

THE ROYAL VETERINARY COLLEGE

**ANNUAL REPORT AND
FINANCIAL STATEMENTS 2016/17**

The Royal Veterinary College

Annual Report and Financial Statements for the year ended 31 July 2017

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CHAIRMAN'S INTRODUCTION for the year ended 31 July 2017

It is with great pleasure that I present the Annual Report and Financial Statements of the Royal Veterinary College (RVC). Building on the success of recent years, the performance of the last 12 months is of particular note given the uncertainty of the environment in which we operate and the new challenges posed by both political and economic drivers.

The reassuring result of achieving gold in the Teaching Excellence Framework and our maintained presence at the top of international league tables underscore our global ambition. Add to this the robust financials contained in the pages that follow and it would not be an overstatement to say that the RVC is as successful as it has ever been in its 225 Year history.

We continue to plan for growth and for a future that cements the RVC's reputation as a high quality institution with facilities that match the excellence of our teaching, research and clinical provision. With a dedicated staff committed to the attainment and wellbeing of outstanding students drawn from across the globe, I am certain that the RVC's contribution to society is both important and valued.

I extend my thanks to my fellow Councillors for their devotion to duty; to the Principal and his staff for their outstanding efforts; and to you, the reader, for your interest in the continued endeavours of the Royal Veterinary College.

LORD CURRY OF KIRKHARLE

PRINCIPAL'S REPORT **for the year ended 31 July 2017**

The celebrations of the Royal Veterinary College's 225th birthday provided a backdrop to what has been another successful year. With a formal dinner with many of our alumni, displays of our historic and special collections, the hosting of the General Assembly of the European Association of Establishments for Veterinary Education and finally our graduations, it has been a year to remember and one we have been privileged to share with our friends and supporters.

The account of the year that is reflected in the facts and the figures of this publication speaks to an effort by all at the RVC that has seen us overcome some significant challenges. From the need to address new metrics of our teaching to an increasingly competitive environment in clinical provision; from the uncertainty of international student recruitment in a pre EU exit UK to the transfer market for leading academics; from the increasing awareness of the importance of the wellbeing of students and staff, to the changing careers in professions that are themselves under pressure – we have applied

ourselves assiduously and to good effect. The result? Another successful financial year, the award of the highest recognition in the Teaching Excellence Framework, record income in our clinics, buoyant student recruitment and an outcome in this year's National Student Survey that sees us joint first of *all* UK universities for student satisfaction.

The year ahead will bring further tests of our resilience – of that there can be no doubt. Attracting high quality staff in uncertain times, bolstering our research agenda and dealing with major capital programmes just three of the many. However, I know that the focus and commitment of all of us at the RVC make us more than capable of ensuring we continue to build on the success of our predecessors make the coming year every bit as memorable and successful.

STUART W.J. REID
Principal

STRATEGIC AND FINANCIAL REVIEW for the year ended 31 July 2017

Context and risk analysis

The Royal Veterinary College (RVC), founded in 1791, was the first of its kind in the UK and remains the only independent Higher Education Institution for teaching and research in the veterinary and allied sciences. The RVC has the largest range of veterinary, para-veterinary and animal science undergraduate and postgraduate courses of any veterinary school in the world, and is one of the largest veterinary schools in Europe. The College is a constituent college of the federal University of London.

The key strategic objectives of the College are set out within its Strategic Plan 2014-2019. At the heart of this are the three pillars of the College's mission: the discovery of new knowledge, the dissemination of knowledge by education, and translation of knowledge through the delivery of optimal clinical care and opinion. Developing and enhancing excellence across all of the College's activities is paramount. During 2017/18, it is intended to update the Plan and extend it for an additional two years.

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

The Strategic Risk Register focuses on the College's key strategic risks. It is subject to periodic zero-based reconstructions by the College Executive Committee and Council whereby risks are identified and rated based on

their likelihood and impact and the extent to which they can be, and have been, modified. They are reviewed on a quarterly basis and reported to Audit Committee with a focus on changes in rating from one period to the next. Risk is a standing item on all of the College's management and governance committees. Operational level risks across the College are collated and reviewed twice yearly, ensuring that mitigating actions are aligned with strategic level risks and objectives.

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

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

Recognising the importance of risk awareness and management, the College has invested in additional resource in this area and has undertaken a fundamental review of its risk management strategy, policy and procedures with ongoing focus on reviewing the effectiveness of these mechanisms.

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

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

Academic review

Learning and the student experience

The College's taught undergraduate programmes provide education to the whole veterinary team and to students interested in the biological and biomedical sciences.

Recruitment to the BVetMed programme continues to be strong. This year the College averaged approximately seven applicants per place for our five-year programme and there was increased interest in both our Graduate and Gateway entry paths. The RVC's BVetMed degree remains one of only four programmes in the world to be accredited by the Royal College of Veterinary Surgeons, the American Veterinary Medical Association, the Australasian Veterinary Boards Council and the European Association of Establishments for Veterinary Education. Regardless of the entry pathway, our BVetMed programmes ensure our graduates are effectively able to work as veterinary surgeons anywhere in the world.

The RVC remains committed to supporting the concept of the "veterinary team" as the future of veterinary practice and this belief underpins our training and educational programmes. We are unique in offering a suite of programmes in veterinary nursing, including a Foundation Degree (FdSc) and an "in parallel" BSc, together with a Graduate Diploma in Practical and Clinical Veterinary Nursing. Applications to our undergraduate nursing programmes continue to be exceptional with competition for places the highest of any of our undergraduate offerings.

Despite increased competition from larger multi-faculty universities, interest in the College's portfolio of biological and bioveterinary science degrees remains buoyant. We are of the view that there are real opportunities to enhance further the appeal of these courses, and the positive impact of their graduates on animal welfare and society in general, by offering a wider range of more subject-focused specific degrees, particularly in those areas where our reputation is strongest.

Through a sustained programme of enhanced student engagement and representation, the College has brought the student to the centre of

our mission. This strategy is having a positive impact on our students' experience. In the 2017 International Student Barometer survey, RVC was ranked first in the world for its outstanding staff; it was awarded Gold status in the UK's Teaching Excellence Framework, the highest ranking possible; we are proud to have been placed equal first for student satisfaction in the UK's National Student Survey; and, for the third year in a row, ranked third in the world and first in Europe for veterinary educational establishments by the prestigious QS rankings. All these provide evidence of the high quality of the educational experience we offer.

Research and innovation

The uncertainty over EU research grant funding has continued during the last year and there is evidence of a reduced willingness of other EU countries to enter consortia led by the UK. Nevertheless, we continue to make applications for EU funding.

Our success rate for grant applications made in the calendar year 2016 was 22.7% by value with over £9m being awarded. The number of RCUK project grants awarded from applications made in 2016 was 10 - double the previous year's total - and overheads from grants met our budgeted target in 2016/17.

However, there are challenges and maintaining the number of research grant applications is a current focus. Strategies to support academics are being pursued including additional assistance in identifying appropriate funding opportunities and in developing research proposals. Four strategic fellows have been appointed to increase our capacity and provide for succession in areas of strategic importance. We are also recruiting to a leadership role in infectious diseases research.

Opportunities to apply for Global Challenges Research Funds lie predominantly within the Livestock Production and Health research programme. Partnerships with other institutions nationally and internationally are vitally important in this respect. The London International Development Centre provides us with these partnerships and its new Director, appointed in June 2017, is a veterinarian with expertise in social sciences and also holds a post at

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the RVC. We have renewed our partnership with the Animal Plant Health Agency with two joint positions being created and we are actively pursuing a close alliance with the International Livestock Research Institute (ILRI) in Ethiopia to work at the interface between animal and human health.

Within the Comparative Physiology and Medicine research theme, the Musculoskeletal Biology Group also maintains performance at a high level. The translational research in Duchene Muscular Dystrophy has attracted significant interest with two major novel approaches to therapy of this disease being tested with industry partners. Control of neuromuscular function is a developing area within the Structure and Motion Laboratory and Clinical Neurology – the appointment of a Strategic Research Fellow (Clinician Scientist) who has a PhD in this area and is a specialist in neurology is an exciting development for the future.

Our partnership with Galvani Ltd. in bioelectronic medicine continues to expand and shows great promise for translation into the veterinary clinic as well as into human clinical medicine.

Industry funding is particularly important for our clinically applied research programme. New funding has been awarded to support major programmes in mitral valve disease, diabetes, feline kidney disease and epilepsy, all of which continue to produce high quality outputs. Recent appointments of a Clinical Geneticist and Professor of Veterinary Medical Genetics will strengthen the use of genomic technologies in research, which also makes use of our clinical case load. Comparative genomic research in collaboration with medical centres of excellence at Oxford and Queen Mary's College will also be facilitated.

The London Biosciences Innovation Centre continues to exceed budget expectation, making a substantial financial contribution to the College (£0.5m in 2016/17). Demand for space within the Centre is high with preference given to companies which utilise the College research services,

collaborate with academics in research and offer student placements.

Clinical Affairs

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

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

During the past year we have:

1. Implemented a plan for the further development of clinical facilities in Camden, in order to accommodate growth in small animal general practice and exotic animal work, and the increasing number of animals neutered under our Shelter Medicine Programme.
2. Expanded capacity within RVC Equine to enable delivery of equine ambulatory practice as both a core and tracking rotation, and grown hospital based caseload with the introduction of new and innovative services such as advanced gait analysis. Overall the intramural rotations (IMRs) grew by 16%.
3. Increased income from Small Animal Referral Services in the Queen Mother Hospital for Animals by 10%. This has been achieved during a period of significant building services works, including the completion of long-term heating and cooling upgrades and replacement of our theatre sterilising units.
4. Maintained an important teaching presence in farm animal clinical work on site at Hawkshead to complement the partnership

arrangements put in place with third party providers.

5. Upgraded key equipment in the Pathology and Diagnostic Services Unit where we continue to investigate ways of expanding our portfolio of specialised diagnostic tests and where we are building a reputation in forensic veterinary pathology.

RVC Clinical Services have continued to meet accreditation standards and have delivered over 5,500 student weeks of IMR through our facilities. We also have also outperformed the financial KPIs, with this year's contribution exceeding £1.7m.

Corporate responsibility

Staff

The College aims to be an employer of choice for those seeking to work in the veterinary, biosciences and one health Higher Education sector and, to do so, we need to attract, develop, retain and reward the best possible staff from a range of diverse backgrounds.

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

Employment strategy is considered by the College's Council, through the Finance and

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

Staff wellbeing is very important to the College. This is supported through encouraging open communication between staff and their managers, access to an occupational health service and an Employee Assistance Programme that include a 24-hour telephone advice line available at no cost to all employees. Flexible working is encouraged where this is operationally viable. A Staff Wellbeing Group, reporting to Safety Committee, has been established to develop good practice in supporting staff health and wellbeing. It will do so in consultation with, and in the context of, existing work carried out by the Equality Strategy Group, and the Student Development Committee.

The scientific nature of the College's work means that certain staff are exposed to conditions for which strict health and safety measures must be in place. The College has a well-established risk assessment process, training programme and set of standard operating procedures in these instances, thereby limiting the number of incidents that occur. The Safety Committee reviews policy and procedures and any incidents and these are reported directly to the College Council.

Equality and diversity

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

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All staff must successfully complete online equality and diversity awareness training before being confirmed in post. Given demographic trends in the veterinary profession and the composition of its own staff and student bodies, an area of particular importance to the College is women's career and personal development. The College has made a commitment to promote and advance the development of women in STEM subjects and, in October 2017, received an Athena SWAN bronze award in recognition of its work to date and Action Plan.

Financial review

Scope of the Financial Statements

The consolidated financial statements cover the activities of the College, the Animal Care Trust (ACT), London BioScience Innovation Centre Limited (LBIC), RVC Developments Limited, and Royal Veterinary College (Hong Kong) Limited.

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice 2015: Accounting for Further and Higher Education ("SORP 2015") which replaced the previous 2007 version. SORP 2015 is based upon Financial Reporting Standard 102 ("FRS 102") which became the new generally accepted accounting practice for the UK for accounting periods ending after 1st January 2016.

The financial year ending 31st July 2017 was, therefore, the second year that the College's financial statements were prepared under the new SORP and reflects a number of accounting policy changes made in 2015/16. For 2016/17, some minor changes to the classification of specific income and expenditure streams have been made to comply with guidance provided by the Higher Education Statistics Agency (HESA) and to improve the reporting of Clinical income. Further details of these changes are made in Note 1 to the Financial Statements.

The College's full accounting policies are presented on pages 26 to 31.

Results for the year

The College's consolidated results for the period to 31 July 2017, compared to the prior year, are presented in the following table. A summary of the

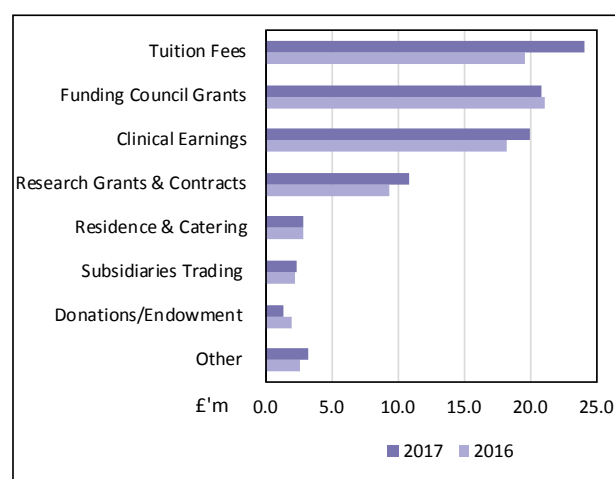
impact on the reported position of adjustments required under the new SORP is also provided:

<u>Table 1</u>	2017	2016
	<i>£'m</i>	<i>£'m</i>
Income	85.6	79.3
Expenditure	<u>78.6</u>	<u>76.3</u>
Surplus before other gains and losses	7.0	3.0
Gain/(loss) on investments	0.3	(0.2)
Taxation	<u>0.0</u>	<u>(0.1)</u>
Surplus/(Deficit) for the year	<u>7.3</u>	<u>2.7</u>
<i>SORP adjustments in the above:</i>		
Pension provision + interest charges	0.1	1.5
Interest rate swaps	(1.6)	1.7
Income recognition - Capital grants	1.4	0.9
Income recognition - Other	0.1	0.1
Endowment fund reporting	(0.5)	(0.5)
Gain on investments	(0.3)	0.2
Finance leases	(0.1)	0.0
Holiday pay accrual	<u>0.1</u>	<u>0.1</u>
Pre-SORP position	<u>6.5</u>	<u>6.7</u>

Note: 2016 results included a £1.6m one-off release of a provision

Income

The College's total income was £85.6m, compared to £79.3m in 2015/16. There has been a change in the reporting of internal tuition fee waivers between the two years. Adjusting for this, income grew by 7.5%. Sources of income for both years are shown in the following chart:



Tuition fees, at £24.1m, have become the College's main source of income (replacing Funding Council grants). After adjusting for the afore-mentioned

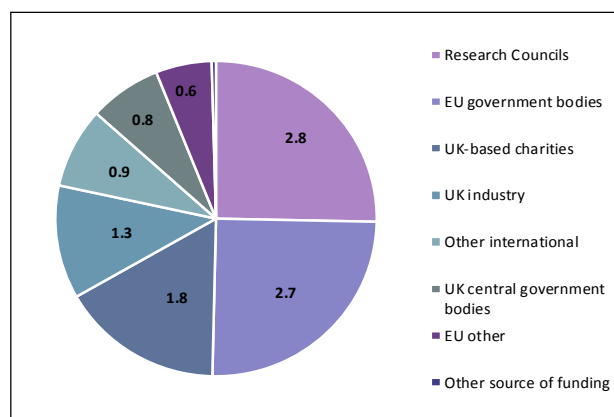
change in the reporting of internal fee waivers, the increase on the prior year was 23% (£4.4m), of which the greater part (£2.7m) represented fees from international students, constituting over 30% (2016:25%) of total tuition fee income. The increase was a combination of fee rises and increased recruitment. International students accounted for 28% of our undergraduate intake compared to 10% in 2015/16. The remainder of the increase in tuition fees was due to roll-through of prior years' student number growth, including the exceptionally strong recruitment to the College's BSc/MSci programmes in 2015/16, and a further cohort of new regime (£9,000 fee) UK/EU students.

The latter also accounts for the reduction in **Funding Council grants**, which, at £20.8m, reduced by 1.6%, reflecting the shift from public funding of teaching towards tuition fees, funded by student loans. Nevertheless, the HEFCE Teaching Grant remains an important income stream (2017: £14.6m) for the College as our programmes are in high-cost, primarily clinical, subject areas, which continue to receive funding. Included within the Teaching Grant is an institution-specific funding allocation, awarded in recognition of the College's world-leading teaching provision.

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

Clinical and related income increased to £20.0m from £19.8m reported in the prior year. The latter sum included income (£1.5m) relating to non-clinical commercial services, which, for 2016/17, has been reported under Rent and other income. Adjusting for this, actual year-on-year growth in clinical income was 9.8%. Clinical operations comprise the College's veterinary teaching first opinion and referral hospitals and diagnostic laboratories. Income growth was driven by increased caseload and pricing changes. A gross contribution of £1.7m was delivered compared to £1.5m in the prior year.

Income from externally-funded **research grants and contracts**, at £10.9m, was significantly (£1.6m) up on the previous year, reflecting the grant application success reported earlier. Income from EU government bodies and UK industry were the main areas of growth. The breakdown of funding by sponsor type was as follows (£'m):



After adjusting for the impact in the change of reporting of non-clinical commercial services, **Other income** increased by 3.7% to £8.1m. This was primarily due to rent increases and improved occupancy of office and laboratory space by external clients of the London BioScience Innovation Centre (LBIC).

Income from **donations and endowments**, at £1.6m, reduced by 17% compared to the previous year, which had coincided with the Queen Mother Hospital for Animals (QMHA) 30th anniversary appeal. The majority (58%) of donations were restricted in nature.

Expenditure

Expenditure, at £78.6m shows an increase of £2.3m compared to the prior year.

The year-on-year variance is, however, distorted by movements in the reporting of liabilities required under the new SORP, notably the pension provision and the fair value of interest rate swaps. The movement on these was a credit of £1.6m in 2016/17 compared to a charge of £3.0m in 2015/16. Expenditure in the prior year was also impacted (reduced) by the one-off release of £1.6m relating to potential prior year tax liabilities. Finally, the change in reporting of internal fee waivers referenced above also affected the year-on-year comparison. Adjusting for these items, expenditure increased by £6.9m (8.0%).

Staff costs were £45.1m, representing 52.7% of turnover. For 2016/17, the costs (£0.4m) of individuals engaged on an agency basis have been reported under Other operating expenses. Adjusting for this change in presentation, staff costs rose by 6.5% from a combination of increased staff numbers

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(associated with additional income generation), incremental pay progression and a 1.1% national pay award. In addition, staff were awarded a 2.25% one-off bonus in celebration of the College's 225th anniversary.

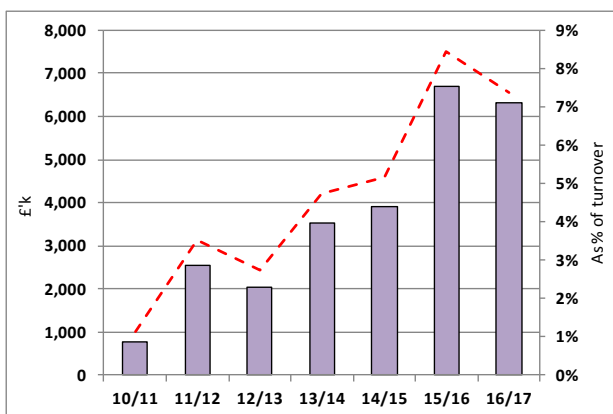
Other operating expenses, at £29.0m, rose by 16.9% (after adjusting for fee waivers and agency staff). The increase is related to the growth in the volume of activity and associated income reported above as well as inflationary pressures on certain costs.

Depreciation costs reduced by 4.2% to £5.2m. This is due to amortisation costs relating to finance leases now being reported under Other operating expenses.

Excluding the impact of the movement on the fair value of interest rate swaps, **interest and other finance costs** decreased by 23% primarily due to exchange rate gains.

Surplus

The reported surplus for the year was £7.3m, compared to £2.7m in 2015/16. As shown in Table 1 above, SORP adjustments have a significant impact on the reported position and distort an understanding of the trend in underlying operating performance. The adjustments have been removed from the figures in the following graph, which shows that there has been a positive trend in the College's financial performance, notably in the past two years:



2015/16 results include £1.6m one-off release of provision

The 2016/17 pre-SORP operating surplus of £6.5m also represented a significant improvement compared to the budgeted position for the year, which was £2.9m. Budgeting is done on a prudent

basis such that, in the absence of any unforeseen adverse events, an improved outturn can be anticipated. In particular, there is an in-built contingency in the budgetary assumption of a full staffing establishment. Further prudence is built into our budgeted student numbers and contributions from our commercial operations (Clinical Services, RVC Business). The College Executive and Finance & General Purposes Committee receives forecasts of actual performance against budget on a quarterly basis.

Capital investment

The College has continued to invest in its physical infrastructure with several projects completed and a number of others about to start or in the planning stages.

The Sports and Wellbeing Centre was completed on programme and budget and is proving to be highly valued by students and staff. In addition to this flagship new build project, there have been a number of smaller, but essential, refurbishment projects and renewal of major plant.

Building works to remodel space in the Beaumont Sainsbury Animal Hospital and the Hobday Building in Camden is well underway. Plans for major re-development of parts of the Hawkshead Campus are being advanced and a design team for this project has been appointed.

IT investment has encompassed projects to further improve the capacity, resilience and security of network infrastructure, but also ones which support specific functional activities. These include an upgraded central data storage solution, the inward migration of the Agresso finance system from an externally hosted contract and implementation of several software solutions including a new residential accommodation management system.

A process of continual improvement in classroom and meeting room technology has seen a number of audio-visual and video-conferencing upgrades across both campuses.

Borrowing

Outstanding borrowing at 31 July 2017 was £20.8m (2016: £22.0m), representing a borrowing ratio

(borrowings: total income) of 24% (2016: 28%). The College's outstanding long-term debt amounted to £19.4m (2016: £20.7m) and is held with the Royal Bank of Scotland. All loans are held by the College and have a maximum duration of 25 years. In order to ensure certainty of interest charges over the life of these loans, the College took out floating-to-fixed interest rate swaps.

The College also has £1.3m in Salix interest-free loan funding to undertake a range of energy efficiency projects. The funding is repayable over a period to October 2022.

Treasury policy and investments

The College's Treasury Policy seeks to ensure an appropriate return on investments at a level of risk agreed by the College Council. Long-term investments, the majority of which are endowment assets, were managed during the year by Ruffer LLP. At 31 July 2017, the value of the portfolio held with Ruffer was £12.4m (2016: £12.1m) comprising a range of equity, fixed interest and cash funds. Investment returns over the year represented a gain of 2.5% (2016: 5% gain). The year-end market valuation was a £0.1m loss (2016: £0.4m gain).

Investment of working capital funds is monitored by the Finance and General Purposes Committee. Funds are placed for fixed-term periods with counterparties approved under the Treasury Policy. As at 31 July 2017, £15.0m (2016: £14.0m) was held with three counterparties, other than the College's main banker, for terms of up to 6 months. An average interest rate of 0.72% was earned over the year.

Cash flows

Cash generation from operating activities has been a priority as the College has built up its cash reserves over recent years to fund its capital investment plans. Key financial performance indicators relate to cash generation and cash balances. The College held cash and short-term deposits of £27.4m at 31 July 2017 (2016: £23.6m). This includes cash held within the endowment fund portfolio amounting to £0.6m (2016: £0.4m). Excluding endowment fund cash, net liquidity days were 130 (2016: 120).

Pension funds

Staff at the College are entitled to join either the Universities Superannuation Scheme (USS) or the

Superannuation Arrangements of the University of London (SAUL).

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

As both USS and SAUL are pooled multi-employer schemes, it is not possible to reliably separate out each institution's share of the Schemes' assets and liabilities. However, under the new SORP, the College is required to recognise its liability to fund the deficit recovery plans of each Scheme. The College's liabilities as at 31 July 2016 were: USS £7.3m (2016: £7.2m), SAUL £0.4m (2015: £0.6m).

Both schemes were re-valued as at 31 March 2017 and it is expected that further remedial measures will be required to address continuing deficits.

Financial outlook

The RVC has delivered healthy operating surpluses and built up sizeable cash reserves. This has been achieved through targeted growth in our income streams and a robust and proactive approach to cost control. As a result, our financial performance, as measured by key financial metrics, compares favourably with the rest of the sector.

Despite challenging and uncertain external drivers, student demand for our courses remains strong, including from international students. Recruitment in the current 2017/18 cycle follows this trend. Our clinical and commercial activities continue to deliver an improved performance year-on-year and, within an increasingly competitive funding environment, research grant performance has been maintained.

In addition to our positive financial performance, we have further consolidated our position as a world-leading institution, cementing our brand and reputation in our three mission areas as highlighted elsewhere in this report.

The College is, therefore, well placed, financially and reputationally, to enter the next phase of its development. To remain sustainable, we are investing for the long term and our financial strategy has been to reach a position where we are able to

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make that investment both in our physical and human resources.

We reported in last year's financial statements of our plans for a major programme of capital investment at both our campuses to ensure that we remain competitive and continue to attract the best students and staff. These plans are progressing with the first phase of work at the Camden Campus already underway. This involves refurbishment and re-configuration of existing space to create additional capacity and improve space usage. Design consultants have been appointed to progress the development of our plans for the Hawkshead Campus, which involve replacement of ageing teaching, research and office space. In support of this, the College is finalising its Masterplan for submission to Welwyn and Hatfield Council as part of its wider Local Plan.

The capital works are to be funded by a combination of cash reserves and external financing. The College has engaged advisors to assist in obtaining financing and arrangements are expected to be in place by the end of 2017/18.

In developing the business case, we have given due regard to the financial risks which continue to face higher education, notably escalating pension costs and the real terms decline in the teaching unit of resource. The economic and social impact of the UK leaving the EU is, of course, a matter of concern to the College as it is to the rest of the sector. However, in this regard, the RVC is less exposed than many other institutions having a relatively small proportion of EU students, a substantial third income stream (clinical) and the potential to deliver increased contribution through continuing strong demand from UK and international students. We, therefore, recognise the imperative to continue to diversify and grow our income from non-public sources and the investment we are undertaking supports this.

The RVC recognises its accountability to students and taxpayers for the investment provided by tuition fees and public funding and the need to demonstrate that it is operating efficiently and delivering value for money. Veterinary Sciences is one of the most expensive subjects to teach and, with the declining

unit of resource, we are focused on delivering our activities as efficiently as possible without compromising academic and clinical quality or student and client satisfaction.

With an upcoming accreditation visit by our principal regulators, further REF and TEF exercises on the horizon and, as part of the mid-term review of our Strategic Plan, we have considered how best to focus our resources on strategic priorities and delivery of measureable outputs. As a result, areas of our academic provision have been re-shaped, including the creation of a single department, from two, of Pathobiology and Population Sciences. A curriculum review of our main teaching programme, the BVetMed, is currently underway. An academic workload allocation model is also in development to ensure that academic staff resources are effectively and equitably deployed. A major exercise, led by the Chief Operating Officer, to restructure our professional services functions into more cognate groupings is now complete.

The Strategic and Financial Review was approved by Council on 8 December 2017 and signed on its behalf by:

LORD CURRY OF KIRKHARLE

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT for the year ended 31 July 2017

The College is an exempt charity under the terms of the Charities Act 2011. It is monitored by HEFCE as Principal Regulator in accordance with the Charities Act 2011.

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

General principles of public benefit

The main principles of public benefit in the Charities Act are as follows:

Principle 1: There must be an identifiable benefit or benefits

- It must be clear what the benefits are.
- The benefits must be related to the aims.
- Benefits must be balanced against any detriment or harm.

Principle 2: Benefit must be to the public, or a section of the public

- The beneficiaries must be appropriate to the aims.
- Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted:
 - by geographical or other restrictions; or
 - by ability to pay any fees charged.
- People in poverty must not be excluded from the opportunity to benefit.
- Any private benefits must be incidental.

Delivery of public benefit from the mission and strategic aims

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

Our mission:

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

Our goals:

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

Delivery of public benefit through education and training

The provision of undergraduate and postgraduate higher education remains the principal reason for the College's existence. Ultimately these programmes produce a skilled population able to contribute to the enhancement of society and the economy. In 2016/17, 500 students of the College graduated from undergraduate and postgraduate

CHARITABLE STATUS AND PUBLIC BENEFIT

programmes including research study. As part of this process, graduates of the College's main undergraduate degree, the Bachelor of Veterinary Medicine, were also admitted to membership of the Royal College of Veterinary Surgeons with many engaged in a range of activities providing expert advice and treatment for the benefit of both animals and their owners. Pleasingly 94% of students on our BVetMed programme were employed within 6 months of graduation. The College recognises the growing relevance to society and the economy of the veterinary profession's contribution to food production, the control of disease and animal welfare, and has re-profiled some of its academic activities in response to this.

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

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

Delivery of public benefit through research

Researchers at the College are actively engaged in enhancing understanding in the basic biomedical sciences as well as in veterinary sciences. The vast majority of this research is undertaken for publication - often a condition of the research funder - and thus the outcomes of research activities add to the publicly available knowledge in these areas. Research is undertaken so that it has the potential to

enhance or change society for the better through increasing understanding, influencing behaviours and stimulating economic opportunities.

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

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

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

We participate with four other colleges of the University of London in jointly funding the London International Development Centre (LIDC) whose focus is on cross-disciplinary research, training and building local capacity for the developing world. The College is involved, through LIDC, in a number of interdisciplinary projects in which animal, medical and social science researchers are operating collaboratively, the ultimate goal of which is to improve the health and welfare of both humans and animals in developing countries.

Delivery of public benefit through outstanding clinical activity

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

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

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

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

Clinical employees of the College are also regular attendees at external events, such as talks, shows and professional exhibitions, delivering lectures and workshops and media broadcasts to audiences including the general public and farmers, as well as veterinary surgeons.

Delivery of public benefit through access to opportunity

The College actively encourages applications from all those with the academic ability to succeed, regardless of their background. Nevertheless, we are well aware that higher education institutions with high tariff or grade requirements for entry need to do more to be fully accessible to the increasingly diverse cohorts that compose society. Consequently, we continually seek to develop and refine our access activities to support educational attainment and social mobility.

Our six-year Gateway Programme, targeted at widening participation students, continues to play a key role in this work as the number of successful

applications demonstrates each year. As the number of undergraduate degree programmes offered by the College increases, we are focusing our efforts on a greater number of students from widening participation backgrounds achieving direct entry to BVetMed and BSc courses. In support of this aim, we provide an extensive range of masterclasses, school visits and both Easter and summer schools. We are an active partner in both regional and national networks working in Low Participation Neighbourhoods (LPNs) and are particularly committed to supporting this work in London and Hertfordshire. We engage with primary and secondary schools and further education colleges, basing our activity strategically around the student life cycle to increase the academic attainment of students in our target schools and colleges. We are also conscious of the need to support schools in rural and coastal areas and recently undertook an intensive summer term activity with a school in Cornwall. Partnerships and progression agreements with such schools are central to our ambitions to deliver benefit through access to opportunity.

We hold an annual residential summer school, supported by the Sutton Trust, from which a significant proportion of attendees subsequently apply to the College.

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

The College has a dedicated team of individuals within the RVC Access unit whose role is to ensure that the wider community, both nationally and internationally, have access to the educational and training opportunities offered by the RVC. As part of this work, in March 2017, members of staff presented their project on working with Black, Asian and Minority Ethnic (BAME) young people at the annual conference of the American Veterinary Medicine Colleges (AAVMC) in Washington DC.

To further encourage wider participation and to ensure that aspiring students are not deterred by financial disadvantage, the College offers generous bursaries to assist with tuition fees and living costs.

CHARITABLE STATUS AND PUBLIC BENEFIT

Delivery of public benefit through public and community engagement

In addition to raising educational aspirations and attainment through our work in schools, we seek to percolate our subject knowledge and understanding to the wider community. Thus we contribute to adult learning and the enhancement of social, cultural and economic well-being; a primary purpose of a higher education institution.

Our evening programme, RVC Lates, runs twice a year and is supported not only by the College but also by other partner institutions. The events are thematic and introduce the general adult public to the research undertaken at the RVC. The College's Anatomy Museum continues to be a great educational resource and, throughout the year, groups of all ages are introduced to the study of Anatomy and Animal Welfare. In 2016/17, we have worked closely with the Kings Cross Knowledge Quarter to deliver local activities and we have also attended science fairs and public festivals around the country. The RVC is a regular partner in the termly family days run by the Royal Institution, which are attended by over 700 parents and children.

The societies and organisations with which we work to engage the community with veterinary medicine and science include: the Francis Crick Institute, Wellcome Trust, Natural History Museum, Royal Society of Biology, Society of Physiology, Royal Institution, Royal Society of Chemistry.

Delivery of public benefit through sustainability

The College is committed to the implementation of an environmental policy which aims to reduce its environmental impacts across key areas including energy, carbon footprint, waste, transport and biodiversity. We have retained our accreditation for ISO14001 environmental management system. This is a major international standard, which demonstrates the College's commitment to improve its environmental performance.

As part of our Green Travel Plan, our shuttle bus service between the Hawkshead campus and Potters Bar station was extended during the working week and a weekend service introduced. This has led to an increase from 78,000 to 91,000 journeys per annum and facilitated a reduction in the number of individual vehicle journeys made to and from the Hawkshead campus. Overseen by the newly established Transport Management Group, we continue to develop our Green Travel Plan alongside the planning for our capital investment and the growth in our student numbers.

We continue the important work of contributing toward environmental protection and conservation through the implementation of our Biodiversity Action Plan. The introduction of trough allotments on both campuses, offering students and staff the opportunity to grow their own produce, has been well received.

The College encourages sustainable procurement and actively engages with suppliers to deliver sustainable solutions, where appropriate.

STATEMENT OF RESPONSIBILITIES OF THE COLLEGE COUNCIL in respect of the Annual Report and Financial Statements for the year ended 31 July 2017

The Council is responsible for preparing the Annual Report and Financial Statements in accordance with the requirements of the Memorandum of Assurance and Accountability issued by Higher Education Funding Council for England (“HEFCE”) and applicable law and regulations.

Members of Council are required to prepare group and parent College’s financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*, in accordance with the requirements of HEFCE’s Accounts Direction to higher education institutions. The members of Council are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent College and of their income and expenditure, gains and losses and changes in reserves for that period.

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

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

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the parent College’s transactions and disclose with reasonable accuracy at any time the financial position of the parent College and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the College’s resources and expenditure.

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

CORPORATE GOVERNANCE for the year ended 31 July 2017

The College is committed to exhibiting best practice in all aspects of corporate governance. Throughout the year ended 31 July 2017, the College has been compliant with the. The RVC is confident that it is fully compliant with all those elements of the Higher Education Code of Governance issued by the CUC in December 2015 with which it must comply. It continues to monitor and ensure that its compliance with the Code is as effective and efficient as it should be and that its recommendations are not only met, but exceeded, where appropriate. In accordance with the CUC Code, the RVC has adopted a Statement of Primary Responsibilities as part of its governance arrangements.

The Council of the College has an on-going process for identifying, evaluating and managing the College's significant risks in support of institutional strategic and operational objectives. This process has been in place for the year ending 31 July 2017 and up to the date of Council's approval of the Annual Report and Accounts. The risk register is subject to a full annual scrutiny by Council each October and is available to Council members at every meeting. Aspects of the risk process have also been subject to internal audit in this last year.

The College can trace its history as a corporate body back to 1791 and is an independent corporation, whose legal status derives from its Royal Charter. Its objects, powers and framework of governance are set out in this Charter and its supporting Statutes, which were most recently revised in 2010.

The Charter and Statutes require that the governance of the College shall be vested in the Council, which, as the governing body, is collectively responsible for overseeing the institution's activities, determining its future direction and fostering an environment to achieve the institutional mission. The Council has a majority of members from outside the College (known as independent members and numbering 11

out of 15 Council Members) from whom the Chairman, Vice-Chairman and Honorary Treasurer are elected. None of the independent members receives any payment for the work done for the College, apart from the reimbursement of expenses, if claimed.

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

The Principal is the Chief Executive of the College, who, under the Statutes, is responsible for the conduct of the College and exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of institutional ethos. In these aspects of the Principal's portfolio of responsibilities, senior staff contribute collaboratively. Under the terms of the formal Memorandum of Assurance and Accountability between the College and the Higher Education Funding Council for England, the Principal is the Accountable Officer of the College and, in that capacity, can be summoned to appear before the Public Accounts Committee of the House of Commons.

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

The Finance and General Purposes Committee meets four times a year and *inter alia* recommends to Council the adoption of the College's Financial, Estate and Human Resource Strategies. It recommends to Council the annual revenue and

capital budgets and monitors performance in relation to the approved budgets. It also monitors the performance of the College's investments.

There is a Senior Staff Remuneration Committee, comprised of independent members of Council, including the Chairman and Honorary Treasurer, which meets annually to determine the remuneration of the Principal and other senior staff. The Committee's decisions are informed by the professional advice of the Director of Human Resources, appropriate sector benchmarking and other relevant factors.

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

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

The Principal and the College's senior managers receive reports setting out key risk areas and

consider possible control issues. The risk register is regularly reviewed and amended as appropriate, and the nature of the risk process overseen by Audit Committee. The risk management process was reviewed and improved in 2015/16 and work continues in embedding a risk management culture within the organisation from operational through to strategic risks.

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

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

- clear definitions of the responsibilities and delegated authority of heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- clearly defined and formalised requirements for approval and control of expenditure; investment decisions are subject to formal appraisal and review according to approval limits set by the Council;
- Financial Regulations setting out financial controls and procedures are approved by the Audit Committee and Council; and
- a professional Internal Audit team, provided by an external firm, whose annual programme is approved by the Audit Committee, and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the College, and the adequacy and effectiveness of the College's system of internal control, including internal financial control.

After making appropriate enquiries, the Council has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the accounts.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Royal Veterinary College ("the College") for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Cash Flow Statement and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016/17 financial statements.

Basis for opinion

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

Going concern

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

Other information

The Council is responsible for the other information, which comprises the Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Council responsibilities

As explained more fully in their statement set out on page 17, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material

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

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the College's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

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

NEIL THOMAS

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

8 December 2017

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE for the year ended 31 July 2017

	Notes	RVC Group		College	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	2 *	24,081	20,598	24,081	20,598
Funding body grants	3	20,803	21,141	20,803	21,141
Research grants and contracts	4	10,877	9,282	10,877	9,282
Clinical and related income	5 *	19,957	19,777	19,957	19,777
Other income	5 *	8,061	6,189	6,050	4,557
Investment income	6	281	411	379	417
Total income before endowments and donations		84,060	77,398	82,147	75,772
Donations and endowments	7	1,587	1,935	980	770
Total income		85,647	79,333	83,127	76,542
Expenditure					
Staff costs	8 *	45,145	43,975	44,619	43,386
Other operating expenses	11 *	28,973	23,988	27,718	23,417
Depreciation	9 *	5,222	5,563	5,000	5,341
Interest and other finance costs	10	(729)	2,846	(783)	2,739
Total expenditure		78,611	76,372	76,554	74,883
Surplus before other gains and losses		7,036	2,961	6,573	1,659
(Loss) / gain on disposal of fixed assets		(8)	-	(8)	-
Gain / (loss) on investments	12	281	(170)	227	(128)
Surplus before tax		7,309	2,791	6,792	1,531
Taxation	13	-	(58)	-	(58)
Surplus for the year		7,309	2,733	6,792	1,473
Total Comprehensive Income for the year		7,309	2,733	6,792	1,473
Represented by:					
Endowment comprehensive income for the year		(53)	(328)	(14)	(325)
Restricted comprehensive income for the year		1,159	639	573	(275)
Unrestricted comprehensive income for the year		6,203	2,422	6,233	2,073
		7,309	2,733	6,792	1,473

*The College has opted to re-classify a number of SOCI&E streams in 2016/17. Further details are provided in Note 1.
The consolidated income and expenditure relates wholly to continuing operations.
The notes on pages 33 to 58 form an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 July 2017

	Income and expenditure account			Revaluation	
	Endowment	Restricted	Unrestricted	Reserve	Total
	£'000	£'000	£'000	£'000	£'000
GROUP					
Balance at 1 August 2016	9,851	3,375	130,267	4,117	147,610
Surplus / (deficit) from the income and expenditure statement	(53)	1,159	6,203	-	7,309
Revaluation of heritage assets	-	-	-	466	466
Other comprehensive income	-	-	(115)	-	(115)
Transfer between reserves	-	(100)	100	-	-
Total comprehensive income for the year	(53)	1,059	6,188	466	7,660
Balance at 31 July 2017	9,798	4,434	136,455	4,583	155,270
COLLEGE					
Balance at 1 August 2016	9,793	1,661	128,877	4,117	144,448
Surplus / (deficit) from the income and expenditure statement	(14)	573	6,233	-	6,792
Revaluation of heritage assets	-	-	-	466	466
Other comprehensive income	-	-	-	-	-
Transfer between reserves	-	(100)	100	-	-
Total comprehensive income for the year	(14)	473	6,333	466	7,258
Balance at 31 July 2017	9,779	2,134	135,209	4,583	151,705

The notes on pages 33 to 58 form an integral part of these financial statements.

BALANCE SHEET
for the year ended 31 July 2017

	Notes	RVC Group		College	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets					
Intangible assets	15	86	184	86	184
Fixed assets	16	151,196	149,874	150,232	148,688
Heritage assets	17	4,583	4,117	4,583	4,117
Investments	18	11,765	11,642	9,835	10,095
Non-current receivables	19	-	-	1,470	1,684
		167,630	165,817	166,206	164,768
Current assets					
Stock	20	935	982	935	971
Trade and other receivables	21	8,304	8,950	8,869	9,495
Investments - short term	22	5,000	10,000	5,000	10,000
Cash and cash equivalents	23	22,360	13,553	21,765	13,316
		36,599	33,485	36,569	33,782
Less: Creditors due within one year	24	(16,555)	(16,078)	(18,749)	(18,605)
Net current assets		20,044	17,407	17,820	15,177
Total assets less current liabilities		187,674	183,224	184,026	179,945
Creditors - amounts due after more than one year	25	24,597	27,414	24,597	27,414
Provisions					
Pension provisions	26	7,807	7,762	7,724	7,645
Other provisions	26	-	438	-	438
Total net assets		155,270	147,610	151,705	144,448
Restricted reserves					
Income and expenditure reserve - endowment reserve	27	9,798	9,851	9,779	9,793
Income and expenditure reserve - restricted reserve	28	4,434	3,375	2,134	1,661
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		136,455	130,267	135,209	128,877
Income and expenditure reserve - revaluation reserve		4,583	4,117	4,583	4,117
Total Reserves		155,270	147,610	151,705	144,448

The financial statements on pages 23 to 58 were approved by the Council on 8 December 2017 and signed on its behalf by:

LORD CURRY OF KIRKHARLE
Chairman of Council

MR R BRIGHT CB
Honorary Treasurer

PROFESSOR STUART REID
Principal

CASH FLOW STATEMENT for the year ended 31 July 2017

	Notes	RVC Group	
		2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus for the year		7,309	2,733
Adjustment for non-cash items			
Depreciation	9	5,222	5,451
Amortisation of intangible assets	9	98	112
Loss on impairment of fixed assets		8	-
Unrealised loss/(gain) on investments	12	91	(445)
Unrealised (gain)/loss on foreign exchange		(199)	(404)
Decrease/(increase) in stock	20	47	(23)
Decrease/(increase) in trade and other receivables	21	646	(796)
(Decrease)/increase in trade and other payables	24/25	(1,310)	1,320
Increase/(decrease) in pension provision	26	45	1,293
(Decrease)/increase in other provisions	26	(438)	(1,686)
Other non-cash items		(156)	-
<i>Adjustment for non-cash items</i>		<u>4,054</u>	<u>4,822</u>
Adjustment for investing or financing activities			
Investment income	6	(281)	(411)
Interest payable	10	1,082	2,649
Endowment income	7	(1)	(3)
Realised (loss)/gain on investments	12	(372)	615
New restricted funds	7	(914)	(1,431)
Capital grant income - HEFCE	3	(598)	(1,042)
Net cash inflow from operating activities		<u>10,279</u>	<u>7,932</u>
Cash flows from investing activities			
Capital grants receipts	3	598	1,042
Disposal of non-current asset investments	18	4,692	3,363
Withdrawal of deposits	22	10,000	10,000
Change in investment portfolio cash		167	(860)
New restricted funds	7	914	1,431
Investment income	6	281	411
Investment movement		-	22
Realised gain/(loss) on investments	12	372	(615)
Payments made to acquire fixed assets	16	(6,552)	(7,371)
New non-current asset investments	18	(4,534)	(3,512)
New deposits	22	(5,000)	(10,000)
		<u>938</u>	<u>(6,089)</u>
Cash flows from financing activities			
Loan interest	10	(1,051)	(1,397)
Finance lease interest	10	(31)	(23)
New unsecured loans		-	1,208
Loan capital repayments	24/25	(1,179)	(1,541)
Finance lease capital repayments	24/25	(149)	290
		<u>(2,410)</u>	<u>(1,463)</u>
Increase in cash and cash equivalents in the year		<u>8,807</u>	<u>380</u>
Cash and cash equivalents at beginning of the year	23	13,553	13,173
Cash and cash equivalents at end of the year	23	22,360	13,553
Movement in the year		<u>8,807</u>	<u>380</u>

The notes on pages 33 to 58 form an integral part of these financial statements.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES for the year ended 31 July 2017

1. BASIS OF PREPARATION

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

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

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the College and all undertakings in which it has a controlling interest for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-RVC Group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Royal Veterinary

College Students' Union as the College does not exert control or dominant influence over its policy decisions.

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

3. INCOME RECOGNITION

Tuition fees and education contracts

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

Revenue grant funding

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

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

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Capital grants

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

Other income

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

Investment income

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

Donations and endowments

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

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

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

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

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

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

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

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

4. ACCOUNTING FOR RETIREMENT BENEFITS

Defined benefit schemes

The two principal pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are defined benefit schemes which are externally funded and were contracted out of the State Second Pension (S2P) up to 5 April 2016. Each fund is valued every three years by professionally qualified independent actuaries.

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

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

Defined contribution plans

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

5. EMPLOYMENT BENEFITS

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

6. 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.

7. FINANCE LEASES

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

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

8. INTEREST AND OTHER FINANCE COSTS

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

9. ACCOUNTING FOR JOINT OPERATIONS, JOINTLY CONTROLLED ASSETS AND JOINTLY CONTROLLED OPERATIONS

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

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

10. SERVICE CONCESSION ARRANGEMENTS

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

11. FOREIGN CURRENCY

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

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

12. TAXATION

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478 to 488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the

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extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

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

13. INTANGIBLE ASSETS

Intangible assets are amortised between 3 and 7 years representing the remaining estimated economic life of the assets. Intangible assets are subject to periodic impairment reviews as appropriate.

14. FIXED ASSETS

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

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

Land

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

Buildings

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

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

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

Equipment

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

All assets are depreciated over their useful economic lives to the RVC Group of between 3 and 10 years, except that any equipment integral to a leasehold building is depreciated over the shorter of the remaining lease term and the equipment's expected useful economic life. No depreciation is charged on assets not yet deployed, which will be shown as work in progress. Depreciation is charged in the year

in which the asset is brought into use with the depreciation being charged on a straight line monthly basis beginning the first full month after deployment.

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

15. HERITAGE ASSETS

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

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

16. INVESTMENT PROPERTIES

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

17. INVESTMENTS

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

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

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

18. STOCK

Stock comprises stores held by clinical services, farm livestock and produce and some building maintenance supplies. Stocks are stated at the lower of their cost and net realisable value except in the case of farm livestock where some livestock valuations are available externally. For practical purposes, it is assumed that net realisable value is the

same as either the cost charged on to external customers or the cost of the equivalent item most recently purchased. Stocks are valued at the lower of cost and expected selling price. Stock counts are carried out as close to the year end as is practically feasible with estimates for stock movements being used where appropriate.

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

19. CASH AND CASH EQUIVALENTS

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

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

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the financial statements when:

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

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

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

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required or the amount of the obligation cannot be measured reliably.

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

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

21. DERIVATIVES

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

22. RESERVES

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

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2017

1. Accounting Estimates and Judgements

Reclassification of SOCI&E

FRS Following a review of the Higher Education Statistics Agency (HESA) guidance on financial reporting for the College's HESA Finance Return, the College identified three items where the College's treatment is not consistent with the guidance. As the financial statements should be consistent with the HESA Return, the College has therefore opted to present the 2016/17 figures in line with the guidance. In addition, to facilitate a more accurate representation of the income arising from the Clinical activities of the College, external income relating to non-hospital activities has been reclassified this year.

As there is no net impact on the surplus or reserves for the year or any impact on any balance sheet figure and the reclassifications are therefore not deemed to be significant under FRS 102, the prior period figures have not been restated. To assist readers in understanding the comparability of the figures provided on the face of the SOI&E, a brief note is provided in the relevant Note to the Financial Statements.

The four items are as follows:

i) Tuition fee waivers:

The HESA guidance states that "where the amount of the tuition fee is reduced or, in substance, the right to consideration of tuition fees is reduced, income receivable should be shown net of the discount". The College waives tuition fees for clinical residents and interns and also for staff undertaking the Veterinary Education programmes. Previously, we have reported the notional tuition fee income with an offsetting expense (studentship payments). For 2016/17, we are reporting the tuition fee net of the waiver. The 2015/16 figures have not been adjusted. The quantum of the sum involved is £0.9m.

ii) Agency and non-contracted staff:

The costs of Individuals working at the College, on a temporary basis, employed through agencies have previously been reported under Staff costs, as have visiting lecturers, external examiners and other casual staff, who are not part of the College's establishment. As they are not contracted employees of the College, the HESA guidance requires the costs to be reported under Other operating expenses. The 2015/16 figures have not been adjusted. The quantum of the sum involved is £0.4m.

iii) Amortisation:

In 2015/16, amortisation costs associated with intangible assets were reported under Depreciation and Amortisation. The HESA guidance requires Amortisation to be included in Other operating expenses. The quantum of the sum involved is £0.1m.

iv) Clinical and related earnings:

This heading has previously related to external contract work undertaken by business units outside the Clinical Services directorate. As this is not in the nature of clinical income, we are now reporting this under Rent and other income in Note 4 of the accounts. The 2015/16 figures have not been adjusted. The quantum of the sum involved is £1.5m.

Financial Instruments – Economic Hedges

The College uses interest rate swaps as economic hedges in order to hedge against the risk of fluctuations in interest costs arising from changes to interest rates on the College's long-term borrowings. The fair value of interest rate swaps is provided by the lending institution and is based on mid-market rates at 31 July in each financial year. The movement on the hedge is recognised as an expense under Interest and other finance costs in the Statement of Comprehensive Income and Expenditure.

1. Accounting Estimates and Judgements *continued*

Pension Provisions

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

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

The RVC Group and College's provisions for pension liabilities have been calculated using a methodology agreed by the sector and informed by discussions with the two main pension schemes, USS and SAUL. In line with current financial planning assumptions, as set out in the College's financial forecasts supplied to its main regulator, the Higher Educational Funding Council for England (HEFCE), the College has assumed that payroll costs will rise by between 2.5% and 3.8% a year over the period of the respective recovery plans for USS and SAUL. These expected cost increases assume underlying pay awards and increases in pay arising from promotions and re-grading, as well as the effect of inflation and the need to recruit highly skilled staff. Forecast increases in the staffing establishment associated with growth in student numbers and clinical caseload have also been assumed. The College has utilised information provided by Mercers to the British Universities Finance Directors Group to inform its use of discount rates in the calculation of the provisions for liabilities for future pension contributions.

Fixed Assets – Impairment Review

The College has carried out a review to assess potential impairment of fixed assets at 31 July 2017.

In terms of external factors, broad market conditions for commercial property remained positive as of quarter 2 in 2017 (the last available UK commercial property survey available from the Royal Institution of Chartered Surveyors [RICS]) with capital values of property anticipated to continue to rise but more modestly. Given that, at the last valuation of the College's property portfolio as at 31 July 2014, the College's buildings were identified as significantly under-valued overall, the College is confident that it is reasonable to continue with current valuations for its buildings. Income generated by the College's operational properties continues to be healthy.

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

2. Tuition Fees and Education Contracts

	RVC Group		College	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Full-time undergraduate students - UK and EU	13,664	12,206	13,664	12,206
Full-time postgraduate students - UK and EU *	716	1,272	716	1,272
Part-time undergraduate students - UK and EU	67	54	67	54
Part-time postgraduate students - UK and EU *	265	289	265	289
International students *	7,627	5,059	7,627	5,059
Higher Education course fees	22,339	18,880	22,339	18,880
Research training support grants	880	953	880	953
Short course fees	862	765	862	765
	24,081	20,598	24,081	20,598

* As outlined above in Note 1, the College has for 2016/17 reported tuition fees net of internally funded fee waivers which was previously reported as tuition fee income. The quantum of this income in 2015/16 was £0.9m.

3. Funding Body Grants

	RVC Group		College	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
HEFCE recurrent grants				
Teaching	14,556	14,419	14,556	14,419
Research	4,565	4,611	4,565	4,611
HEFCE specific grants				
Higher Education Innovation Fund	961	1,014	961	1,014
Other specific grants	123	55	123	55
HEFCE capital grants	598	1,042	598	1,042
	20,803	21,141	20,803	21,141

4. Research Grants and Contracts

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Research councils	2,777	2,350	2,777	2,350
UK based charities	1,777	1,868	1,777	1,868
UK central government, local, health and hospital a	739	1,044	739	1,044
UK industry, commerce, public corporations	1,297	737	1,297	737
EU government bodies	2,725	1,686	2,725	1,686
EU other	828	603	828	603
Other international	687	727	687	727
Other source of funding	47	68	47	68
	10,877	9,083	10,877	9,083
Research Development Expenditure Credit	-	199	-	199
	10,877	9,282	10,877	9,282

Along with other research intensive universities, RVC submitted claims to the UK Government under the Research Development Expenditure Credit (RDEC) scheme. This related to eligible research activities undertaken between 1 April 2013 and 31 July 2015. The final claims were made during 2015/16 and included in the accounts for the year ended 31 July 2016 (together with the related expected tax charges).

5. Other Income

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Residences, catering and conferences	2,789	2,896	2,769	2,896
Rent and other income *	2,918	1,065	3,281	1,661
Subsidiaries trading income	2,354	2,228	-	-
Other income	8,061	6,189	6,050	4,557
Clinical and related earnings *	19,957	19,777	19,957	19,777
	28,018	25,966	26,007	24,334

* As outlined above in Note 1, the College has for 2016/17 reported income relating to external contract work undertaken by business units outside the Clinical Services department under the "Rent and other income" heading rather than under "Clinical and related earnings" as in 2015/16. The quantum of this income in 2015/16 was £1.6m.

6. Investment Income

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Investment income on endowments	117	109	116	109
Investment income on restricted reserves	20	10	-	-
Other investment income	144	292	263	308
	<u>281</u>	<u>411</u>	<u>379</u>	<u>417</u>

7. Donations and Endowments

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
New endowments	1	3	1	3
Donations with restrictions	914	1,430	615	756
Unrestricted donations	672	502	364	11
	<u>1,587</u>	<u>1,935</u>	<u>980</u>	<u>770</u>

8. Staff Costs

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

	2017	2016
	Number	Number
Teaching and research departments	333	322
Clinical and related services	213	225
Academic services	155	140
Administration and central services (including subs	62	60
Premises	64	69
	<u>827</u>	<u>816</u>

Staff costs for the above:

	2017	2016
	£'000	£'000
Salaries *	35,984	34,916
Social security costs	3,593	2,979
Pension schemes - employer contributions	5,387	4,775
Movement on pension provisions		
- USS Pension Scheme Provision	98	509
- SAUL Pension Scheme Provision	(187)	587
Restructuring and redundancy costs	270	209
	<u>45,145</u>	<u>43,975</u>

8. Staff Costs *continued*

	2017	2016
	£	£
Emoluments of the Principal:		
Salary	252,339	243,767
Allowances *	55,081	39,272
	<u>307,420</u>	<u>283,039</u>
Pension contributions to USS	46,637	42,591
	<u>354,057</u>	<u>325,630</u>

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

	2017	2016
	No of Staff	No of Staff
Remuneration of other higher paid staff, excluding employer's pension contributions:		
£100,000 to £109,999	5	4
£110,000 to £119,999	2	1
£120,000 to £129,999	1	3
£130,000 to £139,999	3	3
£140,000 to £149,999	2	3
£150,000 to £159,999	2	-
	<u>15</u>	<u>14</u>

Compensation for loss of office of £nil was paid in respect of higher paid staff (2016: £nil).

Key management personnel:

At the College the College Executive Committee (CEC) comprises those persons having authority and responsibility for operational planning, directing, and controlling the activities of the College. During the financial year ended 31 July 2017, the CEC replaced the former Senior Management Group (SMG). Staff costs reported above includes compensation paid to members of the CEC (2016: SMG).

	2017	2016
	£	£
Key management personnel compensation	2,315,285	2,021,372
Numbers of key management personnel	16	13

Council members:

The College's Council Members are the trustees of the College as an exempt charity. The Council is also the Corporate Trustee for the Royal Veterinary College Animal Care Trust, a registered charity. Related party transactions involving members of Council are disclosed in Note 34 below.

No member of Council has received any remuneration (or waived any payments) for acting as a member of Council (staff and ex officio Council members' remuneration as employees of the College are disclosed in the Staff Costs table above).

The total expenses paid to or on behalf of 4 Council members in the year was £5,213 (2016: on behalf of 6 members, £5,983).

9. Depreciation

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Depreciation of fixed assets - wholly owned	5,092	5,187	4,870	4,966
Depreciation of fixed assets - held on finance lease	130	264	130	264
Depreciation of fixed assets	5,222	5,451	5,000	5,230
Amortisation of intangible assets *	98	112	98	111
	5,320	5,563	5,098	5,341

* As outlined above in Note 1, the College has for 2016/17 reported the costs of Amortisation costs associated with intangible assets under Other operating expenses (previously reported under Depreciation and amortisation).

10. Interest and Other Finance Costs

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Loan interest	1,051	1,397	1,051	1,291
Finance lease interest	31	23	31	23
Exchange differences	(303)	(440)	(355)	(438)
Change in fair value of financial instruments	(1,641)	1,669	(1,641)	1,669
Net charge on pension scheme	133	197	131	194
	(729)	2,846	(783)	2,739

11. Analysis of Expenditure

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

The Other Expenditure category relates mainly to RVC Group wide provisions for liabilities which are disclosed in Note 26 below.

Included in Other Operating Expenses are:

- External auditor's fees for the College's financial statements of £35,900 (2016: £35,290)
- External auditor's fees for other audit work of £43,575 (2016: £23,442)
- External auditor's fees for non-audit services of £33,143 (2016: £23,537)

Other audit work includes the following:

	2017	2016
	£	£
Audit of subsidiaries' financial statements	8,575	8,442
FRS 102 conversion	-	15,000
Audit of US GAAP statements for US loans	35,000	-

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

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

	2017	2016
	£	£
Tax compliance services	26,583	16,000
London BioScience service charge audit	2,000	2,000
External compliance audits	4,560	5,537

11. Analysis of Expenditure *continued*

2015/16	Staff	Other	Interest		2016
	Costs	Operating	and other	finance	
	£'000	Expenses	Depreciation	costs	Total
	£'000	£'000	£'000	£'000	£'000
Academic departments	13,499	2,927	-	-	16,426
Academic services	2,815	1,517	208	45	4,585
Research grants and contracts	4,101	3,435	-	(13)	7,523
General education expenditure	913	5,045	-	-	5,958
Residences, catering and conference services	258	1,106	725	2,630	4,719
Premises	2,029	3,352	4,268	5	9,654
Staff and student facilities	318	1,028	53	-	1,399
Clinical and other services	13,065	4,553	43	15	17,676
Subsidiary undertakings	558	951	266	306	2,081
Administration and central services	5,259	1,972	-	(254)	6,977
Other expenditure	1,160	(1,898)	-	112	(626)
	43,975	23,988	5,563	2,846	76,372

* As outlined above in Note 1, the College has for 2016/17 reported tuition fees net of internally funded fee waivers which was previously reported as tuition fee income. The quantum of the expenditure on internally funded fee waivers in 2015/16 was £0.9m.

12. Gain / (Loss) on Investments

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Investments - realised gains / (losses)	372	(615)	300	(506)
Investments - unrealised (losses) / gains	(91)	445	(73)	378
Gain / (loss) on investments	281	(170)	227	(128)

13. Taxation

	RVC Group	
	2017	2016
	£'000	£'000
Recognised in the Statement of Comprehensive Income		
Corporation Tax on RDEC claim	-	58
Tax on profits of subsidiary undertakings	-	-
Current tax charge	<u>-</u>	<u>58</u>
Factors affecting current tax charge		
Surplus / (deficit) before taxation	<u>7,309</u>	<u>2,791</u>
Surplus / (deficit) multiplied by standard rate of corporation tax in the UK of 19.67% (2016: 20%)	1,438	558
College surplus exempt from tax	(1,305)	(365)
Balances eliminated on consolidation exempt from tax	(76)	(156)
Expenses disallowable for tax in subsidiary	210	229
Capital allowances in subsidiary	(265)	(265)
Loss in subsidiary	(2)	(1)
Tax charged on RDEC claim	-	58
Corporation tax due before Gift Aid relief	83	-
Gift Aid relief	(83)	-
Total current tax charge	<u>-</u>	<u>58</u>

14. Change in Fair Value of Hedging Financial Instruments

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Gross book value at 1 August	(7,010)	(5,341)	(7,010)	(5,341)
Gross book value at 31 July	(5,369)	(7,010)	(5,369)	(7,010)
Change in fair value	<u>1,641</u>	<u>(1,669)</u>	<u>1,641</u>	<u>(1,669)</u>

15. Intangible Assets

Software	RVC Group		College	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Gross book value at 1 August	1,713	1,671	1,713	1,671
Additions in the year	-	42	-	42
Gross book value at 31 July	1,713	1,713	1,713	1,713
Accumulated amortisation at 1 August	1,529	1,418	1,529	1,418
Amortisation charge for the year	98	111	98	111
Accumulated amortisation at 31 July	1,627	1,529	1,627	1,529
Net book value at 31 July	86	184	86	184

Intangible assets relate to software intangible assets. The amortisation period is 5 years.

16. Tangible Fixed Assets

	Land and Buildings			Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total Fixed Assets
	Land and Structure	Fit-Out	Plant and Machinery			
	£'000	£'000	£'000			
GROUP						
Cost or valuation						
At 1 August 2016	145,902	21,425	24,878	8,354	3,801	204,360
Additions	-	55	-	756	5,741	6,552
Transfers	2,565	1,575	1,465	-	(5,605)	-
Impairments	(141)	(46)	(11)	-	-	(198)
At 31 July 2017	148,326	23,009	26,332	9,110	3,937	210,714
Depreciation						
At 1 August 2016	29,862	8,258	11,217	5,149	-	54,486
Charge for the Year	1,509	1,571	1,445	697	-	5,222
Impairments	(141)	(38)	(11)	-	-	(190)
At 31 July 2017	31,230	9,791	12,651	5,846	-	59,518
Net book value						
At 31 July 2016	116,040	13,167	13,661	3,205	3,801	149,874
At 31 July 2017	117,096	13,218	13,681	3,264	3,937	151,196
COLLEGE						
Cost or valuation						
At 1 August 2016	141,669	21,425	24,878	8,254	3,803	200,029
Additions	-	55	-	756	5,741	6,552
Transfers	2,565	1,575	1,465	-	(5,605)	-
Impairments	(141)	(46)	(11)	-	-	(198)
At 31 July 2017	144,093	23,009	26,332	9,010	3,939	206,383
Depreciation						
At 1 August 2016	26,793	8,258	11,217	5,073	-	51,341
Charge for the Year	1,297	1,571	1,445	687	-	5,000
Impairments	(141)	(38)	(11)	-	-	(190)
At 31 July 2017	27,949	9,791	12,651	5,760	-	56,151
Net book value						
At 31 July 2016	114,876	13,167	13,661	3,181	3,803	148,688
At 31 July 2017	116,144	13,218	13,681	3,250	3,939	150,232

At 31 July 2017, freehold land and buildings included £81m in respect of freehold land held by the College and which is not depreciated.

The College carried out an impairment review of fixed assets for the year ended 31 July 2017. This led to a net write-back of loss on impairment of £8k which is shown in the Statement of Comprehensive Income. Further details of the impairment review are disclosed in Note 1 to these Financial Statements.

16. Tangible Fixed Assets *continued*

Building-related assets leased by the College included above:

	Fixtures, Fittings and Equipment
Net book value	£'000
At 31 July 2016	300
At 31 July 2017	170

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

	2017	2016
	£'000	£'000
Cost	1,256	1,256
Accumulated depreciation	(956)	(812)
Assets written down at end of lease		
Cost	(656)	
Accumulated depreciation	656	
Charge for year	(130)	(144)
Net book value	170	300

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

17. Heritage Assets

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Heritage assets held at valuation	4,583	4,117	4,583	4,117
At 31 July 2017	4,583	4,117	4,583	4,117

There were no additions or disposals in the year.

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

18. Non-Current Investments

	Subsidiary	Other Fixed	Total
	Companies	Asset	
	Investments		
	£'000	£'000	£'000
Group			
At 1 August 2016	-	11,642	11,642
Additions	-	4,534	4,534
Disposals	-	(4,692)	(4,692)
Realised gains	-	372	372
Unrealised losses	-	(91)	(91)
At 31 July 2017	-	11,765	11,765
College			
At 1 August 2016	123	9,972	10,095
Additions	-	3,883	3,883
Disposals	-	(4,370)	(4,370)
Realised gain	-	300	300
Unrealised losses	-	(73)	(73)
At 31 July 2017	123	9,712	9,835

Details of the subsidiary undertakings are disclosed in Note 32 below.

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

19. Non-Current Receivables

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year:				
Loan to subsidiary undertaking	-	-	1,470	1,684
	<u>-</u>	<u>-</u>	<u>1,470</u>	<u>1,684</u>

The loan relates to the long-term portion of a loan to London BioScience Innovation Centre Ltd. At 31 July 2017 the value of the loan provided to London BioScience Innovation Centre Limited (LBIC) was £1.7m (2015: £1.9m) of which £212,000 is due within one year. The loan is on commercial terms and mirrors the arrangements for the loan held by the College with Royal Bank of Scotland to fund the development of the McFadyean building occupied by LBIC. The loan is not expected to be fully repaid until 2024.

20. Stock

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
General consumables	658	697	658	686
Farm stock	277	285	277	285
	<u>935</u>	<u>982</u>	<u>935</u>	<u>971</u>

21. Current Receivables

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grant receivables	1,922	2,120	1,922	2,120
Other trade receivables	4,450	4,149	4,130	3,920
Other receivables	411	1,649	414	1,611
Prepayments and accrued income	1,469	989	1,438	989
Amounts due from subsidiary undertakings	-	-	913	812
Amounts due from concessionary loans	52	43	52	43
	<u>8,304</u>	<u>8,950</u>	<u>8,869</u>	<u>9,495</u>

RVC has provided a loan to RVC Hong Kong Limited at commercial rates. The total value of the loan is for HK\$6,800,000 and at 31 July 2017 was £662,563 (2015: £610,413). The loan is to be converted to share capital in 2017/18 and hence is being reported as payable within one year.

The short-term element of the loan to London BioScience Innovation Centre Ltd. is also included: further details are provided in Note 19 above.

22. Current Investments

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Short term deposits	5,000	10,000	5,000	10,000
	5,000	10,000	5,000	10,000

Deposits are held with banks operating in the London market and regulated by the Prudential Regulation Authority. The deposits disclosed have more than one month's maturity but less than twelve months' maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2017 the weighted average interest of these fixed rate deposits was 0.6% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 95 days. The fair value of these deposits was not materially different from the book value at 31 July 2017.

23. Cash and Cash Equivalents

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cash in hand	30	57	34	61
Cash at bank	11,685	9,018	11,234	8,845
Current deposits	10,645	4,478	10,497	4,410
	22,360	13,553	21,765	13,316

24. Creditors – Amounts due within one year

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Unsecured loans	1,632	1,577	1,632	1,577
Obligations under finance leases	264	173	264	173
Trade payables	1,649	2,218	1,649	2,218
Taxation due including social security	1,745	1,587	1,685	1,503
Research grant payables	6,273	6,320	6,273	6,320
Accrued expenses and deferred income	4,992	4,203	4,761	4,030
Amounts owed to subsidiaries	-	-	2,485	2,784
	16,555	16,078	18,749	18,605

25. Creditors – Amounts due after one year

	Note	RVC Group		College	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts falling due after one year:					
Obligations under finance leases		86	28	86	28
Economic hedges		5,369	7,010	5,369	7,010
Loans - LT owed to RVC		-	-	-	-
Unsecured loans		19,142	20,376	19,142	20,376
		24,597	27,414	24,597	27,414
Analysis of unsecured loans:					
Due between one and two years		1,677	1,709	1,677	1,709
Due between two and five years		4,923	4,681	4,923	4,681
Due in five years or more		12,542	13,986	12,542	13,986
Due after more than one year		19,142	20,376	19,142	20,376
Due within one year	24	1,632	1,577	1,632	1,577
Total unsecured loans		20,774	21,953	20,774	21,953

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

Lender	Amount £'000	Term ends	Interest rate %
Salix	1,349	October 2022	nil
RBS	1,684	March 2024	5.26
RBS	1,387	January 2026	5.66
RBS	1,354	January 2026	5.66
RBS	15,000	November 2034	5.90
Total loans held by the College	20,774		

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

26. Provisions for Current Liabilities

	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on SAUL Pension £'000	Total Pension Provisions £'000	Tax Provisions £'000	Total Other £'000
RVC Group					
At 1 August 2016	7,176	586	7,762	438	438
Utilised in the year	(439)	(399)	(838)	(327)	(327)
Additions in the year	665	218	883	-	-
Unused amounts released in the year	-	-	-	(111)	(111)
At 31 July 2017	7,402	405	7,807	-	-
College					
At 1 August 2016	7,074	571	7,645	438	438
Utilised in the year	(436)	(394)	(830)	(327)	(327)
Additions in the year	686	223	909	-	-
Unused amounts released in the year	-	-	-	(111)	(111)
At 31 July 2017	7,324	400	7,724	-	-

The obligation to fund the past deficits for the Universities Superannuation Scheme (USS) and for the Superannuation Arrangements of the University of London (SAUL) arises from the contractual obligations with the respective pension schemes for total payments relating to benefits to be provided arising from past performance of the respective schemes. As disclosed in Note 1 above, management have assessed potential growth in the pay bill for employee members of the schemes over the period of the contracted obligation to reach an assessment of the provision required. The provisions will unwind over the period of the respective scheme's contractual obligations, taking into account discount rates in each year. Further details of both pensions schemes are provided in Note 33 below.

The Tax provisions related to potential prior year tax liabilities. Following the resolution of a number of issues over the last two years, the provisions are no longer required.

27. Endowments Reserve

RVC Group	Restricted	Expendable	2017	2016
	Permanent	Endowments	Total	Total
	£'000	£'000	£'000	£'000
Balances at 1 August				
Capital	1,093	4,328	5,421	5,501
Accumulated income	2,296	2,134	4,430	4,678
	<u>3,389</u>	<u>6,462</u>	<u>9,851</u>	<u>10,179</u>
New endowments	-	1	1	3
Investment income	40	77	117	110
Expenditure	(85)	(315)	(400)	(311)
Increase / (decrease) in market value of investments	79	150	229	(130)
Total endowment comprehensive income for the year	<u>34</u>	<u>(87)</u>	<u>(53)</u>	<u>(328)</u>
Balances at 31 July	<u>3,423</u>	<u>6,375</u>	<u>9,798</u>	<u>9,851</u>
College				
	Restricted	Expendable	2017	2016
	Permanent	Endowments	Total	Total
	£'000	£'000	£'000	£'000
Capital	1,093	4,277	5,370	5,448
Accumulated income	2,296	2,127	4,423	4,670
	<u>3,389</u>	<u>6,404</u>	<u>9,793</u>	<u>10,118</u>
New endowments	-	1	1	3
Investment income	40	76	116	109
Expenditure	(85)	(274)	(359)	(309)
Increase / (decrease) in market value of investments	79	149	228	(128)
Total endowment comprehensive income for the year	<u>34</u>	<u>(48)</u>	<u>(14)</u>	<u>(325)</u>
Balances at 31 July	<u>3,423</u>	<u>6,356</u>	<u>9,779</u>	<u>9,793</u>

Analysis by type of purpose:

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Scholarships and prizes	2,730	2,703	2,711	2,645
Student welfare and support	1,463	1,458	1,463	1,458
Research support	3,717	3,752	3,717	3,752
Clinical services support	1,888	1,938	1,888	1,938
	<u>9,798</u>	<u>9,851</u>	<u>9,779</u>	<u>9,793</u>

No funds were in deficit in either 2016/17 or the prior year.

28. Restricted Reserve

RVC Group	Unspent Capital Grants £'000	Donations and Other £'000	2017 Total £'000	2016 Total £'000
Balances at 1 August	1,173	2,202	3,375	2,736
New grants	598	-	598	-
New donations	100	814	914	1,431
Investment income	-	20	20	10
Expenditure	-	(412)	(412)	(781)
Increase / (decrease) in market value of investments	-	39	39	(21)
Total restricted comprehensive income for the year	698	461	1,159	639
Capital grants utilised and released to unrestricted reserve	(100)	-	(100)	-
Balances at 31 July	1,771	2,663	4,434	3,375
College	Unspent Capital Grants £'000	Donations and Other £'000	2017 Total £'000	2016 Total £'000
Balances at 1 August	1,173	488	1,661	1,936
New grants	598	-	598	-
New donations	100	515	615	757
Investment income	-	-	-	-
Expenditure	-	(640)	(640)	(1,032)
Total restricted comprehensive income for the year	698	(125)	573	(275)
Capital grants utilised and released to unrestricted reserve	(100)	-	(100)	-
Balances at 31 July	1,771	363	2,134	1,661
Analysis by type of purpose:	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Research support	1,998	1,703	1,927	1,661
Student welfare and support	307	73	-	-
Scholarships and prizes	18	-	-	-
Teaching support and general education	333	120	207	-
Clinical services support	1,778	1,479	-	-
	4,434	3,375	2,134	1,661

29. Capital and Other Commitments

	RVC Group		College	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Commitments contracted for	1,612	3,000	1,612	3,000
Authorised but not contracted	1,627	2,800	1,627	2,800
	<u>3,239</u>	<u>5,800</u>	<u>3,239</u>	<u>5,800</u>

30. Contingent Assets and Liabilities

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

On 5 September 2017, the College received confirmation from HM Revenue and Customs that they were withdrawing an assessment for VAT (already paid by the College) having decided that they were not going to defend an appeal by the College to the First Tier Tribunal. This is expected to result in a repayment to the College of £238,000 plus interest in early 2017/18.

31. Lease Obligations

Total rentals payable under operating leases:

	31 July 2017			31 July 2016	
	Land and buildings	Plant and machinery	Other leases	Total	
	£'000	£'000	£'000	£'000	£'000
Payable during the year	92	4	163	259	167
Future minimum lease payments due:					
Not later than 1 year	92	4	163	259	247
Later than 1 year and not later than 5 years	-	-	36	36	203
Later than 5 years	-	-	-	-	-
Total lease payments due	<u>92</u>	<u>4</u>	<u>199</u>	<u>295</u>	<u>450</u>

32. Subsidiary Undertakings

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

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

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

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

33. Pension Schemes

The two principal pension schemes for the College's staff are the Universities Superannuation Scheme and the Superannuation Arrangements of the University of London.

The total cost of contributions chargeable under Staff Costs to the Statement of Comprehensive Income and Expenditure were as follows for the College and its subsidiaries was:

	RVC Group	
	2017	2016
	£'000	£'000
Universities Superannuation Scheme (USS)	3,658	3,311
Superannuation Arrangements for the University of London (SAUL)	1,729	1,464
8	<u>5,387</u>	<u>4,775</u>

In accordance with FRS 102, annual contributions to USS and SAUL are accounted for as if each was a defined contribution scheme. The College's obligations to fund past deficits are reflected in Note 26 above and Note 1 sets out the accounting and management judgements that have been made to arrive at the respective provisions.

USS

The College participates in the Universities Superannuation Scheme. With effect from 1 August 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The College is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS 102, *Employee benefits*, the College therefore accounts for USS as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of each accounting period.

Since the College has entered into an agreement, the USS Recovery Plan, that determines how each employer within the scheme will fund the overall deficit, the RVC Group recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised. The approach taken by the College in calculating and providing for its liability in these financial statements is outlined in Note 1 to these financial statements.

The cost charged to the Statement of Comprehensive Income and Expenditure for current contributions is £3,658k (2016: £3,311k). The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

33. Pension Schemes *continued*

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

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.2%

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

Male members' mortality 98% of S1NA ["light"] YoB tables – No age rating
 Female members' mortality 99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% per annum long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
USS assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

SAUL

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

Pension benefits accrued within SAUL currently build up on either a Final Salary basis or a Career Average Revalued Earnings (CARE) basis. Following a consultation with members, the SAUL Final Salary Section has closed from 31 March 2016, and all members build up benefits on a CARE basis from 1 April 2016.

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.

33. Pension Schemes *continued*

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 2014. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The Trustee and employers have agreed that the technical provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the employers' contributions has therefore increased from 13% of Salaries to 16% of salaries with effect from 1 April 2016.

Accounting policy and costs reflected in the College's accounts

The College is a participating employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,927 million representing 97% of the liabilities for benefits accrued up to 31 March 2014.

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

As noted above, the technical provisions deficit is being addressed by additional employer contributions of 3% of salaries up to 31 March 2018.

The defined benefit liability to be recognised by the College in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is £0.4m as at 31 July 2017 (2016: £0.6m). This liability is based on a projection of salaries over the period to 31 March 2018 (in accordance with SAUL's technical provisions).

34. Related Party Transactions

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

A register of the interests of members of Council and CEC is maintained. RVC has not disclosed transactions with other group entities where it holds more than 90% of the voting rights.

Ms Becca Bowes was President of the RVC Students' Union (RVCSU) for the 2016/17 academic year and was succeeded by Ms Christina Paish from 1 August 2017. The President of the RVCSU is ex officio a member of Council of the RVC. The RVCSU received £272,754 from RVC in the normal course of business (£251,387 in 2015/16) including both grant funding and trading transactions. In addition, the College provided grant-in-kind in the year in the form of rent-free premises and associated services estimated to total £92,100 to RVCSU (£89,772 in 2015/16).

The Principal, Professor SWJ Reid, is a trustee of the University of London. In 2016/17, RVC made payments in the normal course of business totalling £58,526 to the University of London and its associated undertakings (£235,731 in 2015/16).

COUNCIL MEMBERS

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

Chairman

The Baron Curry of Kirkharle Kt CBE +*

Vice Chairman

Mr E Barnett +*

Hon Treasurer

Mr R Bright CB +

Independent Members

Ms J Alexander + (*from 1 January 2017*)

Mr D Danson # (*from 1 August 2017*)

Mr J Grosvenor #

Mr R Hargreaves (*from 1 August 2017*)

Mr R Kidson # (*from 1 August 2017*)

Dr S Lishman (*from 1 August 2017*)

Mr P Reid

Professor E Simpson OBE (*to 31 July 2017*)

Professor Dame Lesley Southgate DBE # (*to 31 July 2017*)

Mr J Walmsley # (*to 31 July 2017*)

Members elected by the Academic Board

Professor A Pitsillides

Professor J Maddison

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

Ms Rebecca Bowes (2016/17) + (*to 31 July 2017*)

Ms Christina Paish (2017/18) + (*from 1 August 2017*)

Principal (*ex-officio*)

Professor SWJ Reid +

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

Members of Council Committees

+ Finance and General Purposes Committee

Audit Committee

* Remuneration Committee

IN ATTENDANCE AT COUNCIL

Secretary to Council and Chief Operating Officer

Mr I Darker

The Royal Veterinary College

Finance Department

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

The College has charitable status.