating to the UK's exit from the EU are incorporated within the Strategic Risk Register. In addition, the RVC Council has received comprehensive briefings on the College's preparations across all its affected activities. There is a dedicated intranet site offering advice and guidance to staff and students, and a number of briefing sessions have been held for potentially affected staff. The impact of EU exit on the College's financial outlook is referenced, as appropriate, below.

Financial planning in this context, even in the short-term, is extremely challenging and there is no doubt that the 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 successes in all three of our mission areas, which have consolidated our position as a world-leading institution, with the QS#1 ranking being a particularly notable achievement. This success has been underpinned by robust and consistent financial performance. Measured by key financial metrics, we continue to compare favourably with the rest of the sector.

Despite these external challenges, the RVC Council has confirmed its commitment to the major capital programme regarding this as essential to the College's future sustainability as an attractive and innovative institution, and one which will continue to attract and retain students and staff.

STRATEGIC AND FINANCIAL REVIEW

As part of the refresh of the College's Strategic Plan (2014-2019), which has been 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 of paramount importance.

Student demand for our courses from both UK and international students continues to be strong and we are proactively engaging with potential new markets, including through partnerships with other institutions. The government's recent announcement of a 2-year post study work visa for international students is a positive development. 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 strategies, and has been very successful in this regard. This stands us in good stead for REF2021, preparations for which are well advanced.

Clinical income generated by our veterinary teaching hospitals represents a significant third income stream to the College. The financial contribution from this activity is necessarily constrained by the fact that its primary purpose is the education and training of our students. Nevertheless, there is the potential to deliver an improved return by streamlining our business processes and through more proactive engagement with our clients.

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 with many involved in public health and regulatory aspects of trade in animals. The Home Office decision in July 2019 to add veterinary surgeons to the Shortage Occupation List is welcome news and recognises the significant skills gap, and associated risks, in this specialist field.

EU exit, particularly under a "no deal" scenario, also poses a risk to our clinical services in the form of sourcing of veterinary drugs. The College has engaged proactively with its key suppliers to seek to mitigate the risk of supply chain disruption.

The RVC acknowledges its accountability to students and taxpayers for the investment provided by tuition fees and public funding and the need to demonstrate value for money. Veterinary science is one of the most expensive subjects to teach and we are focused on delivering our activities as efficiently and effectively as possible without compromising the academic quality and student satisfaction for which the RVC, as a specialist institution, is renowned. We reiterate that this will require a continuing recognition by government of the high cost of delivery of clinical and science disciplines, as well as the unique contribution of specialist institutions to teaching excellence.

However, we are not complacent and recognise that periodic review and challenge of our cost base is an important discipline and such an exercise is currently underway.

Several of the factors impacting on our financial outlook are sector-wide and outwith our direct control and influence. The 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.

Whilst we address the immediate challenges, planning and visioning for the period beyond the extended Strategic Plan 2021 is already underway, involving our students, staff, Council members and other stakeholders. Alongside the challenges, there will also be opportunities and our duty is to ensure that the RVC is ready and able to capitalise from these new avenues.

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

The Strategic and Financial Review was approved by Council on 27 November 2019 and signed on its behalf by:

Baroness Young of Old Scone

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT for the year ended 31 July 2019

The Royal Veterinary College is an exempt charity under the terms of the Charities Act 2011². The Office for Students (OfS) has been the principal regulator for higher education providers since 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 in 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.

During the year, the Council approved an extended Strategic Plan to 2021. This builds upon the progress made under the previous Plan to deliver the mission and goals set out above. It updates and refines these into core strategic and cross-cutting themes underpinned by strategic enablers.

² 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 2018/19, close to 700 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. 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 RVC 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.

The College continues to develop its pedagogical expertise and enhance its technological capacity to support distance education courses at both undergraduate and postgraduate levels. These programmes allow students to study at their own pace from any location globally. In some of the College's highly specialised areas, this 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.

Through its LIVE (Lifelong, Independent Veterinary Education) Centre, the RVC drives innovation and best practice in veterinary teaching and learning nationally and internationally.

Delivery of public benefit through research

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. 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.

The College is actively involved in the One Health agenda. 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, bone pain following fracture, food safety, neuromuscular disorders, tendon disease, type II diabetes, effect of dietary factors on vascular function). The findings 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). Work in Schistosomiasis is influencing WHO guidelines for prevention of this problem in people, with the recognition that animals need to be treated as part of a control campaign because animal and human schistosomes hybridise.

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 being used in a human clinical trial. This technological advance is an important one in the global fight against antimicrobial resistance. In

CHARITABLE STATUS AND PUBLIC BENEFIT

addition, the use of phage technology is being developed to diagnose bacterial infections and identify whether they are resistant to antibiotics, providing much more rapid assessment than is currently possible.

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 uniquely offered by the RVC such as open heart surgery in dogs, hypophysectomy for cats and dogs and laryngeal nerve grafts for horses.

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 directly by 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.

The College works in partnership with shelter medicine organisations providing veterinary care to stray and abandoned animals.

Delivery of public benefit through access to opportunity

The College continually seeks to develop and refine its access activities to support educational attainment and social mobility. We have developed an ambitious five-year Access and Participation Plan with enhanced targets to increase access for students from disadvantaged and low participation backgrounds. This was recently approved by the Office for Students (OfS).

The Veterinary Gateway Programme continues to provide an important and successful foundation pathway towards the BVetMed degree for a significant number of our widening participation cohort of students. Our ambition is to have a greater number from the WP cohort achieving the entry requirements which will gain them places directly 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 have developed a contextual admissions process.

We also provide an extensive range of outreach and inreach activities including masterclasses, school visits and Easter and summer schools, both residential and non-residential. Participants are from school Years 10-12. Our own student ambassadors play a hugely important role in this work. Many of them entered the College via a widening participation route and serve as enthusiastic and ideal role models for this work. We are an active partner in the National Collaborative Outreach Programme (NCOP) working with young school students from wards in London and Hertfordshire where interest in higher education is low. 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 institutions 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 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 to support them in their subject knowledge and to ensure that the information and advice they cascade to their students in relation to the College is accurate and relevant.

The College's Access and International Engagement unit has a dedicated team whose role is to ensure that the wider community, locally, nationally and internationally, have access to, and an understanding of, the educational and training opportunities offered by the RVC. So as not to deter aspiring students from studying due to financial disadvantage, the College offers generous scholarships and 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 open evening event which runs twice a year and is supported not only by the College but also by other partner institutions. Thematic events are open to the general adult public to demonstrate 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 in central London and we also attend science fairs and community festivals in local areas and public festivals around the country.

The RVC is a regular partner in the termly family days run by the Royal Institution (RI), which are attended by over 700 parents and children. We also

work with the RI to deliver evening events open to the general public and recently video-linked dissections to the RI's famous lecture theatre. Other societies and organisations with whom we work to engage the community with veterinary medicine and biological sciences include: the Royal Society, 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 and more positive relationships with local residents near our two main campuses. We now have a dedicated role to support this work which builds on the activities undertaken as part of the process leading to the adoption of our Hawkshead campus masterplan by Welwyn Hatfield Borough Council (WHBC) and the associated capital works. We are engaging proactively with local policy makers, residents and community groups such as the Green Belt Society as well as members and officers from WHBC and North Mymms Parish Council. This includes establishing a joint working group to look at transport improvements.

As part of its community engagement, the College holds events such as Open Afternoons and Open Farm Sunday to enable local residents to learn about our facilities and work and to support our scientific outreach activities. We also participate in events such as local carnivals, fairs and fetes and our students and staff volunteer in the area.

Many of our alumni live and work locally delivering animal care and veterinary services in the community.

Delivery of public benefit through sustainability

Over the last year, a dedicated Environmental Sustainability Strategy (ESS) has been developed for the College. This sets out a number of objectives and targets for the following focus areas:

- Energy and carbon reduction
- Sustainable transport
- Waste and recycling
- Water management
- Wildlife enhancement

It also aligns with the environmental aims of the United Nations Sustainable Development Goals (UNSDGs).

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The College continues to work towards ISO14001 certification of its environmental management system. To assist with this, a new Environmental Sustainability Committee has been launched comprising representatives from various departments and reporting to the CEC.

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

Energy and carbon reduction

The College has achieved a 37% reduction in carbon emissions, from gas and electricity consumption, since 2010-11. From October 2019 the College's electricity supply will be from a 100% renewable source. Projects to reduce energy consumption further across both campuses will continue to be implemented over the coming year.

Sustainable transport

The College's Sustainable Travel Plan has been updated as part of the planning submission for the Hawkshead developments. The new building will include additional cycle storage and electric car charging points to encourage more sustainable travel to and from the campus. The dedicated shuttle bus continues to operate and has completed an estimated 101,277 passenger journeys this year.

Waste and recycling

The College has a 'zero to landfill' approach to waste management. This year approximately 36% of non-hazardous waste was recycled. Disposable coffee cups from the cafes are now sent to a specialist waste facility for recycling. A detailed review of waste produced by all the College's activities has been undertaken. From this a number of opportunities for reducing waste and increasing recycling have been identified.

Water management

The College continues to monitor water consumption and discharges from its activities. A new Trade Effluent Consent has been issued by Thames Water for the Camden campus.

Wildlife enhancement

The College continues to work in partnership with the Herts and Middlesex Wildlife Trust to enhance biodiversity across the Hawkshead estate. During

the construction of the Hawkshead development, appropriate action will be taken to minimise any negative impacts on wildlife.

Sustainable procurement is encouraged. Potential suppliers are explicitly required to comment in their tender proposals on how they will contribute to the sustainability aims of the College in reducing adverse environmental impacts.

The College's externally managed investment portfolio is subject to sustainable screens, which seek to identify companies with the strongest environmental, social and governance characteristics. There is no direct investment in fossil fuel stocks. Green bonds have recently been added to our portfolio, which finance renewable energy and other environmentally beneficial projects.

STATEMENT OF RESPONSIBILITIES OF THE COLLEGE COUNCIL in respect of the Annual Report and the Financial Statements for the year ended 31 July 2019

The members of Council are responsible for preparing the Annual Report and the 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.

They 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 is 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 is 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 members of 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;
- ensuring that 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 2019

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 2019 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 2019 and up to the date of Council's approval of the Annual Report and Accounts. The risk register is subject to regular review by Council 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 approval by the OfS and Privy Council following recent revisions arising as a consequence of amendments to the University of London act and the OfS's conditions for registration.

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. Internal members consist of the Principal, two elected representatives of the Academic Board and the annually elected President of the Student Union.

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 three to 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 (SSRC), which is comprised of independent members of Council, including the Chairman and Honorary Treasurer, it 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. The operation of the SSRC has been reviewed to ensure that it is 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 OfS 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 has been reviewed and refreshed in recent years and work continues to embed 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 informed by the Strategic Risk Register. 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 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 a robust 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 2019 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 2019 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 2019, 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 FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Council, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Councils' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Other information

The Council is responsible for the other information, which comprises the Chairman's introduction, 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 21, 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

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

 November 2019

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
for the year ended 31 July 2019

	Notes	RVC Group		College	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	3	30,846	27,936	30,849	27,936
Funding body grants	4	21,330	21,128	21,330	21,128
Research grants and contracts	5	12,226	11,051	12,226	11,051
Clinical and related income	6	24,796	21,078	22,471	20,875
Other income	6	9,850	8,907	7,667	6,582
Investment income	7	845	379	819	444
Total income before endowments and donations		99,893	90,479	95,362	88,016
Donations and endowments	8	1,479	759	1,909	1,378
Total income		101,372	91,238	97,271	89,394
Expenditure					
Staff costs in year (excluding pension provisions)		54,138	48,495	52,382	47,819
Provisions for pension obligations		12,760	(1,308)	12,621	(1,295)
Staff costs	9	66,898	47,187	65,003	46,524
Other operating expenses	13	34,089	30,581	32,377	29,259
Depreciation	11	6,312	5,523	6,072	5,301
Interest and other finance costs	12	1,311	34	1,335	49
Total expenditure		108,610	83,325	104,787	81,133
(Loss) / surplus before other gains and losses		(7,238)	7,913	(7,516)	8,261
(Loss) on disposal or impairment of fixed assets	14	(7)	(226)	(2)	(226)
Gain on investments	15	345	704	263	420
(Loss) / surplus before tax		(6,900)	8,391	(7,255)	8,455
Taxation	16	(90)	(43)	-	-
(Loss) / surplus for the year		(6,990)	8,348	(7,255)	8,455
Total comprehensive (expenditure) / income for the year		(6,990)	8,348	(7,255)	8,455
Represented by:					
Endowment comprehensive (expenditure) / income		(139)	168	(135)	168
Restricted comprehensive income		1,138	1,355	1,318	952
Unrestricted comprehensive (expenditure) / income		(7,989)	6,825	(8,438)	7,335
		(6,990)	8,348	(7,255)	8,455

The consolidated income and expenditure relates wholly to continuing operations.
The notes on pages 31 to 69 form an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 July 2019

	Income and expenditure account			Revaluation	Total
	Endowment	Restricted	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000	
GROUP					
Balance at 1 August 2018	9,190	3,008	146,837	4,583	163,618
(Deficit) / surplus from the income and expenditure statement	(139)	1,138	(7,989)	-	(6,990)
Revaluation of heritage assets	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Transfer between reserves	-	(1,315)	1,315	-	-
Total comprehensive (expenditure) / income for the year	(139)	(177)	(6,674)	-	(6,990)
Balance at 31 July 2019	<u>9,051</u>	<u>2,831</u>	<u>140,163</u>	<u>4,583</u>	<u>156,628</u>
COLLEGE					
Balance at 1 August 2018	9,171	305	146,101	4,583	160,160
(Deficit) / surplus from the income and expenditure statement	(135)	1,318	(8,438)	-	(7,255)
Revaluation of heritage assets	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Transfer between reserves	-	(1,315)	1,315	-	-
Total comprehensive (expenditure) / income for the year	(135)	3	(7,123)	-	(7,255)
Balance at 31 July 2019	<u>9,036</u>	<u>308</u>	<u>138,978</u>	<u>4,583</u>	<u>152,905</u>

The notes on pages 31 to 69 form an integral part of these financial statements.

BALANCE SHEET for the year ended 31 July 2019

	Notes	RVC Group		College	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Non-current assets					
Intangible assets and goodwill	18	3,550	3,849	175	96
Fixed assets	19	165,244	154,978	164,514	154,102
Heritage assets	20	4,583	4,583	4,583	4,583
Investments	21	13,652	12,748	14,816	13,755
Non-current receivables	22	-	-	1,011	1,247
		187,029	176,158	185,099	173,783
Current assets					
Stock	23	1,311	1,242	1,228	1,170
Trade and other receivables	24	8,851	7,488	8,702	8,364
Investments - short term	25	30,411	-	30,411	-
Cash and cash equivalents	26	14,151	48,370	12,391	47,904
		54,724	57,100	52,732	57,438
Less: Creditors due within one year	27	(19,565)	(16,411)	(19,910)	(18,235)
Net current assets		35,159	40,689	32,822	39,203
Total assets less current liabilities		222,188	216,847	217,921	212,986
Creditors - amounts due after more than one year	28	45,684	46,256	45,684	46,256
Provisions					
Pension provisions	29	19,542	6,640	19,332	6,570
Other provisions	29	334	333	-	-
Total net assets		156,628	163,618	152,905	160,160
Restricted reserves					
Income and expenditure reserve - endowment reserves	30	9,051	9,190	9,036	9,171
Income and expenditure reserve - restricted reserves	31	2,831	3,008	308	305
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		140,163	146,837	138,978	146,101
Income and expenditure reserve - revaluation reserve		4,583	4,583	4,583	4,583
Total Reserves		156,628	163,618	152,905	160,160

The financial statements on pages 31 to 69 were approved by the Council on 27 November 2019 and signed on its behalf by:

Baroness Young of Old Scone
Chairman of Council

Mr Roger Bright
Vice Chairman of Council
and Honorary Treasurer

Professor Stuart Reid
Principal

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 July 2019

	Notes	RVC Group	
		2019	2018
		£'000	£'000
Cash flow from operating activities			
(Deficit) / surplus for the year		(6,990)	8,348
Adjustment for non-cash items			
Depreciation	11	6,312	5,523
Amortisation of intangible assets	11	392	118
Loss on impairment of fixed assets	14	7	226
Unrealised (gain)/ loss on investments	15	(301)	613
Unrealised (gain) on foreign exchange		(83)	(471)
(Increase in stock	23	(69)	(307)
(Increase)/decrease in trade and other receivables	24	(1,363)	816
Increase in trade and other payables	27	3,171	1,163
(Decrease) in economic hedge	17	-	(1,114)
(Decrease)/increase in pension provision	29	12,902	(1,167)
Increase in other provisions	29	1	333
Other non-cash items		138	17
<i>Adjustment for non-cash items</i>		<u>21,107</u>	<u>5,750</u>
Adjustment for investing or financing activities			
Investment income	7	(845)	(379)
Interest payable	12	1,251	956
Endowment income	8	(10)	(1)
Realised (gain) on investments	15	(44)	(1,317)
New restricted funds	8	(955)	(431)
Capital grant income	31	(1,315)	(1,010)
Net cash inflow from operating activities		<u>12,199</u>	<u>11,916</u>
Cash flows from investing activities			
Capital grants receipts	31	1,315	1,010
Disposal of non-current asset investments	21	4,431	13,884
Withdrawal of deposits	25	-	5,000
Change in investment portfolio cash		164	(134)
New restricted funds	8	955	431
Investment income	7	845	379
Realised gain on investments	15	44	1,317
Payments made to acquire new subsidiary	35	(334)	(3,816)
Payments made to acquire fixed assets	19	(16,597)	(9,556)
New non-current asset investments	21	(4,990)	(14,162)
New deposits	25	(30,411)	-
		<u>(44,578)</u>	<u>(5,647)</u>
Cash flows from financing activities			
Loan interest	12	(1,214)	(899)
Finance lease interest	12	(37)	(58)
Private placement	28	-	45,000
New unsecured loans	28	-	80
Loan capital repayments	27/28	(334)	(19,743)
Breakage costs of economic hedge	17	-	(4,255)
Finance lease capital repayments	27/28	(255)	(384)
		<u>(1,840)</u>	<u>19,741</u>
(Decrease) / increase in cash and cash equivalents in the year		<u>(34,219)</u>	<u>26,010</u>
Cash and cash equivalents at beginning of the year	26	48,370	22,360
Cash and cash equivalents at end of the year	26	14,151	48,370
Movement in the year		<u>(34,219)</u>	<u>26,010</u>

The notes on pages 31 to 69 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2019

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 affect 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 2019. 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. 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, some building maintenance supplies and some operational stocks. 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 previously outlined in the Annual Report and Financial Statements for the year ending 31 July 2018, the College on 5 April 2018 established a new subsidiary registered in England and Wales as RVC Veterinary Practices Limited ("RVP"). On 1 July 2018, RVP acquired the business of Acorn House Veterinary Hospital, an existing first opinion veterinary practice based in Bedford, from the partners, and commenced active trading. To align with the College and other entities within the RVC Group, RVC has adopted an extended accounting reference period ending on 31 July 2019 which will form the basis for its set of financial statements.

In the RVC Group's Financial Statements for the year ending 31 July 2018, figures for the first month of operation to 31 July 2018 were reflected in the income and expenditure, surplus, and balance sheet figures.

Calculation of the goodwill was derived from the contract agreeing the acquisition, being the difference between payments for specific assets (fixed assets) and the total purchase price agreed in the contract.

In 2017/18, a provision was made for future payments expected to be made by early 2019/20, in accordance with the terms of the contract for the acquisition. The payments were duly made on 30 September 2019 and this has been appropriately disclosed below in Notes 21 and 37.

Office for Students Median Pay Disclosure

The Office for Students ("OfS") became the lead regulator for higher education providers in April 2018 and the OfS has 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. 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 £1,129,000 for the year ending 31 July 2019 (2018: £703,000). In addition there was expenditure through the payroll of £201,000 (2018: £163,000) on remuneration of non-contracted personnel (mainly on casual visiting lecturers and external examiners).

The total spend on these two categories (2018: £1,330,000; 2018: £866,000) equates to 2.51% of the total salaries pay bill as defined in the SORP (2018: 1.84%). 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 2019 and this is reflected in Note 19 (Fixed Assets).

2. Accounting Estimates and Judgements *continued*

In considering whether there has been a material risk of impairment in fixed asset values, 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 comparator. The last available UK commercial property survey³ from the Royal Institution of Chartered Surveyors reports an overall deterioration in market sentiment. This is largely informed by negative rental and capital value projections (as well as ongoing uncertainties about Brexit). As the main alternative uses of the College's estate will be for office or industrial use and the College does not anticipate disposing of its assets in the short (1 year) to medium term (10 years), it seems likely that there would be some recovery over the longer term, especially as the College benefits from being located in areas where there are significant constraints on supply of commercial properties.

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. Income generated by the College's operational properties continues to be positive and therefore 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 (taking into account investment in the estate and in other infrastructure and equipment) and this is reflected in these financial statements.

Pension Provisions

FRS 102 distinguishes 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) – both of which the College is party to.

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 is satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme. As disclosed in Note 29 below, the RVC Group and the College 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 the College's provision for USS pension liabilities has been calculated using a methodology agreed by the sector.

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 (and subsequent communications from SAUL confirm that the scheme had a funding level in excess of 100% at 31 March 2019). Accordingly, no provision for future employer's contributions to SAUL is required for the financial year ended 31 July 2019.

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

³ RICS UK Commercial Property Market Survey, Q2 2019 (<https://www.rics.org/globalassets/rics-website/media/knowledge/research/market-surveys/uk-commercial-property-market-survey-q2-2019-rics.pdf>).

2. Accounting Estimates and Judgements *continued*

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. It has been assumed that overall changes in the staffing establishment will be minimal. 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.

Following calculation of the provision, further information was released by USS after the balance sheet date and this is disclosed below in Note 37 Post Balance Sheet Events.

3. Tuition Fees and Education Contracts

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Full-time undergraduate students - UK and EU	14,394	14,286	14,394	14,286
Full-time postgraduate students - UK and EU	644	683	644	683
Part-time undergraduate students - UK and EU	71	83	71	83
Part-time postgraduate students - UK and EU	206	217	209	217
International students	13,538	11,064	13,538	11,064
Higher Education course fees	28,853	26,333	28,856	26,333
Research training support grants	864	688	864	688
Short course fees	1,129	915	1,129	915
	30,846	27,936	30,849	27,936

4. Funding Body Grants

	Note	RVC Group		College	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Recurrent grants					
Teaching		14,361	14,372	14,361	14,372
Research		4,503	4,437	4,503	4,437
Specific grants					
Higher Education Innovation Fund		1,222	910	1,222	910
Other specific grants		548	399	548	399
Capital grants	31	696	1,010	696	1,010
		21,330	21,128	21,330	21,128

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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Research councils	4,318	3,911	4,318	3,911
UK based charities	1,540	1,801	1,540	1,801
UK government, local and health bodies	1,017	396	1,017	396
UK industry, commerce, public corporations	2,338	1,697	2,338	1,697
EU government bodies	1,633	2,122	1,633	2,122
EU other	468	422	468	422
Other international	887	687	887	687
Other source of funding	25	15	25	15
	12,226	11,051	12,226	11,051

Included under UK government, local and health bodies in 2019 is a sum of £510k received from the Hertfordshire Local Enterprise Partnership (LEP) relating to a £7m capital grant towards the construction and equipping of a Centre for Vaccinology and Cell Therapy as part of the Hawkshead capital project

6. Other Income including Clinical and Related Income

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Residences, catering and conferences	3,126	2,898	3,077	2,848
Rent and other income	4,230	3,468	4,590	3,734
Subsidiaries trading income	2,494	2,541	-	-
Other income	9,850	8,907	7,667	6,582
Clinical and related income	24,796	21,078	22,471	20,875
	34,646	29,985	30,138	27,457

7. Investment Income

	Note	RVC Group		College	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Investment income on endowments	30	350	178	339	178
Investment income on restricted reserves	31	89	45	-	-
Other investment income		406	156	480	266
		845	379	819	444

8. Donations and Endowments

	Note	RVC Group		College	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
New endowments	30	10	-	10	-
Donations with restrictions	31	955	431	1,470	397
Unrestricted donations		514	328	429	981
		<u>1,479</u>	<u>759</u>	<u>1,909</u>	<u>1,378</u>

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:

	2019	2018
	Number	Number
Academic departments	206	198
Academic services	67	62
Clinical services	344	319
Research grants and contracts	67	75
General education expenditure	24	22
Residences, catering and conference services	9	9
Premises	64	63
Staff and student facilities	19	19
Subsidiary undertakings	11	11
Administration and central services	97	94
Other services	29	29
	<u>937</u>	<u>901</u>
Staff costs for the above:	2019	2018
	£'000	£'000
Salaries	43,355	38,695
Social security costs	4,302	3,825
Pension schemes - employer contributions	6,370	5,795
Restructuring and redundancy costs	111	180
Staff costs in year (excluding pension provisions)	54,138	48,495
Movement on pension provisions:		
- USS Pension Scheme Provision	12,760	(903)
- SAUL Pension Scheme Provision	-	(405)
Provisions for pension obligations	12,760	(1,308)
Total staff costs	66,898	47,187

10. Remuneration of Senior and Higher Paid Staff

	2019	2018
Emoluments of the Principal:	£	£
Salary	256,814	251,547
Bonuses and Awards	15,000	15,000
Allowances	47,100	45,900
	<u>318,914</u>	<u>312,447</u>
Pension contributions to USS	49,671	47,439
	<u>368,585</u>	<u>359,886</u>

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 accreditations from all the major regulatory 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 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 and, in this capacity, is a member of a number of statutory and regulatory national and international bodies. In 2018, Professor Reid was awarded a CBE for his contributions to the veterinary profession and higher education. Further contextual considerations for the Committee in determining the Principal's remuneration package are the salaries on offer in the private veterinary market and at veterinary schools overseas, notably the United States. Deans of US Veterinary Schools, though not heads of institutions, are remunerated at a level equivalent to, and in some cases higher than, the College Principal.

In 2018/19, Professor Reid, along with other senior staff, was awarded a 2% increase to his base salary (excluding London weighting) which rose from £248k to £253k. This was equivalent to the national HE pay award for the year paid to other College staff. Since his appointment in January 2011, his base salary has increased by an average of 2.6% p.a. This compares to an average annual pay award over the same period made to College staff of 1.3%; however, the latter also receive incremental pay increases, until they reach their grade maxima, which range between 3% and 4% p.a. Under Professor Reid's eight-year tenure, he has led the RVC to notable successes including TEF Gold, significant improvement in student satisfaction scores and sound financial performance. In recognition of these, and other achievements, Professor Reid was awarded a non-consolidated bonus of £15k in 2018-19. During the past year, the RVC was ranked number one veterinary school in the prestigious QS World University Rankings, having been in the top three in the previous four years. The College was also successful in renewing its accreditations with all the major regulatory veterinary bodies following a joint visit.

Professor Reid's remuneration also includes (taxable) allowances for accommodation and travel of £35k and £12k respectively. 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 close to the Hawkshead Campus and on a direct train route to London (Camden Campus).

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 8.2 times (2018: 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 9.8 times (2018: 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 reported above includes compensation paid to members of the CEC.

	2019	2018
	£	£
Key management personnel:		
Compensation paid or accrued in year	2,740,890	2,782,371
Movement on USS pension provisions	1,146,522	(88,374)
Total key management personnel compensation	3,887,412	2,693,997
Number of key management personnel (headcount)	19	19

Remuneration of other higher paid staff, excluding employer's pension contributions:	2019	2018
	No. of Staff	No. of Staff
£100,000 to £104,999	5	3
£105,000 to £109,999	6	3
£110,000 to £114,999	3	2
£115,000 to £119,999	1	-
£120,000 to £124,999	1	-
£125,000 to £129,999	-	2
£130,000 to £134,999	2	2
£135,000 to £139,999	-	1
£140,000 to £144,999	3	2
£145,000 to £149,999	-	-
£150,000 to £154,999	2	1
£155,000 to £159,999	1	1
£160,000 to £189,999	-	1
	<u>24</u>	<u>18</u>

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.

11. Depreciation

	Note	RVC Group		College	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Depreciation of fixed assets - wholly owned		6,065	5,276	5,825	5,054
Depreciation of fixed assets - held on finance lease		247	247	247	247
Depreciation of fixed assets	19	6,312	5,523	6,072	5,301

12. Interest and Other Finance Costs

	Note	RVC Group		College	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Loan interest		1,214	899	1,239	913
Finance lease interest		37	58	37	58
Exchange differences		(82)	50	(82)	52
Change in fair value of financial instruments	17	-	(1,114)	-	(1,114)
Net charge on pension scheme		142	141	141	140
		1,311	34	1,335	49

13. Other Operating Expenses and Analysis of Expenditure

2018/19	Staff Costs £'000	Other Operating Expenses £'000	Depreciation £'000	Interest and other	2019 Total £'000
				finance costs £'000	
Academic departments	15,885	4,801	59	-	20,745
Academic services	3,883	1,741	443	34	6,101
Clinical services	16,545	6,774	286	4	23,609
Research grants and contracts	3,997	4,355	220	(8)	8,564
General education expenditure	1,134	4,147	-	-	5,281
Residences, catering and conference services	345	1,530	702	449	3,026
Premises	2,697	4,982	4,015	725	12,419
Staff and student facilities	817	1,083	327	-	2,227
Subsidiary undertakings	738	1,099	217	35	2,089
Administration and central services	6,984	3,227	8	(2)	10,217
Other services	1,310	438	35	-	1,783
Other expenditure	12,563	(88)	-	74	12,549
	66,898	34,089	6,312	1,311	108,610

2017/18	Staff Costs £'000	Other Operating Expenses £'000	Depreciation £'000	Interest and other	2018 Total £'000
				finance costs £'000	
Academic departments	14,260	3,933	20	-	18,213
Academic services	3,486	1,629	427	50	5,592
Clinical services	14,293	5,558	313	8	20,172
Research grants and contracts	3,889	4,484	33	1	8,407
General education expenditure	996	4,146	-	-	5,142
Residences, catering and conference services	301	1,853	694	(140)	2,708
Premises	2,290	4,427	3,514	-	10,231
Staff and student facilities	688	1,019	287	-	1,994
Subsidiary undertakings	571	1,220	221	16	2,028
Administration and central services	6,329	2,670	-	48	9,047
Other services	1,272	213	14	1	1,500
Other expenditure	(1,188)	(571)	-	50	(1,709)
	47,187	30,581	5,523	34	83,325

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 £40,000 (2018: £36,800)
- External auditor's fees for other audit work of £44,450 (2018: £8,825)
- External auditor's fees for non-audit services of £23,170 (2018: £21,516)

Other audit work includes the following:

	2019	2018
	£	£
Audit of Subsidiaries' financial statements	9,450	8,825
Audit of US GAAP statements for US loans	32,500	-

The United States Department of Education requires the College to provide audited US GAAP accounts (on an annual basis from 2019) 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:

	2019	2018
	£	£
Tax compliance services	12,570	11,916
London BioScience Innovation Centre Ltd. service charge audit	2,000	2,000
External compliance audits	8,600	7,600

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 £6,470 (2017: paid to 8 members, £5,593).

14. (Loss) on Disposal of Fixed Assets

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Disposal of fixed assets - equipment	(7)	1	(2)	1
Impairment of fixed assets - land and buildings	-	(227)	-	(227)
	<u>(7)</u>	<u>(226)</u>	<u>(2)</u>	<u>(226)</u>

15. Gain / (Loss) on Investments

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Investments - realised gains	44	1,317	34	1,015
Investments - unrealised (losses) / gains	301	(613)	229	(595)
Gain on investments	<u>345</u>	<u>704</u>	<u>263</u>	<u>420</u>

Further details of the investments are disclosed in Note 21.

16. Taxation

RVC Group	2019	2018
	£'000	£'000
Tax on profits of subsidiary undertakings	90	43
Current tax charge	<u>90</u>	<u>43</u>
Factors affecting current tax charge		
(Deficit) / surplus before taxation	(6,900)	8,391
<i>Exclude:</i> Movement on pensions provisions (Note 29)	12,902	1,167
Surplus / (deficit) before taxation (excluding pensions provision)	<u>6,002</u>	<u>9,558</u>
Surplus (before pensions provision) multiplied by standard date of corporation tax in the UK of 19%	1,140	1,816
College surplus exempt from tax	(1,246)	(1,762)
Balances eliminated on consolidation exempt from tax	54	(54)
Expenses disallowable for tax in subsidiary	225	221
Capital allowances in subsidiary	(173)	(178)
Loss in Subsidiary	(1)	(3)
Corporation tax due to prior year correction	-	1
Corporation tax due before Gift Aid relief	90	118
Gift Aid relief	-	(116)
Total current tax charge	<u>90</u>	<u>43</u>

17. Change in Fair Value of Hedging Financial Instruments

	Note	RVC Group		College	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Gross book value at 1 August		-	(5,369)	-	(5,369)
Breakage cost of economic hedge		-	4,255	-	4,255
Less: Gross book value at 31 July		-	-	-	-
Change in fair value of economic hedge	12	-	(1,114)	-	(1,114)

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Gross book value at 1 August	1,809	1,713	1,809	1,713
Additions in the year	93	96	93	96
Gross book value at 31 July	1,902	1,809	1,902	1,809
Accumulated amortisation at 1 August	1,713	1,627	1,713	1,627
Amortisation charge for the year	14	86	14	86
Accumulated amortisation at 31 July	1,727	1,713	1,727	1,713
Net book value at 31 July	175	96	175	96

Software intangible assets have an amortisation period of 5 years.

Goodwill	RVC Group		College	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Gross book value at 1 August	3,785	-	-	-
Additions in the year	-	3,785	-	-
Gross book value at 31 July	3,785	3,785	-	-
Accumulated amortisation at 1 August	32	-	-	-
Amortisation charge for the year	378	32	-	-
Accumulated amortisation at 31 July	410	32	-	-
Net book value at 31 July	3,375	3,753	-	-
Total Intangible assets and goodwill	3,550	3,849	175	96

Goodwill relates to the acquisition of Acorn House Veterinary Hospital, acquired by RVC Veterinary Practices Limited on 1 July 2018. Goodwill is amortised over 10 years. The charge in 2017/18 related to the one month post-acquisition period.

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			
GROUP						
Cost or valuation						
At 1 August 2018	148,603	26,328	28,712	10,529	5,654	219,825
Additions	-	-	-	2,624	13,972	16,597
Transfers	432	11,241	3,049	1,471	(16,193)	-
Impairments	(238)	(106)	(185)	-	-	(529)
Disposals	-	-	-	(34)	-	(34)
At 31 July 2019	148,797	37,463	31,576	14,590	3,433	235,859
Depreciation						
At 1 August 2018	32,728	11,405	14,062	6,652	-	64,847
Charge for the Year	1,306	1,937	1,778	1,291	-	6,312
Impairments	(238)	(106)	(185)	-	-	(529)
Disposals	-	-	-	(15)	-	(15)
At 31 July 2019	33,796	13,236	15,655	7,928	-	70,615
Net book value						
At 31 July 2018	115,875	14,923	14,650	3,877	5,654	154,978
At 31 July 2019	115,001	24,227	15,921	6,662	3,433	165,244
COLLEGE						
Cost or valuation						
At 1 August 2018	144,370	26,328	28,712	10,297	5,654	215,360
Additions	-	-	-	2,581	13,923	16,504
Transfers	432	11,241	3,049	1,471	(16,193)	-
Impairments	(238)	(106)	(185)	-	-	(529)
Disposals	-	-	-	(34)	-	(34)
At 31 July 2019	144,564	37,463	31,576	14,315	3,384	231,301
Depreciation						
At 1 August 2018	29,235	11,405	14,062	6,556	-	61,258
Charge for the Year	1,301	1,937	1,778	1,057	-	6,073
Impairments	(238)	(106)	(185)	-	-	(529)
Disposals	-	-	-	(15)	-	(15)
At 31 July 2019	30,298	13,236	15,655	7,598	-	66,787
Net book value						
At 31 July 2018	115,135	14,923	14,650	3,741	5,654	154,102
At 31 July 2019	114,266	24,227	15,921	6,717	3,384	164,514

At 31 July 2019, 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 2019. As the assets impaired had been fully depreciated, the net write-back on impairment to the Statement of Comprehensive Income was £NIL. Further details of the impairment review are disclosed in Note 2 above.

Building-related assets leased by the College included above:

	Fixtures, Fittings and Equipment
Net book value	£'000
At 31 July 2018	693
At 31 July 2019	446

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

	2019	2018
	£'000	£'000
Cost	1,470	1,470
Accumulated depreciation	(777)	(430)
Assets written down at end of lease		
Cost	-	(300)
Accumulated depreciation	-	200
Charge for year	(247)	(247)
Net book value	446	693

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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Heritage assets held at valuation	4,583	4,583	4,583	4,583
At 31 July 2019	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	Other Fixed	Total
	Companies	Asset	
	£'000	Investments £'000	
At 1 August 2018	-	12,748	12,748
Additions	-	4,990	4,990
Disposals	-	(4,431)	(4,431)
Realised gains	-	44	44
Unrealised losses	-	301	301
At 31 July 2019	-	13,652	13,652
College			
At 1 August 2018	3,939	9,816	13,755
Additions	334	3,842	4,176
Disposals	-	(3,378)	(3,378)
Realised gain	-	34	34
Unrealised losses	-	229	229
At 31 July 2019	4,273	10,543	14,816

Details of the subsidiary undertakings are disclosed in Note 35 below, which also provides details of the additional allotment of 334,000 shares (at £1 each) by RVC Veterinary Practices Ltd. to the College.

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. Fixed asset 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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year:				
Loan to subsidiary undertaking	-	-	1,011	1,247
	<u>-</u>	<u>-</u>	<u>1,011</u>	<u>1,247</u>

The amounts shown under the College related to the long-term portions of a loan to London BioScience Innovation Centre Ltd (LBIC). At 31 July 2019 the total value of the loan outstanding from LBIC was £1.2m (2018: £1.5m) of which £236,000 is due within one year. The loan is on commercial terms and mirrors that previously in place between the College and the Royal Bank of Scotland, which was repaid in July 2018 and funded the development of the McFadyean Building which LBIC occupies. The College's loan to LBIC is not due to be fully repaid until 2024.

23. Stock

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
General consumables	1,007	935	924	863
Farm stock	304	307	304	307
	<u>1,311</u>	<u>1,242</u>	<u>1,228</u>	<u>1,170</u>

24. Trade and Other Receivables

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grant receivables	3,032	1,943	3,032	1,943
Other trade receivables	3,860	4,205	3,439	3,889
Other receivables	81	320	56	93
Prepayments and accrued income	1,774	953	1,769	917
Amounts due from subsidiary undertakings	-	-	302	1,455
Amounts due from concessionary loans	104	67	104	67
	8,851	7,488	8,702	8,364

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.

The College has, for the time being, ceased use of its subsidiary company, Royal Veterinary College (Hong Kong) Limited (HKL), which previously supported educational provision in Hong Kong. The

25. Investments – Short Term

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Short term deposits	30,411	-	30,411	-
	30,411	-	30,411	-

The College's short-term cash deposits are managed through its investment fund managers UBS AG and placed with counterparties. Further information on current funds managed by UBS AG is provided in Note 26.

26. Cash and Cash Equivalents

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash in hand	129	88	115	88
Cash at bank	8,827	12,771	7,187	12,423
Current deposits	5,195	35,511	5,089	35,393
	14,151	48,370	12,391	47,904

£35m was placed at 31 July 2018 with the College's investment fund manager, UBS AG and, for the prior year, is shown in the table above under Current deposits. £30m was subsequently traded with approved counterparties on 1 August 2018 and for 2018/19 is reported under Investments - short-term (Note 25). Current deposits at 31 July 2019 comprise £5m held on call with UBS along with currency accounts which form part of the discretionary portfolio also managed by UBS.

Cash at bank comprises balances held in College and subsidiary company current accounts with the Royal Bank of Scotland, including euro and US dollar accounts.

27. Creditors – Amounts falling due within one year

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Unsecured loans	334	334	334	334
Obligations under finance leases	238	255	238	255
Trade payables	1,928	2,052	1,834	2,052
Taxation due including social security	2,540	1,797	2,267	1,657
Research grant payables	8,423	6,502	8,423	6,502
Accrued expenses and deferred income	6,102	5,471	5,370	4,869
Amounts owed to subsidiaries	-	-	1,444	2,566
	19,565	16,411	19,910	18,235

28. Creditors – Amounts falling due after one year

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due after one year:				
Obligations under finance leases	241	479	241	479
Unsecured loans	443	777	443	777
Private placements	45,000	45,000	45,000	45,000
	<u>45,684</u>	<u>46,256</u>	<u>45,684</u>	<u>46,256</u>

In July 2018 the College secured £45m through a private placement with Sun Life Assurance Company of Canada Ltd. The funds raised were used in part to repay unsecured loans (£18m) held with the Royal Bank of Scotland, as well as meeting the breakage costs (£4m) of the related economic hedges. The balance of funds is being applied to part fund the College's major capital programme.

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

Analysis of unsecured loans and private placements:

Due between one and two years	214	334	214	334
Due between two and five years	229	443	229	443
Due in five years or more	45,000	45,000	45,000	45,000
Due after more than one year	<u>45,443</u>	<u>45,777</u>	<u>45,443</u>	<u>45,777</u>
Due within one year	334	334	334	334
Total unsecured borrowings	<u>45,777</u>	<u>46,111</u>	<u>45,777</u>	<u>46,111</u>

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

Lender	Amount	Term ends	Interest rate
	£'000		%
Salix	777	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	45,777		

The College secured interest-free Salix loan funding to support investment in energy efficiency projects. The outstanding balance of £0.8m is repayable over the next three years.

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

	RVC Group		College	
	2019	2018	2019	2018
Analysis of finance leases	£'000	£'000	£'000	£'000
Due between one and two years	239	240	239	240
Due between two and five years	-	239	-	239
Due after more than one year	239	479	239	479
Due within one year	240	255	240	255
Total finance lease payments	479	734	479	734

29. Provisions for Pension and Other Liabilities

	Obligation to fund deficit on USS Pension £'000	Other provisions: RVP Ltd. £'000
RVC Group		
At 1 August 2018	6,640	333
Utilised in the year	(323)	-
Additions in the year	13,225	1
Unused amounts released in the year	-	-
At 31 July 2019	<u>19,542</u>	<u>334</u>
College		
At 1 August 2018	6,570	-
Utilised in the year	(319)	-
Additions in the year	13,081	-
Unused amounts released in the year	-	-
At 31 July 2019	<u>19,332</u>	<u>-</u>

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 reported in 2017-18, the SAUL scheme is no longer in deficit and the balance of the provision was released in 2018. Further details of pension schemes are provided in Note 36. In addition, the USS scheme has reported an amended Memorandum of Contributions (see Note 37).

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 first full year of operation. This provision was fully paid out in September 2019: see Note 37 for further details.

30. Endowments Reserves

RVC Group	Restricted Permanent £'000	Expendable Endowments £'000	2019 Total £'000	2018 Total £'000
Balances at 1 August				
Capital	1,175	4,461	5,636	5,514
Accumulated income	1,596	1,958	3,554	4,284
	<u>2,771</u>	<u>6,419</u>	<u>9,190</u>	<u>9,798</u>
New endowments	1	10	11	-
Investment income	99	251	350	178
Expenditure	(195)	(179)	(374)	(432)
Increase / (decrease) in market value of investments	(48)	(78)	(126)	422
Total endowment comprehensive income for the year	<u>(143)</u>	<u>4</u>	<u>(139)</u>	<u>168</u>
Balances at 31 July	<u>2,628</u>	<u>6,423</u>	<u>9,051</u>	<u>9,190</u>
College	Restricted Permanent £'000	Expendable Endowments £'000	2019 Total £'000	2018 Total £'000
Balances at 1 August				
Capital	1,175	4,442	5,617	5,496
Accumulated income	1,596	1,958	3,554	4,283
	<u>2,771</u>	<u>6,400</u>	<u>9,171</u>	<u>9,779</u>
New endowments	1	10	11	-
Investment income	99	240	339	178
Expenditure	(195)	(179)	(374)	(431)
Increase / (decrease) in market value of investments	(48)	(63)	(111)	421
Total endowment comprehensive income for the year	<u>(143)</u>	<u>8</u>	<u>(135)</u>	<u>168</u>
Transfer to unrestricted reserves to fund endowment funded capital expenditure	-	-	-	(776)
Balances at 31 July	<u>2,628</u>	<u>6,408</u>	<u>9,036</u>	<u>9,171</u>
Analysis by type of purpose:	RVC Group		College	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Scholarships and prizes	2,940	2,871	2,925	2,852
Student welfare and support	1,535	1,522	1,535	1,522
Research support	3,419	3,623	3,419	3,623
Clinical services support	1,157	1,174	1,157	1,174
	<u>9,051</u>	<u>9,190</u>	<u>9,036</u>	<u>9,171</u>

No funds were in deficit in either 2018/19 or the prior year.

31. Restricted Reserves

RVC Group	Unspent	Donations	2019	2018
	Capital Grants	and Other	Total	Total
	£'000	£'000	£'000	£'000
Balances at 1 August	-	3,008	3,008	4,434
New grants	1,315		1,315	1,010
New donations	-	955	955	431
Investment income	-	88	88	45
Expenditure	-	(1,194)	(1,194)	(406)
Increase / (decrease) in market value of investments	-	(26)	(26)	275
Total restricted comprehensive income for the year	1,315	(177)	1,138	1,355
Capital grants utilised and released to unrestricted reserve	(1,315)	-	(1,315)	(2,781)
Balances at 31 July	-	2,831	2,831	3,008
College	Unspent	Donations	2019	2018
	Capital Grants	and Other	Total	Total
	£'000	£'000	£'000	£'000
Balances at 1 August	-	305	305	2,134
New grants	1,315	-	1,315	1,010
New donations	-	1,470	1,470	397
Investment income	-	-	-	-
Expenditure	-	(1,467)	(1,467)	(455)
Total restricted comprehensive income for the year	1,315	3	1,318	952
Capital grants utilised and released to unrestricted reserve	(1,315)	-	(1,315)	(2,781)
Balances at 31 July	-	308	308	305
Analysis by type of purpose:	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Research support	377	443	232	305
Student welfare and support	971	405	-	-
Scholarships and prizes	21	20	-	-
Teaching support and general education	126	144	-	-
Clinical services support	1,260	1,996	-	-
Capital Appeal	76	-	76	-
	2,831	3,008	308	305

32. Capital and Other Commitments

	RVC Group		College	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Capital commitments contracted for	3,676	7,720	3,676	7,720

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 2019				Year ending 31 July 2018
	Land and buildings	Plant and machinery	Other leases	Total	Total
	£'000	£'000	£'000	£'000	£'000
Payable during the year	92	-	56	148	204
Future minimum payments due:					
Not later than 1 year	-	-	64	64	148
Later than 1 year and not more than 5 years	-	-	-	-	64
Total lease payments due	-	-	64	64	212

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)	4,150,000 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. Initial trading and balance sheet figures as of 31 July 2018 were incorporated into the RVC Group Financial Statements for the year ending 31 July 2018 and the 2018-19 figures are reflected in the RVC Group's accounts for the year ending 31 July 2019. The company allotted additional shares to the parent (RVC) on 29 July 2019, increasing the issued share capital from 3,816,000 shares to 4,150,000 shares with a value of £1 each.

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. In addition, RVC Veterinary Practices Ltd. ("RVP") enrolls its staff into the People's Pension defined contribution 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	
	2019	2018
	£'000	£'000
Universities Superannuation Scheme (USS)	4,265	3,900
Superannuation Arrangements for the University of London (SAUL)	2,070	1,888
Universities and Colleges Retirement Savings Scheme (UCRSS)	7	7
People's Pension Scheme	-	-
	<u>6,342</u>	<u>5,795</u>

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 USS provision.

Universities Superannuation Scheme (USS)

The College participates in the USS pension scheme, which is the main scheme for academic and academic-related staff. 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 above.

The cost charged to the Statement of Comprehensive Income and Expenditure for current contributions is £4,265k (2018: £3,900k).

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme was at 31 March 2017 (the valuation date), which was carried out using the projected unit method. As at the financial year end, a valuation as at 31 March 2018 was underway but not yet complete.

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 those assets and liabilities as a whole.

36. Pension Schemes *continued*

The 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the scheme's Statement of Funding Principles.

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

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21+: CPI +1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on 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:

Mortality base table	2017 valuation:
	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females 96.5% of SAPS S1NA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% for females

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

The funding position of the scheme has since been updated on an FRS 102 basis:

	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

Key assumptions are:

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases	2.11%	2.11%

36. Pension Schemes *continued*

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the RVC Group and College have made provisions for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to 31 March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £6.7 million to £19.5 million as set out in note 29. £19.5 million of this increase is attributable to the change in the deficit contributions contractual commitment.

The 2018 actuarial valuation was finalised after the year end which indicated a short fall on the total scheme of £3.6 billion and a funding level of 95% (2017: shortfall £7.5 billion, funding level 89%).

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £11.m, a decrease of £8.5m from the current year end provision resulting in a surplus on the Statement of Comprehensive Income of £1.7m.

Superannuation Arrangements of the University of London (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.

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.

36. Pension Schemes *continued*

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.

Universities and Colleges Retirement Savings Scheme (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 enables the College to provide access to pensions provision for those staff who are not eligible for the two main schemes operated by the College and for the College to meet its pension automatic enrolment responsibilities under the Pensions Act 2008.

People's Pension Scheme

RVC Veterinary Practices Ltd. uses the People's Pension Scheme to meet its pension automatic enrolment responsibilities under the Pensions Act 2008: this also provides continuity for the staff previously employed by the Acorn Partnership. The People's Pension Scheme is a master trust (a multi-employer scheme run by trustees) and provides a defined contribution scheme available to employers across the United Kingdom.

37. Post Balance Sheet Events

Universities Superannuation Scheme (USS): Schedule of Contributions from October 2019

As set out in Note 36 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £8.5m in the provision for the obligation to fund the deficit on the USS pension (reported in Note 36 above and reflected in Notes 9 and 29). The charge to the Statement of Comprehensive Income to provide for the correct closing provision at 31 July 2019 would therefore have been £4.6m (rather than the £13.1m reflected in Note 29 above). The adjustments arising from the new Schedule of Contributions and the 2018 actuarial valuation will be reflected in the financial statements of the RVC Group and College for the year ending 31 July 2020.

RVC Veterinary Practices Limited

At 31 July 2018, RVC Veterinary Practices Limited (RVP) provided for an expected additional payment of £333,000 for the acquisition of the Acorn House Veterinary Hospital. Under the contract for acquisition of the practice, RVP was committed to paying out the £334,000 as disclosed in Note 29, providing that the practice's turnover in its first full 12 months of operations exceeded a target set out in the contract. This target was met and RVP has therefore made the payment. This will be reflected in the financial statements of the RVC Group and of RVP for the year ending 31 July 2020.

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 100% of the voting rights of those entities with share capital).

Ms Gorprit Singh was President of the RVC Students' Union (RVCSU) for the 2018/19 academic year and was succeeded by Ms Jade Urquhart-Gilmore from 1 August 2019. The President of the RVCSU is ex officio a member of Council of the RVC. The RVCSU received £255,151 from RVC in the normal course of business (£156,497 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 £95,940 to RVCSU (estimated at £94,000 in 2017/18).

The Principal, Professor Stuart Reid, is a trustee of the University of London. In 2018/19, RVC made payments in the normal course of business totalling £38,195 to the University of London and its associated undertakings (2017: £85,762).

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:⁴

Independent Members

Baron Curry of Kirkharle CBE ^{F&GPC, RC} (Chairman to 31 July 2019)

Baroness Young of Old Scone ^{F&GPC, RC} (Chairman from 1 August 2019)

Mr E Barnett ^{F&GPC, RC} (Vice Chairman to 31 July 2019)

Mr RMF Bright ^{F&GPC, RC} (Hon. Treasurer; Vice Chairman from 1 August 2019)

Ms J Alexander ^{F&GPC}

Dr A-M Coriat (from 1 August 2019)

Dr D Danson ^{AC}

Mr J Grosvenor ^{AC} (to 31 July 2019)

Mr R Hargreaves

Mr J Heawood ^{F&GPC} (from 1 August 2019)

Mr R Kidson ^{AC} (to 31 July 2019)

Mr A Laycock ^{AC} (from 1 August 2019)

Dr S Lishman CBE

Ms A Pearce Higgins ^{AC} (from 1 August 2019)

Mr P Reid ^{F&GPC}

Members elected by the Academic Board

Professor JE Maddison

Professor AA Pitsillides

President of the Students' Union (ex-officio)

Mr G Singh (2018/19) ^{F&GPC} (to 31 July 2019)

Ms J Urquhart-Gilmore (2019/20) ^{F&GPC} (from 1 August 2019)

Principal (ex-officio)

Professor SWJ Reid CBE ^{F&GPC}

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

⁴ Members of the following Council Committees are signified as follows:

^{F&GPC} Finance and General Purposes Committee ^{AC} Audit Committee ^{RC} Remuneration Committee

CO-OPTED MEMBERS OF COUNCIL COMMITTEES

Mr J Heawood ^{F&GPC} (*Co-optee to 31 July 2019, Independent Member of Council from 1 August 2019*)

Ms A Cooper ^{F&GPC} (*from 1 August 2019*)

Ms A O'Hara ^{F&GPC} (*from 1 August 2019*)

Mr D Cook ^{AC}

Dr S Virdee ^{AC} (*from 1 August 2019*)

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

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**Celebrating over 228 years.
Still making history.**

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.