



Annual Report

For the year ended 31 July 2019



ROYAL
HOLLOWAY
UNIVERSITY
OF LONDON



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Royal Holloway and Bedford New College is a Charity Incorporated in the United Kingdom by Act of Parliament.
Registered Office: Royal Holloway and Bedford New College, Egham Hill, Egham, TW20 0EX

Our Purpose

At Royal Holloway, students and staff join a close community of inspiring people with a truly global outlook. Our beautiful campus, human scale and balanced portfolio of programmes and activities make for a very special experience, where students learn and grow as individuals to achieve their highest potential.

Royal Holloway, University of London, is ranked in the top 20 universities in the UK and the top 300 universities in the world. Through world-class research that expands minds and changes lives, the dedication of our teachers and the feel of the Royal Holloway experience, ours is a community that inspires individuals to succeed academically, socially and personally.

The university was founded by two social reformers who pioneered the ideal of education and knowledge for all who could benefit. Their vision lives on today. As one of the UK's leading research-intensive universities we are home to some of the world's foremost authorities in the sciences, arts, business, economics and law. We are strengthened by diversity, and welcome students and academics who travel from all over the world to study and work here, ensuring an international and multicultural perspective within a close-knit and historic campus.

A successful university today

Royal Holloway is one of the UK's leading universities, with a global reputation

**TOP 20 UNIVERSITY
IN THE UK**

(Times and Sunday Times Good University Guide, 2020)

**21st IN THE UK
FOR INTERNATIONAL
OUTLOOK**

(Times Higher Education World University Rankings, 2019)

Research Excellence Framework, 2014

**81% OF OUR RESEARCH
IS RATED WITHIN THE
TOP TWO CATEGORIES
OF WORLD LEADING
OR INTERNATIONALLY
EXCELLENT**

**WITHIN THE TOP
25% OF ALL UNIVERSITIES
IN THE UK
FOR RESEARCH**

(Times Higher Education, REF 2014: Overall ranking of institutions)

National Student Satisfaction Survey, 2019



CONSISTENTLY
ABOVE
NATIONAL
AVERAGE

**STUDENT
SATISFACTION
HIGHER THAN MOST
RUSSELL GROUP
INSTITUTIONS**

Highlights of 2019

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Results, Cash Flows and Reserves		
Total income	188,683	173,828
Net cash flow from operating activities	22,777	17,402
As % of income	12.1	10.0
Net liquidity (cash plus current asset investments)	41,082	23,287
Net liquidity / (total expenditure - depreciation) days	72	55
External borrowing (including repayable within one year)	140,000	116,429
As % of income	74.2	67.0
General reserve	56,651	94,265
As % of income	30.0	54.2
Payments to acquire tangible and intangible fixed assets	21,373	40,698
As % of income	11.3	23.4
Other Key Statistics		
	Number	Number
Number of full-time equivalent students	10,232	9,615
Average number of full-time equivalent staff	1,601	1,534

**TOTAL INCOME
IN 2018-19
£189M**

**9%
INCREASE
IN INCOME IN
2018-19**

**10,232
STUDENTS
IN 2018-19**

Introduction

Foreword by Dame Margaret Hodge, Chair of Council



I was delighted to take on the role of Chair of Council at Royal Holloway, University of London in November 2018 and this Annual Report provides me with the opportunity to reflect on the successes of our students and staff and our position as we come towards the end of our 2013 to 2020 university strategy.

Through our 2013 to 2020 strategy we committed to growing student numbers whilst maintaining high standards in teaching, undertaking world-class research and offering an excellent educational experience for students. Student numbers have grown year on year and, as we conclude our current strategy, I am pleased to report that we are close to reaching our ambition of 10,500 students by 2020.

Excellence in higher education is measured in many ways and prospective students use league table positions to help them shortlist institutions. As such our 2013 to 2020 strategy challenged us to achieve a top 20 position in a UK university league table. We met that challenge when recently we were ranked 19th by The Times and

The Sunday Times Good University Guide 2020. The publication also shortlisted Royal Holloway for University of the Year for the first time. Having been ranked 36th in 2016, this is a significant achievement and one that reflects the outstanding contribution and achievements of our students and staff. This increase was also reflected in the Complete University Guide where the university has gone up five places from 28th position in 2019 to be ranked 23rd in 2020.

Royal Holloway was founded by social reformers who were among the first to make higher education accessible to women, and we remain true to those founding principles of equality and diversity. In 2017/18 84% of our students were from state schools and of our 2018/19 undergraduate intake, 40% of new UK students were from black and minority ethnic groups. We have made progress in increasing the number of young people from the most disadvantaged areas joining Royal Holloway however, we do still have work to do in this and other areas around widening participation. I am confident that we will succeed in a commitment which shaped our foundation.

The Council, executive team and body of staff and students at Royal Holloway now look to the future and the development of a new strategy for our university. We do so in a period of unprecedented uncertainty, both in a domestic and international context.

Our strategy will be developed in consultation with our university community. Through it we will need to address issues which include continuing to deliver value for money for students and the taxpayer, investment that will strengthen our position as a top flight UK university, equality, diversity, the environment and how a digital world will influence the future of higher education. I, and members of the Council, look forward to working with the university on our future strategy in the full confidence that, in these challenging and dynamic times, the university has the strength and confidence in its purpose of advancing knowledge through education and world-class research in order to inspire individuals to succeed academically, socially and personally.

Principal's foreword



I am pleased to take this opportunity to reflect on an exciting year for our community at Royal Holloway.

Our university goes from strength to strength with our world-class research and student satisfaction, which puts us in a good position to navigate the many challenges facing higher education. This includes future funding models, value for money for students and taxpayers, increased pension contributions, and operating in a volatile political climate.

The commitment we make to our students to support them is reflected in our recent score for overall student satisfaction in the National Student Survey 2019. With an overall satisfaction rating of 88%, we sit four percentage points above the sector average.

We place a high value on the quality of our research-led teaching and, during 2018/19, we continued to invest heavily to improve the experience of students. This was reflected by Royal Holloway becoming a top 20 UK university, rising five places to 19th position in *The Times* and *The Sunday Times* Good University Guide 2020. Described by the newspaper as "...ambitious for the future, ambitious for its students and delivering on all fronts." We were also shortlisted for University of the Year 2020.

Our academics are making great strides in advancing knowledge and improving the world through research. In the field of digital creativity, Royal Holloway secured £6.85m funding from the Arts and Humanities Research Council to lead StoryFutures, an exciting research and development programme, supporting innovation and training in immersive storytelling. Professor Victoria Mapplebeck, Reader in

the Department of Media Arts, won in the Short Form Programme category at the BAFTA Television Awards.

Our leadership in cyber security was boosted by joining five universities from the UK, US and Japan to tackle international challenges facing cyber security experts in our increasingly connected world.

As custodians of the Grade 1 listed Founder's Building, we continue to improve our estate to offer a 21st-century campus. This year, we opened our new £2.8m superconducting nanofabrication facility, SuperFab, a major step forward for the UK's capability in the field of superconducting quantum devices and the global race to develop quantum technology. We also opened the £19m state-of-the-art Beatrice Shilling Building, home to our new Department of Electronic Engineering. Shortly, work will start on an enterprise centre to create a regional centre of excellence to support businesses in the fields of cyber security and data analytics.

In our 2013 strategy, we set ourselves goals in relation to teaching, research and the student experience and we are committed to growing our student numbers.

In the most recent Research Excellence Framework, 81% of our research was recognised as 'world leading' or 'internationally excellent'. We improved our student experience as measured by the National Student Survey and accomplished our goal of a top 20 league table position. This has been thanks to the commitment of our staff and their world-class research, which inspires our students to find their purpose and achieve their goals.

Over the last five years, we leveraged our considerable reserves and secured an £80m private placement in 2015, which enabled us to fund extensive developments on campus. In 2018/19, we took the opportunity to re-finance our shorter dated bank borrowing with longer dated cheaper debt. Our financial results reflect the repayment costs on this debt and the increased USS pension provision. The university's underlying financial performance was strong, with income increasing to £189m.

For over 130 years, Royal Holloway has delivered an outstanding educational experience and environment for students and as our university community works together to develop our new strategy, I am confident we will deliver even more for students and society as a whole.

Royal Holloway at a glance

Our constitution

Royal Holloway, University of London (“the College”) is a multi-faculty Higher Education Institution, offering undergraduate and postgraduate degrees and carrying out academic research. It is one of seventeen

self-governing Colleges and nine smaller specialist research institutes of the University of London. It is financially independent, competes internationally, and has a diverse student population from over 140

countries. The College is a Charity Incorporated in the United Kingdom by Act of Parliament: Royal Holloway and Bedford New College Act 1985.

Our Vision and Strategy

Building on our history

Today’s university is rooted in the purpose and ethos of our two founding colleges, Bedford College (1849) and Royal Holloway College (1886).

In 1985, the colleges combined their heritages of academic excellence, social justice, philanthropy and entrepreneurship, together with their shared tradition of challenging social and cultural norms by being the first to open the doors to higher education for women, to form one university – Royal Holloway and Bedford New College, now known as Royal Holloway, University of London.

Royal Holloway today retains the pioneering spirit of our founders and has become one of the UK’s leading universities; combining world-class research with a distinctive educational and campus experience. We have also retained the human scale of our original colleges, whilst expanding our intake of the best students and staff from around the world, making us the UK’s number one university for international outlook.

However, higher education now operates in a very different environment.

Universities are expected not only to deliver a first-class educational experience, but also to act as agents of economic growth, social change and cultural enhancement. This has to be delivered in an increasingly complex environment in which students pay for their education, demographic and global trends are changing the student population and deregulation is challenging conventional patterns of operation and business modelling.

In order to continue to thrive in this competitive and challenging world, we must draw on our history of excellence, imagination and innovation; we must do justice to the vision and ambition of our founders so that we can continue to achieve excellence, in their names, into the future.



Our future

Our vision for the future informs the choices we make, so that we are certain that, in every case, our actions are bringing us closer to our goals. We intend to realise our vision by both building on our existing strengths and also setting in place a number of fundamental improvements to a range of areas.

Together, these actions will create a university that, by 2020, will look like this:

Our strengths and achievements are known worldwide

Royal Holloway will be consistently recognised as a top 20 UK university in major league tables and we will hold our place amongst the world's top 200 universities.

Our students are independently-minded and socially responsible leaders

We will attract independently-minded students who will benefit from a personalised education. This will enable them to fulfil their potential, by achieving academic excellence, being prepared for the world of work, having a global outlook and having the confidence to lead in a socially responsible manner.

We are placed amongst the top research universities

Across each of our academic disciplines, we will have high-quality staff and at least one distinctive, world-leading research specialism, along with high levels of performance within the UK REF assessment exercise. All our taught

courses will contain elements that are informed by cutting-edge research and scholarship and our research students will be guided by world-leading researchers.

We take full advantage of our size and flexible structures

We will grow our student numbers from 9,000 to 10,500, whilst retaining our overall human scale and sense of community, so that we can continue to respond flexibly in a changing environment and to work effectively across organisational and disciplinary structures.

We work collaboratively with key partners to achieve greater mutual benefit

Whilst our scale and culture mean that we can sometimes achieve more than some larger organisations, other activities will require greater scale and resource. We will be open and collaborative so that we can work with key partners to ensure the best use of our resources and achieve more than we can do alone.

Our campus environment stimulates, inspires and refreshes

Our inspiring and imposing Founder's Building will be complemented by outstanding new facilities that add to the sense of a scholarly community, encourage collaborative, multi-disciplinary activities, and provide a personalised, individual experience for students and staff.



Royal Holloway at a glance

Our Vision and Strategy

Maintaining and developing the disciplinary base

We will maintain the broad shape of our academic portfolio across the arts and humanities, the social sciences and in science. For each of our academic disciplines, we will develop specific areas of strength in research, education and student experience that will define our character and impact.

Focusing disciplinary strengths for impact

We will draw on our individual strengths and outputs in research and teaching to address significant global economic, cultural and social challenges. We will invest for growth where there is potential to do so and, where appropriate, support multi-disciplinary working to create innovative and inspiring ideas.

Delivering step change through partnership

We will accelerate the reach of our teaching and research and increase its impact through joint working with selected, national and international strategic partners. We will seek to access co-funded resources that would otherwise be unavailable to us.

Theme 1

Our reputation, impact and engagement



To raise the national and international profile of Royal Holloway through more effective communications, by using our knowledge and expertise in the world and by developing powerful partnerships and networks.



Theme 2

Our education

To offer excellent, personalised education that equips our students with knowledge and skills for success in a competitive, global workplace.



Theme 3

Our student experience

To deliver an outstanding student experience, where students feel supported as individuals as part of a wider community and, through the facilities, activities and opportunities available on campus, grow to their highest potential.



Theme 4

Our research

To develop a vibrant research environment with the facilities and support to enable the best academic staff to generate exciting, world-changing research at our university.

Theme 5

Our people and culture

To develop a high quality, diverse and professional workforce, who work together to achieve our strategic priorities, and strengthen our leadership and governance capability.



Theme 6

Our estate and environment

To improve the range and quality of our academic, recreational and pastoral facilities, both existing and new, to the benefit of the student and staff experience.



Theme 7

Our institutional sustainability

To develop our financial strength by diversifying and increasing our income, and managing costs, in order to succeed in a competitive global market and challenging funding environment.

Royal Holloway at a glance

Our Vision and Strategy

The College keeps its strategy under review. The UK market for Higher Education has changed considerably in a number of ways since the strategy was formulated i.e.:

- Current developments around the Teaching Excellence Framework,
- The future funding of education and research,
- The implications of Brexit, and
- Government policy towards international student entry into the UK.

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

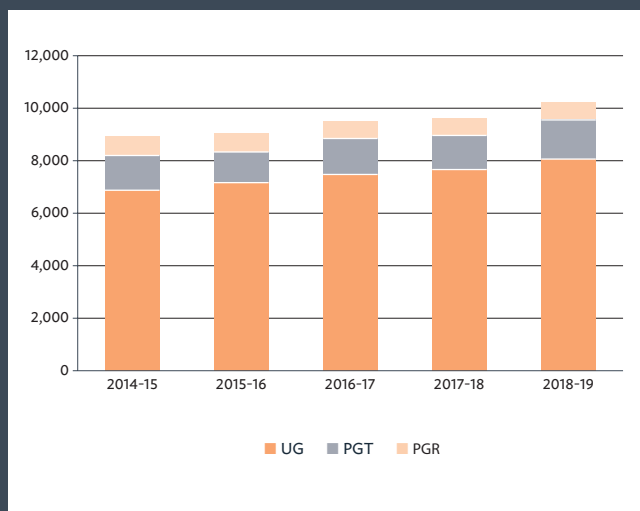


Student numbers

Over the strategic plan period it is intended to grow student numbers to 10,500. The College remains on target to meet this number.

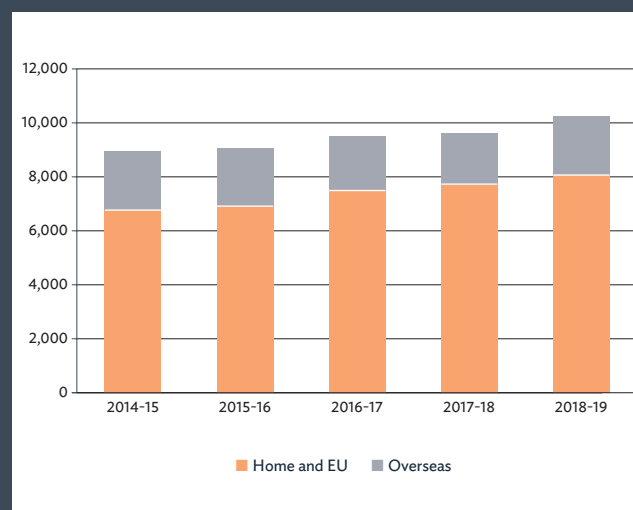
In 2018/19 student numbers were 10,232 full-time equivalents (FTEs) compared with 9,615 FTEs in 2017/18. Postgraduate (PG) student FTEs were 21.2% of the total, including research postgraduates at 6.6% (figure 1).

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



There was an increase of 401 Home and EU (HEU) FTEs and an increase of 216 overseas students (figure 2). Overall, the annual growth in total students FTE was 6.4%.

Figure 2: Student FTEs by domicile





01784 443997

schools@royalholloway.ac.uk

royalholloway.ac.uk

10.00 - 11.25am	Keynote Presentation Bob O'Keefe, Vice Principal for External Engagement, Faculty of the Faculty of Management & Economics, Royal Holloway	Workshop
10.25 - 11.55am	Specialist delivered workshops (A) The future of Higher Education	Workshop
11.55am - 12.55pm	Specialist delivered group work and independent learning 1 Using Pirelli to promote group work and independent learning (Euan Griffin, Stroud's College) 2 CGSL - Chesham Grammar School (Aurumie McIlroy, Chesham Grammar School) 3 'Citizenship, participation and education' (Dr James Spain, Royal Holloway) 4 'I'm Only a D-Grade Student - Challenging Self-Belief' (Vince Scarnella, The South Form College Partnership) 5 Video Support for Maths Students Via YouTube (Andrew Mason, The South Form College Partnership) 6 E-Learning 'Outreach' using Moodle (Jon Winde, Royal Holloway) 7 The Extended Project Qualification (Duncan Burce, Stroud's College)	Workshop
12.45 - 1.30pm	Lunch Optional campus tours and prize gallery view. Please report to the registration desk at 12pm if interested in taking either of these options.	Workshop
1.30 - 1.40pm	Launch of Royal Holloway Schools and Colleges Partnership	Workshop

8 What to observe in an 'outstanding lesson' (Mick, The South Form College Partnership)

Strategic Report

Scope of the financial statements

The financial statements comprise the consolidated results of the College (including funds for which the College is a trustee) and its subsidiary company Royal Holloway Enterprise Limited, for the year ended 31 July 2019.

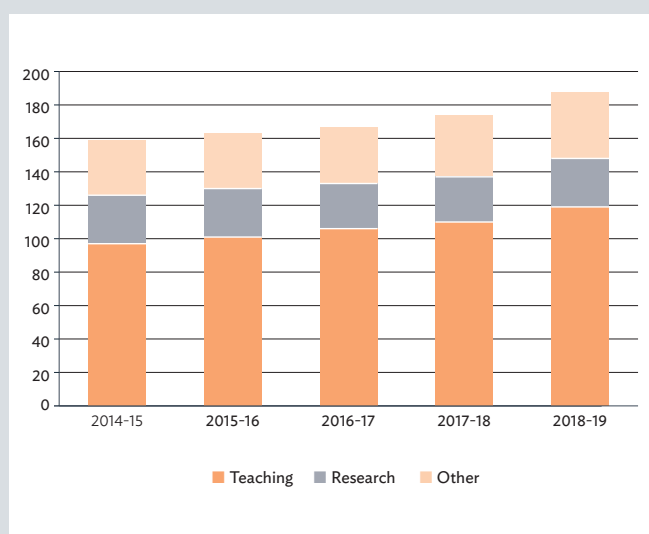
Operating results

The College's underlying financial performance in 2018/19 was sound. Before provisions and other gains and losses, the College achieved a surplus of £3.5m, with net cash inflow from operating activities of £22.8m (2017/18: £17.4m). The operating results include a material movement of £31.1m in the USS pension provision, based on the 2017 valuation, in addition to a £7.5m charge relating to swap settlement costs (within interest and other finance costs). These factors contribute to a deficit in 2018/19 before other gains and losses of £35.2m compared with a surplus of £4.2m in 2017/18.

Total income increased by 9% from £173.8m in 2017/18 to £188.7m in 2018/19. In 2018/19 teaching accounted for 63% of total income and research was 16% of the total (figure 3).

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

"Teaching" is defined as Higher Education Funding Council for England (HEFCE) and Office for Students (OfS) teaching grant plus tuition fees and contracts and "research" as HEFCE, OfS and Research England grant plus research grants and contracts



Results for the year

In summary, the consolidated results were:

	2018/19 £m	2017/18 £m	Change %
Income	188.7	173.9	9
Net expenditure before USS provision & swap break costs	(185.2)	(170.6)	9
Net surplus	3.5	3.3	6
Pension provision	(31.1)	1.0	
Swap settlement	(7.5)	-	
(Deficit)/surplus before other gains and losses (after roundings)	(35.2)	4.2	(938)

The deficit before other gains and losses for the year was £35.2m compared with a surplus of £4.2m in 2017/18. Excluding the USS provision and swap break costs, the net surplus was £3.5m (2017/18 £3.3m).

Tuition fees

Income from tuition fees and education contracts increased by £9.2m (9%) to £114.7m from £105.4m in 2017/18. Home/EU fee income increased by £2.6m (4%) and overseas fee income increased by £4.3m (14%).

Research Training Support Grants were £6.5m, compared with £5.7m in 2017/18 (15% increase).

OfS and Research England (RE) grants

Income from the OfS and RE decreased by £0.1m (0.5%) to £20.5m.

Research grants

Income from research grants and contracts was £2.5m higher at £16.4m in 2018/19 compared with £13.9m in 2017/18. Income from Research Council awards was £1.7m higher while income from other funders was £0.6m higher.

Other income

Other operating income was 10% higher at £34.5m compared with £31.2m in 2017/18 largely due to increased residence, catering and conferences income.

Investment, donations and endowment income was comparable with the prior year at £2.6m in total (2017/18: £2.6m).

Expenditure

Total expenditure increased by £54.3m (32.0%) to £223.9m from £169.6m in 2017/18. Excluding the USS pensions provision of £31.1m and swap settlement costs of £7.5m, total expenditure increased by £14.7m (9%) to £185.2m in 2018/19.

Staff costs increased by £38.9m (41.5%) to £132.8m largely due to the increase in the USS pension provision noted above, based on the 2017 valuation. A nationally agreed pay increase from August 2018 of 1.7% for all staff was paid. Average staff FTEs were 4.4% higher at 1,601 compared with 1,534 in 2017/18.

Other operating expenses increased by £5.9m to £62.7m from £56.8m in 2017/18. This included £1.2m increased expenditure on student maintenance and awards.

Depreciation and amortisation costs were £2.9m higher at £17.6m compared with £14.7m in 2017/18, due to ongoing capital investment and new buildings coming into use.

Capital investment and the Estate plan

A plan for the long-term development of the main campus, most of which is located on Green Belt land, was approved by the Local Authority in January 2015.

£8.6m has been spent up to 31 July 2019 on refurbishing the previous library (Bedford Building) and adjacent McCrea building for academic use as from September 2019.

The previous library and study space in Founder's Building has also been refurbished at a cost of £2.8m to create study and social space in the Founder's south tower (opened August 2018) and Reading Rooms (opened November 2018).

Total capital investment in the year was £21.4m compared with £40.7m the previous year. The reduction reflects the fact that a number of new buildings were completed last year but there is still an ongoing refurbishment programme in progress (with expenditure of £17.0m in 2018/19).

Of this, £3.0m was spent on IT projects within Intangible assets during the year (2017/18: £2.9m).

Investment property

In July 2016 College acquired Rusham Park, a site of great strategic importance to College based on its proximity, value and development potential, adjacent to its campus in Egham. The acquisition cost was £20.4m.

The site was acquired with tenants. At the time of acquisition it was anticipated that over time these tenants would leave the site. The tenants were specialist tenants and long-term occupiers and the facilities on the site were customised for their occupation. The specialist nature of the site means that it is impractical and contrary to the tenants' leases for the site to be leased to another occupier.

One of the tenants vacated during the year, and one tenant remains. Inevitably, a consequence of the departure of the tenants impacts, in the short term, the carrying value of the investment. The College takes a long-term view about the strategic importance of Rusham Park. It is in the process of developing a long-term development plan for the site which it anticipates will realise significant value to the College.

Cash flow, liquid assets and treasury management

The net cash flow generated from operating activities was £22.8m compared with £17.4m in 2017/18. Capital expenditure was £21.4m, for which there were capital grant receipts of £1.4m.

Additional debt funding of £60m was raised in May 2019 to settle £36m legacy loans and their associated fixed interest swaps, at a rate of 3.09% repayable from 2055.

The total of current asset cash and current asset investments (cash held on deposit) increased by £17.8m to £41.1m.

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

Endowment assets

College's endowment assets comprise the Art Collection and investment assets managed by professional fund managers. The balance sheet value of the College's endowment assets at the year end increased from £80.4m to £81.2m. A full professional revaluation of the Art Collection was last carried out in July 2019 and was valued at £28.7m, an appreciation of £1.6m.

Strategic Report

The endowment investments (excluding the Art Collection) are managed by two fund managers, Aberdeen Standard Investments and Rathbone Investment Management. Their market value at 31 July 2019 was £51.6m.

Endowment asset investment performance is monitored by the Investment sub-Committee. The primary objective is to achieve a total return of RPI+4% per annum before fees, measured over rolling three to five-year periods, with a secondary objective of an income return of 3%. The College's Investment Strategy is currently under review.

Trade Union facility time

Under the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College, as a public sector employer is required to collate and publish a range of data on the amount and cost of time spent by Trade Union (TU) Officials on facility time. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities.

The publication year runs from 1 April 2018 to 31 March 2019. This information is to be published every year by 31 July. The relevant Trade Unions with whom the College has a Collective Bargaining Agreement are GMB, Unite and Universities and Colleges Union (UCU). The number of employees who were relevant union officials during the relevant period was 17 with an FTE of 15.

Employees who were relevant union officials during the relevant period spent the following percentages of their working hours on facility time:

Percentage of time	Number of employees
0%	6
1-50%	11
51%-99%	0
100%	0

The total cost of facility time was £0.1m of a total pay bill of £98.0m.

The percentage of the total pay bill spent on facility time was 0.11%.

Principal risks and uncertainties and future prospects

The College proactively manages the risks it faces through its Executive Committee and Council. The key risks facing the College are considered to include:

- Student numbers – failure to achieve student number targets through increased competition, reputational factors, changing student need or expectation, student demographics, changes in international markets such as the far east and student mobility issues linked to Brexit.
- Brexit – potential negative impacts of Brexit on College business include staff and student recruitment and mobility, access to EU research collaborations, and uncertainties within our supply chain. There are uncertainties around government policy towards immigration in general and specifically the implications for international student entry into the UK.
- Pensions – large fluctuations in the outcomes of the 2017 and 2018 USS valuations drive uncertainty.
- Post-18 review of education and funding – potential for a decrease in tuition fee income following the outcome of this review. This is in addition to potential changes to government policy, in particular greater focus on Value for Money for students and the tax payer, and sits within a climate of static regulated fees and inflationary pressures on costs.
- Research – failure to deliver ongoing research outcomes leading to a decline in research ranking through the REF.
- Investment capacity – failure of College facilities to match our needs; increasing student expectations and the need for well-founded research facilities places ongoing demands on investment capacity.

All of these risk factors potentially have profound implications for UK-based Higher Education institutions. The College is well placed to respond to these risks and is satisfied that it is managing them effectively: we are now a top 20 UK university in the Times and The Sunday Times Good University guide 2020 and are on course to meet student number targets, the income from which allows us to sustain investment in our facilities. The College is committed to its core vision and values and is revisiting its strategic plan to optimise its impact in the coming years in the changing political, social and economic environment.

Professor P Layzell
Principal

Dame Margaret Hodge
Chair of Council

Public Benefit Statement

The College wishes to make a report on how it has delivered its charitable purposes for the public benefit. In making this statement, the Trustees (Council Members) have had regard to the Charity Commission's guidance on public benefit.

Charitable status

The College is an exempt charity and, as such, is exempt from registration with the Charity Commission. The College is monitored by the Office for Students as its Principal Regulator, in accordance with the Charities Act 2011.

The College was incorporated by the Royal Holloway and Bedford New College Act 1985. This defined the College's charitable objectives to be "to promote for the public benefit education and scholarship and...for that purpose to provide instruction leading to degrees of the University of London, to superintend postgraduate studies and to promote research."

Education, access and widening participation

The College provides education at undergraduate and postgraduate level across its six schools: Business & Management; Engineering, Physical and Mathematical Sciences; Humanities; Law and Social Sciences; Life Sciences and the Environment; Performing and Digital Arts. Students are selected based on their ability to successfully complete their programme of study to the required standards. In the Times and The Sunday Times Good University Guide (TGUG) 2020, the College has been ranked as 19th in the UK, up five places from last year.

Fees to Home and EU (HEU) students are charged at the rates permitted by the regulations, and overseas student fees and other discretionary fees take account of the competitive market and the requirement for activities to cover their full costs. A wide range of support for fees and living costs is provided in order to give opportunities to study at the College to those who cannot afford the fees. Under the arrangements for charging fees of £9,250 to full-time undergraduate HEU students which are overseen by the Office for Students, awards to students totalled £2.7m in 2018/19. Other awards funded from the College's resources and endowment income, mainly to support postgraduates, were £6.9m in 2018/19.

The College provides opportunities to students with non-traditional qualifications to study at the College. For example, Access Bursaries provide additional financial support to students with non-traditional educational backgrounds and who are often mature learners. In addition, there are bursaries available to support students who face barriers to entering Higher Education because of their low household incomes or because they have spent time in local authority care.

For students whose first language is not English, the College provides English language support through pre-sessional programmes which aim to improve students' English language skills and prepare them for degree level study. In addition, English language and extensive study skills support is provided to students once they have enrolled on their degree programme.

The College provides counselling support to students through a counselling service, and an educational support office assists students with disabilities and learning difficulties. Hardship funding is provided through earmarked funds and grants, and endowment fund income is used to provide additional support, including temporary loans.

Research

The contribution of the College's research to the advancement of knowledge and understanding was reflected in the outcome of the REF 2014 in which 81% of the research submitted was rated as world leading or internationally excellent.

The following examples give an indication of the variety of the public benefits that are produced by the College's research and academic engagement activities:

Politics and International Relations

Research led by James Sloam, Reader in Politics and expert on youth politics and civic engagement, has benefitted a wide range of Non-Governmental Organisations (NGOs) and public bodies working in this area. An example is a recent project for the Greater London Authority Study, London Mayor's Office and the London Sustainable Development Commission. Dr Sloam led the design and delivery of a research project on young people's political views and political engagement, mapping these onto the UN Sustainable Development Goals. The findings were used to engage young people

Public Benefit Statement

in sustainable development issues through an app co-produced with BiteTheBallot NGO for young Londoners. The report included recommendations for the Education and Community Engagement Departments and have influenced GLA's strategy in this area.

Dr Sloam also regularly provides insight in Parliament, through his role as a fellow of the UK All-Party Parliamentary Group on Democratic Participation and a member of its Political Literacy Organizing Group.

Another project over the past year, in collaboration with Dr Akil Awan (History) and Dr Sofia Collignon (Political Communication), has supported and informed the work of NGO Webroots democracy. It explores the impact of online intimidation and bullying on the political engagement of young people through social media. It focuses, in particular, on young women and young people from ethnic minority groups.

Psychology

Low back pain is a leading global cause of disability. Professor Pincus' research on the psychology, diagnosis and treatment of chronic pain has benefited the UK healthcare policy, improved hospital triage and referral systems, shaped clinical training across multiple countries, and benefited patients directly via online training and communities. Examples of benefits during 2018-2019 include Professor Pincus' work as an expert advisor on the UK Government's Work and Health Unit's IPS Grow project. Based on her recommendations, the IPS Grow team have made changes and improvements to guidance and a toolkit developed as part of the project.

Ongoing impacts of Professor Pincus' research include benefits to the work of over 800 practitioners trained by Professor Pincus in the UK, USA, South Africa, Israel, Denmark, Chile and France, who now treat a large number of patients psychologically-informed models of chronic pain. Another example is ongoing use of Pathway through Pain by the NHS - a programme informed by Professor Pincus' research that has been shown to significantly improve quality of life and reduce psychological and daily problems for most patients. Until the end of 2019, Professor Pincus was also chair of Patient Line, a website developed by EuroSpine (an association of European spine

clinicians from 29 nations), which provides patients with resources to better understand and manage spinal disease and related conditions.

English

Sustained collaborative work with heritage and cultural sector stakeholders by Professor Juliet John and Professor Ruth Livesey has informed heritage strategies around and public interest in author commemoration, place, and circulation.

Professor John's research on Dickens' global public appeal has resulted in exhibitions at the Dickens Museum and National Productivity Investment funding of £0.1m to support two research students working on Dickens and heritage. Professor John has co-curated the current major exhibition at the Charles Dickens Museum, 'Global Dickens: For Every Nation Upon Earth' (May to November 2019) which has received global press. Professor John is currently organising the Dickens Society of America symposium, 'Our Dickens: Dickens and his Publics' in Bloomsbury, with the Dickens Museum, to commemorate the 150-year anniversary of Dickens's death.

Professor Livesey's research on localism, and the idea of provincial 'middle England' in George Eliot's fiction has supported work on the local heritage of Eliot's Nuneaton, now an area of high multiple deprivation, and shaped commemorations of Eliot's 2019 bicentenary. Professor Livesey's research informed the forthcoming BBC 2 Arena documentary on George Eliot, directed by Turner Prize winner, Gillian Wearing. Professor Livesey's 'postcard from George Eliot Country' project in partnership with the Landmark Trust's Heritage Open weekend at Astley Castle raised educational aspiration for Pupil Premium children in the area. She has assisted the George Eliot Fellowship in securing £20,000 investment by Warwick County Council towards exploring the feasibility of a new George Eliot visitor centre in Nuneaton.

The dissemination of research is a vital aspect of the College's academic purpose, and this has been improved by the implementation of an Open Access Repository. The provision of openly available research outputs and research data sets will be substantially enhanced as the College begins to make preparations for the Research Excellence Framework (REF) 2021.

Business and community engagement

The College engages in consultancy and technical services activity, which primarily provides advice and services to a specific customer. This commercial engagement with business is an important aspect of the College's activities, as it builds relationships and creates potential opportunities for further engagement involving research and teaching. Up to 31 July 2019 these activities were carried out through the College's trading company Royal Holloway Enterprise Limited, and from 1 August 2019 the activities are subsumed within the College (the trading company has been made dormant).

Community engagement and support continued to play a central role in many College services during 2018/19. We have continued to expand the availability of our sports facilities to local groups, in particular youth sports clubs, with multiple sports groups making use of our facilities for training and fixtures. Furthermore, the College has partnered with Active Surrey to deliver a number of sports festivals for schools in Runnymede, with Student Sports Volunteers working directly with schools in the build-up to the events.

In February 2019 the College volunteering team opened the Community Research Hub @ The Lit: a 40-week pilot scheme whereby students, staff and relevant partners are invited to use a space in the Literary Institute in the centre of Egham for collaborative community-based research work. This has been funded by a successful application to the Student Opportunities Fund by one of our PhD students, along with matched funding by an external body, Voluntary Support North Surrey. The aim of the Hub at The Lit is to increase our accessibility to the community, and remove any physical and psychological barriers to accessing our service. Thus far, we have seen a considerable rise in student engagement. In addition the Lit will be used by our contact at Citizens Advice to run the Housing Stability Summer Scheme 2019 sessions with student volunteers. It has also provided a useful meeting space between students and community partners.

The College continues to work collaboratively with a breadth of community groups with students making the most of multiple opportunities (placements, research, volunteering).

Enriching the student experience and employment

The College and the Students' Union provide opportunities for students to engage in a broad range of social, sporting, volunteering and intellectual activities. These enrich the student experience and are an important aspect of preparing students for their lives after graduation.

The Careers Service helps to prepare current students and recent alumni to access work opportunities during their time at College and move on to professional work or further study after leaving. In the 2018/19 academic year there were 12,650 attendances at our events, we had 195 employers interacting with our students and our staff had 4670 1:1 interactions with students / recent alumni.

The value of co-curricular activities is recognised by the Royal Holloway Passport. Students earn points through participation in co-curricular activities many of which impact positively on the local community. There were over 250 diverse activity streams in 2018/19 and students attended a compulsory coaching session to equip them with application writing skills.

For our 2017/18 graduates, six months after graduation 74% (72% comparative figure in previous year) of the College's full-time first degree UK students were in graduate-level work or postgraduate study.

Acting responsibly

The College carries out its activities with the intention of avoiding detriment or harm. A Health and Safety Office is employed to ensure that there is best practice in health and safety standards including sound risk assessment practices. Research proposals involving human participants must be approved by an Ethics Committee before they can proceed. As part of our responsibility to the environment, the College set a target to reduce carbon emissions to below the levels of 2005/06 and we are taking steps to ensure we invest responsibly, in line with our Environmental, Social and Governance (ESG) responsibilities. We continue to operate a zero waste to landfill policy. At our Egham campus we continually invest to maintain and enhance the natural beauty and biodiversity of 135 acres of parkland.

Responsibilities and Membership of Council



Statement of Primary Responsibilities

In accordance with the Royal Holloway and Bedford New College Act 1985, the Council is the governing and executive body of the College. It has adopted the CUC Code of Governance and its Statement of Primary Responsibilities.

General Principles

1. The Royal Holloway and Bedford New College Act 1985 (RHBNCA '85) established the College as a body corporate with perpetual succession and a common seal. The College is a Statutory Corporation, i.e. a legal body that has the power to sue or be sued, own property and enter into contractual obligations. The Council is its governing body, with responsibility for the oversight of the business of the College and for ensuring that it is

done consistently with the Act and statutes and with the statutes, regulations and ordinances of the University of London.

Status of members

2. All members of the Council shall have equal status, rights, powers and duties and shall share collective responsibility for all the acts and decisions of the Council but subject to the limitation on the participation of student members specified in Statute 27 (exclusion from Reserved Area Business). All members shall speak and act in their own right contributing to the deliberations of the Council whatever special knowledge and advice they can, and exercising their own judgement to the best of their ability in the interests of and for the good of the College as a whole. (RHBNCA '85 S8).

Duties of Council Members

3. In order to fulfil its role and demonstrate effective governance the Council and the College require that all members of Council contribute fully by fulfilling their duties individually and collectively:
 - a. Council members are expected to comply with the seven principles of Standards in Public Life (the Nolan Principles) namely; Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty and Leadership.
 - b. Members of Council have an overriding duty to act in the best interests of the College by ensuring that funds and property are used only in accordance with the RHBNC Act and standing Orders, the Memorandum of Assurance and Accountability between the College and the OfS and the College's charitable status. There is an obligation to act reasonably and this includes taking into account any guidance issued by such bodies as the OfS, CUC, the National Audit Office, the Public Accounts Committee et al (comply or explain).
 - c. All Members of Council have equal status and exercise their responsibilities in the interests of the University as a whole. No member of Council should act in a way that represents any particular internal or external constituency. Council members should participate in open and honest debate and all members have collective responsibility for the decisions reached by Council.
 - d. Members have a duty to attend the Council meetings and the meetings of any committees to which they have been appointed and to give timely apologies for absence on any occasion when they are unable to attend. Meeting dates are planned well in advance to support attendance.
 - e. Members are expected to use their knowledge and skills to make constructive and rational contributions to debate, to apply strategic insight to complex issues and to offer constructive challenge to the College, recognising the proper separation between governance and management. To this end members are expected to have prepared in advance of the meeting in order to be able to contribute to discussion, ask questions and influence informed collective decision making.
 - f. Members are expected to have a strong commitment to Higher Education and the values, aims and objectives of the College and take an interest in, and keep themselves up to date on, issues affecting the business of the College. They are expected to act as ambassadors and advocates for the College, promoting its activities and strategic aims in the wider community.
4. Council aims to conduct its business so far as possible in an open manner. Where particular items of business preclude this all members must respect the confidentiality of Council business.
5. External members have a wide range of expertise and specialist skills, and apply balanced and independent judgement to the Council's deliberations. Staff and student members bring the same broad range of qualities as external members and in addition they bring specific and general knowledge and understanding of the College work and culture.
6. It is recognised that the particular knowledge and understanding that staff and student members bring to Council debate, while valuable, can give rise to perceived conflicts of interest, and the fact that they are internal stakeholders of the College as well as governing body members can sometimes lead to uncertainty as to their role on Council. This duality should not, however, be allowed to confuse the key principle that all Council members have a corporate responsibility and that this overrides their role as representatives of particular groups within the College.
7. Council promotes equality and diversity throughout the institution, including in relation to its own operation and members are required to submit an annual return to the skills register.
8. Members have a general duty to avoid perceived or actual conflicts of interest between their own private, public and professional life and that of the College. Members are required to submit an annual declaration of interests and to declare, as soon as it arises, any conflict of interest with an agenda item.
9. Members may from time to time, and in accordance with the Regulations of Council and Financial Regulations, be asked to witness the application of the College seal and act as a formal signatory to sealed documents on behalf of the College.

Responsibilities and Membership of Council

Time Commitment

10. Membership of Council requires attendance, normally, at five Council meetings per year in addition to a 1.5 day residential Strategy day meeting. Council meetings usually last for no more than three hours and preparation in advance is required.
11. Members may be asked to serve on a Committee of Council. Committees meet throughout the year and the frequency of meetings varies dependent upon the committee's role; normally between two and five times per academic year. Committee meetings usually last for no longer than two hours and preparation in advance is required.
12. All Council members are required to attend an induction at the College before they may participate at Council. Members will be required to attend externally organised briefings or training if appropriate.

Professional indemnity of members of Council

13. Individual members of Council are covered by the College's Directors' and Officers' Liability insurance policy in respect of the costs of any claim of negligence which may be made against them in the carrying out of their duties as a member of Council.

Trustee responsibilities

14. The College has charitable status, and members of Council are charitable trustees, subject to the obligations this imposes under charity law. They are expected to discharge their duties of compliance, prudence and care and to accept ultimate responsibility for the affairs of the College and for ensuring that it delivers its charitable objectives for the public benefit.

The Founder's Endowment Fund:

15. The College acts as the Trustee of the Founder's Endowment Fund and is responsible, through members of Council, for the administration and management of the Trust fund.

The Hilda Martindale Trust:

16. Council is responsible for the appointment of the Trustees of the Hilda Martindale Trust and receives annual accounts and a report of awards made.

The Charity Commission provides detailed information about the responsibilities of charitable trustees.

Membership

During the period from 1 August 2018 and up to the date of the signing of the Financial Statements, the Council had the following membership:

Independent members

Dame Margaret Hodge (Chair of Council from 22 November 2018)
Mr Stephen Cox (Chair of Council to 21 November 2018)
Ms Ann Ewing (Vice Chair of Council)
Mr Alistair Buchanan (from 1 August 2018)
Mrs Christine Goodyear
Ms Tina Harris
Mrs Margaret Jack
Ms Sarah King
Mr Jeremy McIlroy (Chair of Finance Committee)
Mr Gerry O'Hagan
Mr Nick Perryman
Ms Chris Shoukry
Mr David Spence (to 31 July 2019)
Mr David Williams
Ms Colette Wilson

Elected staff members

Professor Sarah Ansari
Professor Bob Fitzgerald
Mr John Gregory
Mrs Hazel Jessop (from 1 October 2018)
Mrs Denise Keable
Professor Elizabeth Schafer

Elected student members

Ms Willow Wong (Academic year 2018/19)
Mr Hammad Chaudhry (Academic year 2019/20)

Co-opted council members

Mr David Walker (from 26 June 2019)
Professor Michael Farthing (from 26 June 2019)
Mr Peter Saraga (from 26 June 2019)

Ex officio members

Professor Paul Layzell, Principal
Mr Jack O'Neil, President of the Students' Union (Academic year 2019/20)
Mr Clem Jones, President of the Students' Union (Academic Year 2018/19)

Membership of committees

Audit and Compliance Committee

Chair Ms Colette Wilson

Other members

Ms Tina Harris
Ms Chris Shoukry

Co-opted member

Ms Fiona O'Donnell

Capital Projects Assurance Committee

Chair Mr Nick Perryman

Other members

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

President of the Students' Union:

Mr Jack O'Neil (Academic year 2019/20)
Mr Clem Jones (Academic Year 2018/19)

Council Academic Quality Assurance Committee

Chair Mr Gerry O'Hagan (from 1 August 2019)

Chair Mr David Spence (to 31 July 2019)

Ex officio members

Dame Margaret Hodge (from 22 November 2018)
Mr Stephen Cox (to 21 November 2018)
Professor Sarah Ansari

Other members

Ms Ann Ewing
Mrs Margaret Jack

Responsibilities and Membership of Council

Council Executive

Chair Dame Margaret Hodge (from 22 November 2018)

Chair Mr Stephen Cox (to 21 November 2018)

Ex officio members

Ms Ann Ewing

Mr Jeremy McIlroy

Ms Colette Wilson

Professor Paul Layzell

Other members

Mrs Christine Goodyear

Mr Nick Perryman

A Senior Vice-Principal for business relating to Honorary awards

Equality & Diversity Committee

Chair Mrs Christine Goodyear

Ex officio members

Professor Rosemary Deem (to 31 July 2019)

Students' Union Vice President Welfare & Diversity:

Ms Willow Wong (Academic Year 2018/19)

Ms Lucy Simpson (Academic year 2019/20)

Other members

Mrs Margaret Jack

Co-opted external adviser

Dr Katie Perry (from 1 August 2018)

Finance Committee

Chair Mr Jeremy McIlroy

Ex officio members

Ms Ann Ewing

Professor Paul Layzell

Dr David Ashton

Mr Stephen Avery (to 31 July 2019)

Mr Andrew Jefferson (from 2 September 2019)

Professor Ken Badcock (from 1 October 2018)

President of the Students' Union

Mr Jack O'Neil (from 1 August 2019)

Mr Clem Jones (to 31 July 2019)

Other members

Mrs Margaret Jack

Mr Nick Perryman

Mr David Williams

Mr Gerry O'Hagan

Co-opted member

Mr Kevin Meehan (from 1 August 2018)

Health, Safety and Wellbeing Assurance Committee (previously Health & Safety Assurance Committee)

Chair Ms Chris Shoukry

Other members

Mr David Williams

Mr Gerry O'Hagan

Co-opted external adviser

Mr Simon Whitehead

Remuneration Committee

Chair Ms Ann Ewing

Ex officio members

Dame Margaret Hodge (from 22 November 2018)

Mr Stephen Cox (to 21 November 2018)

Mr Jeremy McIlroy

Other members

Mrs Christine Goodyear

Mr Nick Perryman

Principal's Pay Committee

Chair Ms Ann Ewing (from 4 July 2019)

Other members

Mr Jeremy McIlroy (from 4 July 2019)

Dame Margaret Hodge (from 4 July 2019)



Corporate Governance

Statement of Primary Responsibilities

The Council of Royal Holloway has adopted the CUC Code of Governance (2014) and its Statement of Primary Responsibilities as follows:

Planning Monitoring and Control

- To approve the mission and strategic vision of the College, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of the stakeholders and are compliant with the RHBNC Act (the Act) and the charitable objectives of the College.
- To delegate authority to the Principal, as Chief Executive, for the academic, corporate, financial, estate and personnel management of the College. To establish and keep under regular review the policies and procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
- To ensure processes are in place to monitor and evaluate the performance and effectiveness of the College against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.
- To conduct its business in accordance with best practice in higher education corporate governance and the principles of public life drawn up from the Committee on Standards in Public Life.
- To safeguard the good name and values of the College.
- To ensure that the Act and statutes of the College, and the statutes, regulations and ordinances of the University of London are followed at all times and that appropriate advice is available to enable this to happen.

Appointment and employment

- To appoint the Principal as Chief Executive and to put in place suitable arrangements for monitoring his/her performance.
- To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the College, there is an appropriate separation in the lines of accountability.
- To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

Financial and Legal

- To be the principal financial and business authority of the College, to ensure that proper books of accounts are kept, to approve the annual budget and financial statements and to have overall responsibility for the College's assets, property and estate and investment policy.
- To be the College's legal authority and, as such, to ensure that systems are in place for meeting all the College's legal obligations, including those arising from contracts and other legal commitments made in the College's name.
- To act as trustee for any property, legal endowment, bequest or gift, in support of the work and welfare of the College.

Student Welfare

- To receive assurance that adequate provision has been made for the general welfare of Students.

Financial Statements and Accounting Records

The members of Council are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable them to ensure that the financial statements are prepared in accordance with the College's Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and UK Generally Accepted Accounting Practice (UK GAAP). In addition, within the terms and conditions of the Terms and Conditions of Funding agreed between the Office for Students, Research England and the Council of the College, Council through its designated office holder, is required to prepare financial

statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable UK accounting standards have been followed; and
- Financial statements are prepared on the going concern basis. Council is satisfied that the College has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

Council has taken reasonable steps to:

- Ensure that funds from the Office for Students and Research England are used only for purposes for which they have been given and in accordance with the Terms and Conditions of Funding with the Office for Students and the Terms and Conditions of Research England and any other conditions which they may from time to time prescribe;
- Ensure management controls are in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the College and to prevent and detect fraud and other irregularities; and
- Secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College system of internal financial control, which are designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive medium and short-term planning process, supplemented by income and expenditure, capital and cash flow budgets;

- Regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for the approval and control of expenditure, with major investment decisions being subject to detailed appraisal and review;
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee and the Council; and
- A professional Internal Auditor whose annual programme of work is approved by the Audit and Compliance Committee.

All of the current Council members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the College's auditors for the purposes of their audit and to establish that the auditors are aware of that information. Council members are not aware of any relevant audit information of which the auditors are unaware.

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

Council ensures that the College is governed in accordance with the Royal Holloway & Bedford New College Act 1985, its Statutes and Regulations, and under the Terms and Conditions of Funding with the Office for Students and Research England. The Council's role is to set the strategic direction of the College and, through the receipt of reports from its committees and officers, to be assured that its day to day operation is proceeding satisfactorily.

Council has responsibility for maintaining and reviewing an effective system of internal control and for supporting the achievement of the College's policies, aims and objectives, while safeguarding the public funds and other assets for which it is responsible. The system of internal control is designed to manage rather than eliminate the risk of not achieving policies, aims and objectives; it can, therefore, only provide a reasonable and not absolute assurance of effectiveness.

Corporate Governance

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2019 and up to the date of approval of the financial statements, and accords with Office for Students guidelines. The process is reviewed by the Council Executive Committee and the Audit and Compliance Committee, which reports directly to Council.

The College's strategy for the management of major operational, compliance and finance risks has been approved by Council. A group of senior officers has analysed the risks facing the College, and has developed a system of key risk indicators. Council's Audit and Compliance Committee keeps under review the effectiveness of the management of risk and receives reports on risk management from the College Planning and Resources Committee and reports to Council as appropriate. Risk management is considered within the corporate planning and decision-making processes of the College. A departmental risk assessment procedure and a major incident management plan have been developed, and an organisation-wide risk register is maintained.

Council meets, as a minimum, five times a year. Its major committees are now the Council Executive Committee, the Finance Committee, the Equality and Diversity Committee, the Audit and Compliance Committee, the Remuneration Committee, the Principal's Pay Committee, the Capital Projects Assurance Committee, the Council Academic Quality Assurance Committee and the Health, Safety and Wellbeing Assurance Committee. All of these committees are formally constituted, with terms of reference, and include independent members of Council. Independent members chair all of these committees.

The College is driven by the ambition reflected in its Strategic Plan and the key outcomes set out there. Predominantly these are about continuously improving College's effectiveness, while being ever mindful to ensure the economic and efficient use of resources. To this end the College monitors and assesses activities against a broad definition of value for money including economy, efficiency, effectiveness and equity.

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

The Council Executive Committee is responsible for strategic development, it appoints the members of the principal committees, and oversees the Council's effectiveness. It also makes nominations to Council for the conferral of honorary degrees and fellowships. Since 2nd October 2013 the Council Executive Committee has incorporated the responsibilities of the former Nominations and Honorary Awards Committee and puts forward recommendations to the Council for appointed members of the Council, and recommends to Council the appointment of the Chair and Vice-Chair of Council.

The Remuneration Committee determines the remuneration, terms and conditions of employment of the Principal and Secretary to Council. The Principal and Secretary to Council are not present at the meeting for discussion of these matters. It is responsible for recommending the College's pay strategy to Council and for oversight of the College's various pay related policies.

The Equality and Diversity Committee provides assurance to Council on all issues relating to equality excluding pay.

The Health, Safety and Wellbeing Assurance Committee is now formally established. Its purpose is to satisfy itself that the College is managing all activities in accordance with its responsibilities in respect of health and safety of staff, students and any other persons who could be affected by such activities.

The Capital Projects Assurance Committee was established in 2015 to provide assurance to Council that the College was managing major projects effectively and that each stage of the governance process was properly completed.

The Council Academic Quality Assurance Committee was formally established in July 2017 to inform and facilitate Council's formal decision regarding the Annual Accountability Statement required by the OfS. The Committee considers and evaluates a report and accompanying enhancement plan relating to the continuous improvement of the student academic experience and student outcomes.

The Audit and Compliance Committee normally meets three times each year, including a meeting with the External Auditors to discuss audit findings, and with the Internal Auditor to consider detailed internal audit reports and recommendations for the improvement of systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the OfS as they affect the College's business and monitors adherence with the regulatory requirements. It reviews the annual financial statements together with the accounting policies.

Whilst senior officers attend meetings of the Audit and Compliance Committee as necessary, they are not members of the Committee, and the Committee has the opportunity to meet with the External Auditors on their own for separate discussions.

The College has an Internal Audit service, which operates to standards defined in the Office for Students Directives. The Internal Auditor submits regular reports to the Audit and Compliance Committee including an annual report to the Audit and Compliance Committee which is included in the Committee's report to the Council and the Accountable Officer. The Council subsequently reports to the Office for Students. The reports to the Audit and Compliance Committee include the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

Council's view of the effectiveness of the system of internal control is informed by the work of the Internal Auditor and the managers within the College who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and in other reports.

Dame Margaret Hodge
Chair of Council
22 November 2019

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

Opinion

We have audited the financial statements of Royal Holloway and Bedford New College ("the college") and its subsidiaries ("the Group") for the year ended 31 July 2019 which comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2019 and of the Group's and the College's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Council members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Council members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Council are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, Public benefit statement, Statement of Corporate Governance and Responsibilities of the Council and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Office for Students (“OfS”) and Research England

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and Research England have been applied in accordance with the Terms and Conditions of Funding and any other terms and conditions attached to them.
- The requirements of the OfS’s accounts direction have been met.

Responsibilities of Council

As explained more fully in the Council members’ responsibilities statement set out on pages 26-27, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council are responsible for assessing the Group and the 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 the Council either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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 an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

Use of our report

This report is made solely to the College Council, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the College’s 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

James Aston (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

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



Consolidated and College Statement of Comprehensive Income

for the year ended 31 July 2019

	Notes	Year Ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £000	College £000	Consolidated £000	College £000
Income					
Tuition fees and education contracts	3	114,654	114,654	105,451	105,451
Funding body grants	4	20,533	20,533	20,636	20,636
Research grants and contracts	5	16,410	16,410	13,850	13,850
Other income	6	34,479	34,268	31,245	31,065
Investment income	7	1,839	1,839	1,664	1,664
Donations and endowments	8	768	768	982	982
Total income		188,683	188,472	173,828	173,648
Expenditure					
Staff costs	9	101,992	101,992	95,745	95,745
Staff costs - pension provision	9	30,783	30,783	(1,886)	(1,886)
Other operating expenses	11	62,715	62,490	56,820	56,640
Amortisation of intangible fixed assets	13	681	681	424	424
Depreciation	15	16,909	16,909	14,284	14,284
Interest and other finance costs	10	10,786	10,786	4,194	4,194
Total expenditure		223,866	223,641	169,581	169,401
(Deficit)/surplus before other gains and losses		(35,183)	(35,169)	4,247	4,247
Loss on disposal of fixed assets		(59)	(59)	(6)	(6)
Gain on investments and picture collection	21	806	806	813	813
Change in Market value of investment property	15	(2,500)	(2,500)	(3,404)	(3,404)
(Deficit)/surplus before tax		(36,936)	(36,922)	1,650	1,650
Taxation	12	(23)	(23)	(11)	(11)
(Deficit)/surplus for the year		(36,959)	(36,945)	1,639	1,639
Movement in cash flow hedge	19	6,264	6,264	1,918	1,918
Other comprehensive income for the year		6,264	6,264	1,918	1,918
Total comprehensive (expenditure)/income for the year		(30,695)	(30,681)	3,557	3,557
Represented by:					
Endowment comprehensive income for the year		806	806	813	813
Restricted comprehensive income for the year		544	544	593	593
Unrestricted comprehensive (expenditure)/income for the year		(38,309)	(38,295)	233	233
Cash flow hedge		6,264	6,264	1,918	1,918
		(30,695)	(30,681)	3,557	3,557

The deficit and total comprehensive expenditure for the year is attributable to College and its subsidiary and relates to continuing activities.

The notes on pages 37 to 55 form part of the financial statements.

Consolidated and College Statement of Changes in Reserves

for the year ended 31 July 2019

Consolidated	Income and expenditure account			Cash flow hedge reserve	Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£000	£000	£000			
Balance at 1 August 2017	79,602	6	93,122	(8,182)	126,138	290,686
Surplus from the income and expenditure statement	813	593	233	-	-	1,639
Hedge effective portion of change in fair value of designated hedging instrument	-	-	-	1,918	-	1,918
Release of restricted funds spent in year	-	(599)	599	-	-	-
Release of revaluation reserves in year	-	-	311	-	(311)	-
	813	(6)	1,143	1,918	(311)	3,557
Balance at 1 August 2018	80,415	-	94,265	(6,264)	125,827	294,243
Surplus/(deficit) from the income and expenditure statement	806	544	(38,309)	-	-	(36,959)
Hedge effective portion of change in fair value of designated hedging instrument	-	-	-	6,264	-	6,264
Release of restricted funds spent in year	-	(384)	384	-	-	-
Release of revaluation reserves in year	-	-	311	-	(311)	-
Total comprehensive income/(expenditure) for the year	803	160	(37,614)	6,264	(311)	(30,695)
Balance at 31 July 2019	81,221	160	56,651	-	125,516	263,548
College	Income and expenditure account			Cash flow hedge reserve	Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£000	£000	£000			
Balance at 1 August 2017	79,602	6	93,018	(8,182)	126,138	290,582
Surplus from the income and expenditure statement	813	593	233	-	-	1,639
Hedge effective portion of change in fair value of designated hedging instrument	-	-	-	1,918	-	1,918
Release of restricted funds spent in year	-	(599)	599	-	-	-
Release of revaluation reserves in year	-	-	311	-	(311)	-
	813	(6)	1,143	1,918	(311)	3,557
Balance at 1 August 2018	80,415	-	94,161	(6,264)	125,827	294,139
Surplus/(deficit) from the income and expenditure statement	806	544	(38,295)	-	-	(36,945)
Hedge effective portion of change in fair value of designated hedging instrument	-	-	-	6,264	-	6,264
Release of restricted funds spent in year	-	(384)	384	-	-	-
Release of revaluation reserves in year	-	-	311	-	(311)	-
Total comprehensive income/(expenditure) for the year	806	160	(37,600)	6,264	(311)	(30,681)
Balance at 31 July 2019	81,221	160	56,561	-	125,516	263,458

The notes on pages 37 to 55 form part of the financial statements.

Consolidated and College Balance Sheets

as at 31 July 2019

	Notes	Year Ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £000	College £000	Consolidated £000	College £000
Non-current assets					
Intangible assets	13	7,544	7,544	5,183	5,183
Investments	14	51,592	51,592	53,272	53,272
Fixed assets	15	408,897	408,897	408,416	408,416
		468,033	468,033	466,871	466,871
Current assets					
Stock		299	299	327	327
Debtors	16	13,269	13,271	12,030	11,998
Investments	17	22,000	22,000	4,000	4,000
Cash and cash equivalents		19,082	18,990	19,287	19,066
		54,650	54,560	35,644	35,391
Less: Creditors: amounts falling due within one year	18	(45,481)	(45,481)	(45,737)	(45,588)
Net current assets		9,169	9,079	(10,093)	(10,197)
Creditors: amounts falling due after more than one year	19	(163,857)	(163,857)	(146,099)	(146,099)
Provisions					
Provisions for liabilities	20	(49,797)	(49,797)	(16,436)	(16,436)
Total net assets		263,548	263,458	294,243	294,139
Restricted Reserves					
Income and expenditure reserve – endowment reserve	21	81,221	81,221	80,415	80,415
Income and expenditure reserve – restricted reserve	22	160	160	-	-
Cash flow reserve		-	-	(6,264)	(6,264)
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		56,651	56,561	94,265	94,161
Revaluation reserve		125,516	125,516	125,827	125,827
Total Reserves		263,548	263,458	294,243	294,139

The financial statements were approved and authorised for issue by the Governing Body on 22 November 2019 and were signed on its behalf on that date by:

Dame Margaret Hodge, Chair of Council

Professor Paul Layzell, Principal

The notes on pages 37 to 55 form part of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2019

	Notes	Year ended 31 July 2019 £000	Year ended 31 July 2018 (restated) £000
Cash flows from operating activities			
(Deficit)/surplus for the year		(36,959)	1,639
Adjustment for non-cash items			
Amortisation of intangible assets	13	681	424
Depreciation	15	16,909	14,284
Revaluation of fixed assets	15	2,500	3,404
Revaluation of endowments assets	21	(806)	(813)
Decrease in stock		28	9
Increase in debtors	16	(1,239)	(1,878)
Increase in creditors	18	2,968	1,769
Increase/(decrease) in provisions	20	33,361	(1,282)
Adjustment for investing or financing activities			
Investment income	7	(1,839)	(1,664)
Interest payable	10	11,610	4,020
Interest (credit) on ineffective portion of hedging instruments	10	(1,173)	(135)
Loss on the sale of fixed assets		59	6
Capital grant income		(3,323)	(2,381)
Net cash inflow from operating activities		22,777	17,402
Cash flows from investing activities			
Capital grants receipts		1,414	1,574
Investment income	7	1,839	1,664
Payments made to acquire intangible assets	13	(3,042)	(2,914)
Payments made to acquire tangible fixed assets	15	(18,331)	(37,527)
Proceeds of investments	14	4,341	5,679
Purchase of investments	14	(3,483)	(6,148)
(Increase)/decrease in current asset investments during the year	17	(18,000)	21,000
		(35,262)	(16,672)
Cash flows from financing activities			
Interest paid	10	(11,610)	(4,277)
Repayments of amounts borrowed	19	(36,110)	(3,138)
Increase in borrowed amounts		60,000	-
		12,280	(7,415)
		(205)	(6,685)
Cash and cash equivalents at beginning of the year		19,287	25,972
Cash and cash equivalents at end of the year		19,082	19,287
(Decrease) in cash and cash equivalents in the year		(205)	(6,685)

Comparative figures above (within the adjustment for non-cash items) have been restated; in the prior year, movements in derivative financial instruments were stated separately but such movements are better reflected within the overall increase in creditors. This restatement has had no impact on the net cash inflow from operating activities. The notes on pages 37 to 55 form part of the financial statements.

Notes to the Financial Statements

1 Statement of Principal Accounting Policies

i Basis of preparation

These financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2014) and other applicable accounting standards. The College is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards.

ii Parent disclosure exemptions

In preparing the separate financial statements of the College, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the College; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the College as their remuneration is included in the totals for the group as a whole.

iii Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertaking Royal Holloway Enterprise Limited for the financial year to 31 July 2019. Intra-group transactions are eliminated on consolidation.

iv Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Revenue government grants including funding council block and government research grants are recognised within the Consolidated Statement of Comprehensive Income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released

to the Consolidated Statement of Comprehensive Income in line with such conditions being met.

Capital government grants are recognised in income on a systematic basis over the expected useful life of the asset to which the grant relates.

Capital and revenue grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Consolidated Statement of Comprehensive Income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Consolidated Statement of Income in line with such conditions being met.

Donations and endowments are recognised within the Consolidated Statement of Comprehensive Income when the College is entitled to the Income.

Income from donations and endowments with donor imposed restrictions is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restriction applied to the individual endowment fund.

v Accounting for retirement benefits

The two principal pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

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

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

vi Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Notes to the Financial Statements

vii 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.

viii Foreign currency

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

ix Fixed and intangible assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives, usually fifty years.

Leasehold land and buildings are depreciated over the remaining life of the lease.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College and are depreciated over the period of the expected future benefits. This is usually twenty years for services and ten years for minor works.

For student residences where a cyclical refurbishment programme is in place, the original costs of the components are depreciated over their useful lives of five to twelve years, as appropriate, and the refurbishment spend is capitalised and depreciated in the same way.

No depreciation is charged on assets in the course of construction.

Borrowing costs which are directly attributable to the acquisition, construction or production of a building are capitalised.

Picture Collection

The College houses a collection of paintings gifted by Thomas Holloway, the founder of Royal Holloway College.

The pictures are included in the balance sheet with the other fixed assets. An external professional valuation was carried out in 2019; the valuation is assessed on the basis of high auction value. A professional valuation will continue to be carried out at least once every five years, with an update in year three, also performed by a qualified valuer.

Equipment

Equipment, including computers and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over five years or its expected useful life if this is different.

Furniture and fittings are written off in the year of acquisition, except the costs of furniture and fittings for a new building or major refurbishment which are capitalised and depreciated over the expected lifetime of the asset, usually ten years.

Software costs that are directly attributable to bringing an item of hardware into productive use, such as laboratory equipment and computer operating systems, are classified as tangible fixed assets, and are depreciated over the same life as the hardware or equipment.

Intangible assets

Networked applications software that is provided using virtual server architecture, is classified as an intangible fixed asset and is depreciated over five years.

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

Investments

Fixed asset investments are held at fair value with movements recognised in the Consolidated Statement of Income.

x Derivatives

Derivatives are held on the Balance Sheet at fair value. The College has adopted and complied with the requirements of hedge accounting and as a result movements in fair value are recorded within other Comprehensive Income, to the extent the hedge is effective, and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in surplus or deficit for the period.

xi Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value, typically with a term less than three months.

xii Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to

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

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

xiii Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund as the University must hold the fund to perpetuity.

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

Founder's Endowment Fund

The Founder's Endowment Fund which was created from the proceeds of the sale of three pictures from the collection and is held in a separate trust. Income from the Fund is credited to the Income and Expenditure Account on a receivable basis. Income is applied in accordance with the purposes of the Scheme; any unapplied income is disclosed as a restricted reserve.

xiv Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

xv Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

xvi Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

xvii Finance costs

Finance costs are charged to surplus or deficit over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements Council have made the following judgements:

- Determine whether leases entered into by College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance.
- The liability for the contributions in respect of the past service deficits of its USS and SAUL defined benefit schemes will be covered by the recovery plans agreed following the March 2017 valuations.

Other key sources of estimation uncertainty

- *Rental and other trade receivables (see note 16)*

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on individual debtor balances to consider whether each debt is recoverable.

- *Tangible fixed assets (see note 15)*

The investment property is stated at fair value. The College confirms this valuation based on rental income receivable and market valuation of land.

Tangible fixed assets, other than investment properties, are depreciated over their useful lives, taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as the condition and future use of the asset are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value.

Notes to the Financial Statements

for the year ended 31 July 2019

	Notes	Year Ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	College	Consolidated	College
		£000	£000	£000	£000
3 Tuition fees and education contracts					
Full-time home and EU students		68,356	68,356	64,374	64,374
Full-time international students		34,230	34,230	29,903	29,903
Part-time students		1,328	1,328	1,153	1,153
Research Training Support Grant		6,516	6,516	5,657	5,657
Short course and Other fees		4,224	4,224	4,364	4,364
		114,654	114,654	105,451	105,451
4 Funding body grants					
Recurrent grant					
Teaching		4,210	4,210	4,514	4,514
Research		13,043	13,043	12,941	12,941
Specific grants		1,013	1,013	1,006	1,006
Deferred capital grants released in year:					
Buildings		1,577	1,577	1,604	1,604
Equipment		690	690	571	571
		20,533	20,533	20,636	20,636
5 Research grants and contracts					
Research councils		8,868	8,868	7,123	7,123
Research charities		1,622	1,622	1,730	1,730
Government (UK and overseas)		2,480	2,480	2,662	2,662
Industry and commerce		2,314	2,314	1,802	1,802
Other		1,126	1,126	533	533
		16,410	16,410	13,850	13,850
6 Other income					
Residences, catering and conferences		27,869	27,869	24,798	24,798
Other services rendered		1,218	914	1,089	822
Released from deferred capital grants		282	282	5	5
Other income		5,110	5,203	5,353	5,440
		34,479	34,268	31,245	31,065
7 Investment income					
Investment income on endowments	21	1,559	1,559	1,457	1,457
Other investment income		280	280	207	207
		1,839	1,839	1,664	1,664
8 Donations and endowments					
New endowments	21	-	-	-	-
Donations with restrictions	22	544	544	593	593
Unrestricted donations		224	224	389	389
		768	768	982	982

9 Staff costs

	Year Ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	College £000	Consolidated £000	College £000
Staff Costs:				
Salaries	75,437	75,437	70,810	70,810
Social security costs	8,146	8,146	7,785	7,785
Movement on Pension Provisions	30,783	30,783	(1,886)	(1,886)
Other pension costs	18,409	18,409	17,150	17,150
Total	132,775	132,775	93,859	93,859

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Emoluments of the Principal:		
Salary	301	301
Benefits in Kind - accommodation running costs	7	14
Non taxable benefits - accommodation costs (Aug 18-Mar 19)	23	31
Benefits in Kind - accommodation costs (Apr 19-Jul 19)	7	-
	338	346
Pension contributions to USS	6	6
	344	352

The College provides the Principal with accommodation which otherwise would yield an annual rental income in the local rental market. The value of this benefit has been calculated based on the market rent valuation. The College perceives the Principal's proximity to the College as essential in all operational and strategic matters. The provision of accommodation for the Principal was exempt from tax until 5 April 2019 under the 'better performance and customary exemption for living accommodation'; this exemption has been removed from higher education from 6 April 2019.

The College is a multi-faculty Higher Education Institution, offering undergraduate and postgraduate degrees and carrying out academic research. It is one of eighteen self-governing Colleges and nine smaller specialist research institutes of the University of London. It is financially independent, competes internationally, and has a diverse student population from over 140 countries. The College is a Charity Incorporated in the United Kingdom by Act of Parliament: Royal Holloway and Bedford New College Act 1985. The College has an annual income of £189m and contributes in the region of £481m to the UK economy as a whole. The College educates 10,232 FTE students and employs an average of 1,601 FTE staff. It is recognised consistently as being one of the top UK universities in major league tables, currently being ranked in the top 20, and excellent research informs its teaching.

The College Remuneration Committee determines on appointment and annually, the remuneration of the Principal of the College. The terms of reference of the Remuneration Committee state that this will be done 'having regard to College policies, national and international trends and nationally negotiated terms, as well as the financial and operational circumstances of the College.' The Remuneration Committee is chaired by the Vice Chair of Council. Membership includes the Chair of the Finance Committee and two independent members of Council. Up to two additional members are co-opted in line with Council Regulations.

In determining a salary which is fair, appropriate and justifiable in line with the requirements of the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code, the Committee takes into account data provided by the Senior Staff Remuneration Survey conducted by the Universities and Colleges Employers Association (UCEA) and the CUC Survey of Vice-Chancellors' Remuneration. The Committee additionally considers the annual pay award made to all staff following negotiation through the Joint Negotiating Committee for Higher Education Staff (JNCHES). The Committee also takes account of the College's financial position and therefore its ability to pay. In addition, the Committee has considered the pay multiple as detailed in the CUC Code and in relation to the median earnings of the whole Institution.

Notes to the Financial Statements

for the year ended 31 July 2019

9 Staff costs (continued)

The Committee considers the Principal's performance in accordance with College policy. Objectives are set annually by the Chair of Council. They are specific and measurable and are reviewed in the annual appraisal of the Principal's performance by the Chair of Council. Performance metrics are used as part of the consideration of the Principal's performance, such as league table position (the College is now a top 20 university), success in bidding for major grants (such as StoryFutures), student numbers (which have increased in a competitive market), financial sustainability (cash flow, reserves, ability to service debt) and the completion of major capital projects to improve the College's estate.

The Principal has been offered, but has refused to accept, any pay rise over the last two years.

The Principal of the College's basic salary is 11.4 times (2017/18 13.4 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, including casual, agency and contract staff.

The Principal of the College's total remuneration is 8.4 times (2017/18 10.5 times) 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.

Remuneration of other higher paid staff, excluding employer's pension contributions

	Year ended 31 July 2019	Year ended 31 July 2018
	Number	Number
£100,000 to £104,999	2	8
£105,000 to £109,999	8	6
£110,000 to £114,999	6	9
£115,000 to £119,999	1	6
£120,000 to £124,999	-	1
£125,000 to £129,999	1	-
£130,000 to £134,999	-	-
£135,000 to £139,999	1	2
£140,000 to £144,999	3	-
£145,000 to £149,999	1	1
£150,000 to £154,999	-	1
£155,000 to £159,999	-	-
£160,000 to £164,999	7	1
£165,000 to £169,999	3	2
£170,000 to £174,999	-	-
£175,000 to £179,999	5	-

9 Staff costs (continued)

Employees are able to opt for a reduced contractual salary, with the College then making the pension contribution, formerly paid by the employee, as additional employer's contributions. Staff Costs reflect the reduced contractual salary and increased employer contribution of £5.4m (2017/8 £5.0m) in total, as applicable.

The Emoluments of the Principal and Remuneration of Other Higher Paid Staff are shown prior to any salary sacrifice.

	Year ended 31 July 2019	Year ended 31 July 2018
Average FTE staff numbers by major category :	Number	Number
Academic, Research and Other	770	744
Management & specialist	651	619
Technical	65	63
Other	115	108
	1,601	1,534
	£000	£000
Compensation for loss of office payable to senior post-holders:	84	-

The total amount of compensation for loss of office across the College was £0.3m (2017/18 £0.2m), for 37 members of staff (2017/18 21).

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Key management personnel compensation	1,459	1,526

Council Members

The College's council members are the trustees for charitable law purposes.

In 2018/19 expenses of £6,000 (2017/18 £4,000) were paid to 10 (2017/18 9) non-staff trustees for travel, subsistence and business entertaining.

There are no related party transactions relating to Council Members to be disclosed.

The Chair of Council, Dame Margaret Hodge, received honorarium payments totalling £15,000 (gross) during 2018/19.

Notes to the Financial Statements

for the year ended 31 July 2019

	Notes	Year Ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £000	College £000	Consolidated £000	College £000
10 Interest and other finance costs					
Loan interest		4,066	4,066	4,277	4,277
Swap break cost		7,544	7,544	-	-
Loan interest capitalised		-	-	(257)	(257)
		11,610	11,610	4,020	4,020
Interest credit on ineffective portion of hedging instruments	19	(1,173)	(1,173)	(135)	(135)
Net charge on pension scheme	25	349	349	309	309
		10,786	10,786	4,194	4,194

Other financing costs through income and expenditure

Net gain on disposal of swap derivative instrument	72	72	-	-
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The College had entered into interest rate swaps to manage interest rate risk on variable rate loans, which were settled in May 2019. The share of swap break costs was £7.5m.

11 Analysis of total expenditure by activity

Academic, research and related expenditure	25,504	25,504	23,828	23,828
Administration and central services	14,430	14,430	11,720	11,720
Premises	11,305	11,305	10,006	10,006
Residences, catering and conferences	1,792	1,792	1,815	1,815
Other expenses	9,684	9,459	9,451	9,271
	62,715	62,490	56,820	56,640

Other operating expenses include:

External auditors remuneration in respect of audit services	56	55	56	55
External auditors remuneration in respect of non-audit services	3	3	3	3

12 Taxation

Recognised in the statement of comprehensive income

Current tax

Singapore Corporate Tax	23	23	11	11
Current tax expense	23	23	11	11

As explained in the accounting policies, the College is potentially exempt from taxation because of its charitable status and no taxation on income or capital gains was payable for 2018/19 or 2017/18. A charge was made in 2018/19 in relation to Singapore Corporation Tax.

13 Intangible assets

Consolidated and College

	Total
	£000
Networked Application Software	
Cost	
At 1 August 2018	6,687
Additions in the year	3,042
At 31 July 2019	<u>9,729</u>
Amortisation	
At 1 August 2018	1,504
Amortisation charge for the year	681
At 31 July 2019	<u>2,185</u>
Net book value	
At 31 July 2019	<u>7,544</u>
At 31 July 2018	<u>5,183</u>

14 Investments

Consolidated and College

Endowment Assets

At 1 August 2018	53,272
Additions	3,483
Disposals	(4,341)
Gain/(loss) on Investments	(822)
At 31 July 2019	<u>51,592</u>

Endowment assets comprise equities, fixed interest bonds, property, cash and unitised funds.

Name	Country of Incorporation	Principal Activity	% of shares held by
Subsidiary Undertakings			College & Group
Royal Holloway Enterprise Ltd	Great Britain	Consultancy	100
Associates and Joint ventures			
Abatis (UK) Limited	Great Britain	Business and domestic software development	19

College holds 99 shares in Royal Holloway Enterprise Limited, the remaining share is held by a nominee on behalf of College. The cost and net book value of Fixed Asset Investments are less than £1,000. The Council considers that the fair value of fixed asset investments is not materially different to cost.

Notes to the Financial Statements

for the year ended 31 July 2019

15 Fixed Assets

	Freehold Land and Buildings	Investment Property	Leasehold Land and Buildings	Picture Collection	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total Tangible Assets
Consolidated and College							
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 August 2018	417,455	17,000	7,219	27,063	60,831	5,120	534,688
Additions	2,731	-	53	-	3,117	12,431	18,331
Completed Assets	3,008	-	191	-	1,794	(4,993)	-
Change in market value	-	(2,500)	-	1,628	-	-	(872)
Disposals	-	-	-	-	-	(68)	(68)
At 31 July 2019	423,194	14,500	7,462	28,691	65,742	12,490	552,079
Consisting of valuation as at:							
31 July 2019	162,706	14,500	1,800	28,691	795	-	208,492
Cost	260,488	-	5,662	-	64,947	12,490	343,587
	423,194	14,500	7,462	28,691	65,742	12,490	552,079
Depreciation							
At 1 August 2018	92,720	-	3,174	-	30,379	-	126,273
Charge for the year	10,576	-	414	-	5,919	-	16,909
Disposals	-	-	-	-	-	-	-
At 31 July 2019	103,296	-	3,589	-	36,298	-	143,183
Net book value							
At 31 July 2019	319,898	14,500	3,874	28,691	29,444	12,490	408,897
At 31 July 2018	324,735	17,000	4,045	27,063	30,452	5,120	408,416

At 31 July 2019, freehold land and buildings included £119.4m (2018 £119.4m) in respect of freehold land and is not depreciated.

Freehold land and building at cost included £6.7m of capitalised finance cost (2018 £6.7m).

Investment Property

The College's investment property is valued annually on 31 July at fair value and for the year ended 31 July 2019 was determined by Savills who are qualified external valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

In valuing the property, a traditional all risks yield method was adopted, having regard to comparable evidence, condition and current market conditions. The key assumption is an equivalent yield of 8%.

The valuation considers the leases currently in place and the perceived risk or reletting the site beyond the expiry of the current leases.

Picture Collection

The College's Picture Collection which is displayed in the Picture Gallery contributes to the appeal of the venue for functions and tours. The Collection was left to the College by its Founder, Thomas Holloway, and is disclosed as a Fixed Asset. The Picture Collection was valued at £28.7m (2017/18 £27.1m).

16 Debtors

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	College £000	Consolidated £000	College £000
Amounts falling due within one year:				
Other trade receivables	3,996	3,996	2,609	2,570
Other receivables	23	-	51	-
Prepayments and accrued income	9,250	9,250	9,370	9,370
Amounts due from subsidiary companies	-	25	-	58
	13,269	13,271	12,030	11,998

17 Current Investments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	College £000	Consolidated £000	College £000
Short term deposits	22,000	22,000	4,000	4,000

18 Creditors: amounts falling due within one year

	Year ended 31 July 2019		Year ended 31 July 2018 (restated)	
	Consolidated £000	College £000	Consolidated £000	College £000
Secured loans	-	-	1,514	1,514
Unsecured loans	-	-	2,087	2,087
Trade payables	3,527	3,526	5,862	5,713
Payments received on account	6,526	6,527	7,179	7,179
Social security and other taxation payable	3,978	3,978	3,780	3,780
Accruals and deferred income	31,450	31,450	25,315	25,315
	45,481	45,481	45,737	45,588

The comparative figures above have been restated; trade creditors originally included an amount of £6.9m which is better reflected as accruals and deferred income. This restatement has had no impact on the total level of creditors due within one year.

Notes to the Financial Statements

for the year ended 31 July 2019

19 Creditors: amounts falling due after more than one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	College £000	Consolidated £000	College £000
Deferred income	23,857	23,857	25,835	25,835
Interest rate swap – cash flow hedge	-	-	7,437	7,437
Secured loans	-	-	12,218	12,218
Unsecured loans	140,000	140,000	100,609	100,609
	163,857	163,857	146,099	146,099

Analysis of secured and unsecured loans:

Due within one year or on demand (Note 18)	-	-	3,601	3,601
Due between one and two years	-	-	3,137	3,137
Due between two and five years	-	-	8,986	8,986
Due in five years or more	140,000	140,000	100,705	100,705
Due after more than one year	140,000	140,000	112,828	112,828
Total secured and unsecured loans	140,000	140,000	116,429	116,429

Loans comprise the following:

Lender	Amount £000	Term	Interest rate %
Pricoa Private Placement	80,000	2035-2045	2.97-3.26
PIC	60,000	2055	3.09
	<u>140,000</u>		

Repayment of loans:

	£000
Repayment of Natwest, AIB & RBS facilities	36,003
Movement in fair value of hedging instrument	(7,437)
Share of swap break costs	7,544
	<u>36,110</u>

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

	Consolidated and College	
	31 July 2019	31 July 2018
	£000	£000
Consolidated and College financial instruments may be analysed as follows:		
Financial Assets		
Financial assets measured at fair value through profit or loss	51,592	53,272

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

Financial Liabilities

Financial liabilities measured at amortised cost	140,000	116,429
Derivative financial instruments designated as hedges of variable interest rate risk	-	7,437
	140,000	123,866

Financial liabilities measured at amortised cost comprise bank loans.

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

Notes

Hedge of Variable Interest Rate Risk

Fair value of hedging instrument at 1 August 2018		7,437	9,490
Effective portion of change in fair value recognised in the statement of reserves		(6,264)	(1,918)
Interest credit on ineffective portion of hedging instruments	10	(1,173)	(135)
At 31 July 2019		-	7,437

College had entered into interest rate swaps to manage interest rate risk on variable rate loans, which were settled in May 2019. The derivatives are measured at fair value at the date of settlement, 30th May 2019.

The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income. The gain or loss relating to the ineffective portion of the derivatives is recognised in the statement of comprehensive income.

Notes to the Financial Statements

for the year ended 31 July 2019

20 Provisions for liabilities

Consolidated and College	Obligation to fund deficit on USS Pension £000	Other £000	Employment Tax Liability HMRC £000	Total Provisions £000
At 1 August 2018	16,141	-	295	16,436
Utilised in year	(505)	-	-	(505)
Additions	31,637	2,180	49	33,866
At 31 July 2019	47,273	2,180	344	49,797

Pension enhancement

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

	USS
Discount rate	1.58
Inflation	2.00

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 25.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision in the scheme as a whole which has increased from £83.1 million to £248.4 million. £165.1 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 9 in respect of significant one-off pension costs/gains. More details on the 2017 actuarial valuation are set out in note 25.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 27. As at 31 July 2019, the new valuation would have resulted in a revised provision of £28.2m, a decrease of £19.1m from the current year end provision. In arriving at this movement, the discount rate applied has been reduced to 1.3% to reflect the reduced period over which deficit contributions will be paid. All other assumptions remain unchanged.

The major assumptions used to calculate the obligation are:

	2019	2018
Discount rate	1.58%	2.16%
Salary growth	[2%]	[2%]

Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

Change in assumptions at 31 July 2019 Approximate impact

	£000
0.5% pa decrease in discount rate	2,025
0.5% pa increase in salary inflation over duration	2,006
0.5% pa increase in salary inflation year 1 only	232
0.5% increase in staff changes over duration	2,035
0.5% increase in staff changes year 1 only	235
1% increase in deficit contributions from April 2020	9,277
1 year increase in term	3,879

21 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2019 Total	2018 Total
	£000	£000	£000	£000	£000
Balances at 1 August 2019	77,072	3,101	242	80,415	79,602
New endowments	-	-	-	-	-
Investment income	1,409	70	35	1,514	1,435
Expenditure	(1,409)	(70)	(35)	(1,514)	(1,435)
Increase in market value of investments	(738)	(78)	(6)	(822)	813
Decrease in valuation of the Picture Collection	1,628	-	-	1,628	-
	890	(78)	(6)	806	813
At 31 July 2019	77,962	3,023	236	81,221	80,415
Analysis by type of purpose					
Hilda Martindale Educational Trust	998	-	-	998	1,024
Other scholarship, prize and fellowship funds	6,804	-	236	7,040	7,285
Founder's Endowment Fund	41,468	-	-	41,468	41,941
Other funds		3,023	-	3,023	3,102
Founder's Picture Collection	28,691	-	-	28,691	27,063
	77,962	3,023	236	81,221	80,415
Analysis by asset					
Fixed assets – Picture Collection				28,691	27,063
Current and non-current asset investments				51,592	53,272
Cash & cash equivalents				938	80
				81,221	80,415

Hilda Martindale Educational Trust

The Trust was created under the Will of the late Miss Hilda Martindale in 1952 to provide opportunities for girls and women to train in a specialist field.

Other scholarship, prize and fellowship funds

These comprise a number of smaller funds donated to the College for a variety of purposes for the benefit of students, across a wide number of disciplines.

Founders Endowment Fund

In May 1992 the Charity Commissioners authorised the sale of certain pictures, the proceeds of which were to be administered and managed as a separate charity as the Founder's Endowment Fund (FEF).

The income of the Fund is applied by College in the following order of priority:

- a – maintenance, security and upkeep of the pictures and picture gallery of the College
- b – in the maintenance and improvement of the original buildings and grounds of the College
- c – in any other way which will further the general charitable purposes of the College for which provision is not made out of Government fund or by other usual University funding sources.

	£000
Balance brought forward	41,941
Income	1,244
Expenditure	(1,244)
Appreciation of Investments	(473)
Balance carried forward	41,468

Notes to the Financial Statements

for the year ended 31 July 2019

22 Restricted Reserves

	Consolidated and College	
	2019	2018
	Total	Total
	£000	£000
Reserves with restrictions are as follows:		
Balances at 1 August 2018	-	6
New donations	544	593
Expenditure	(384)	(599)
At 31 July 2019	160	-

23 Capital and other commitments

	31 July 2019		31 July 2018	
	Consolidated	College	Consolidated	College
	£000	£000	£000	£000
Provision has not been made for the following capital commitments.				
Commitments contracted at 31 July	2,756	2,756	7,886	7,886
Authorised but not contracted at 31 July	220	220	166	166
	2,976	2,976	8,052	8,052

The amounts primarily relate to refurbishments of halls of residences, the Computer Centre, school offices and sports changing rooms.

24 Commitments under Operating Leases

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

	31 July 2019	31 July 2018
	£000	£000
Consolidated and College		
Not later than 1 year	750	838
Later than 1 year and not later than 5 years	875	1,625
Total lease payments due	1,625	2,463

25 Pension Schemes

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

	Consolidated and College	
	2018/19	2017/18
	£000	£000
Contributions to USS	16,006	14,900
Contributions to SAUL	2,393	2,240
Other pension contributions and costs	10	10
Total Pension Cost (note 9)	18,409	17,150

The College participates in the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL).

The College offers a pension salary sacrifice arrangement. Employees are able to opt for a reduced contractual salary, with the College then making the pension contribution, otherwise payable by the employee, as additional employer's contributions. The amount relating to salary sacrifice in 2018/19 was £5.4m (2017/18 £5.0m).

USS

The institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

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

The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102.

The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The total cost charged to the profit and loss account is £30.8m (2018: (£1.9m))

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. Since the year end, a valuation as at 31 March 2018 has been completed of which more detail is provided in note 27.

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

The 2017 valuation was the fourth valuation for the scheme 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 Statement of Funding Principles.

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 (forward rates)	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%

Notes to the Financial Statements

for the year ended 31 July 2019

25 Pension Schemes (continued)

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:

2017 valuation

Mortality base table

Pre-retirement:

71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females

Post retirement:

96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females

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% pa 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

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

SAUL

Superannuation Arrangements of the University of London ("SAUL"), is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016).

SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis.

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

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

26 Related Party Transactions

Royal Holloway paid grants of £0.9m (2017/18 £1.6m) to Royal Holloway Students' Union.

There were no other related party transactions to disclose.

27 Events after the reporting period

As set out in Note 25 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 £19.1m in the provision for the obligation to fund the deficit on the USS pension which would instead be £28.2m. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

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