



Royal Agricultural University
Annual Report and Financial Statements
for the year ended 31 July 2018

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About the RAU

The Royal Agricultural College (RAC), now the Royal Agricultural University (RAU), was the first agricultural college in the English speaking world. The first 25 students were admitted in September 1845 and the following year student numbers increased to 108. Many of those early students went on to careers in Colonial Agricultural Administrations and the Diplomatic and Foreign Service.

From its early days, the College was staffed with innovators and pioneers and made a considerable impact on farming practice and agricultural science. In 2013, the Privy Council awarded the College full University Status, in recognition of its provision of higher education.

The University motto is 'Arvorum Cultus Pecorumque'; a quote from Virgil's Georgics, it means 'Caring for the Fields and the Beasts'. There could be no more appropriate maxim for a University which, in every area of its activity, seeks to ensure sustainable use of the land, safeguard the environment and improve the welfare of animals and the wellbeing of communities that rely upon it.

Today, the RAU has more than 1,200 students studying a range of subjects including; agriculture, animal science, business, environment, equine science, farm management, food, real estate and rural land management. Set on the edge of Cirencester in the beautiful Cotswold countryside, our small size provides a real sense of community amongst students and staff, which supports, develops and encourages students from all backgrounds to achieve their ambitions.

We pride ourselves on combining subject expertise with industry connectivity and an innovative, forward-thinking and enterprising approach. It is this proven combination which stems from our rich heritage that continues to open doors for our students. RAU graduates leave prepared for successful careers in their chosen field, whether that be leading innovation and change in industry, informing future land-based policy, or setting up their own businesses, which many of our entrepreneurial students do with great success.

Our portfolio of courses has been specifically designed to help students realise their potential, whether they have their sights set on further study or a career in the land-based professions. Our academics care about their subjects and their students. Working alongside business leaders and employers, they deliver courses that provide students with the tools, mindset and networks they need to embrace the opportunities ahead and play essential, leading roles in shaping the future of the industry. The reach and influence of the RAU alumni network worldwide is extraordinary.

Chair of Governors' Overview

Agriculture is always changing and evolving - a fact which has always been recognised by the Royal Agricultural University since the days of its origin in 1845. Its purpose to train and equip young people to meet these challenges remains unaltered but the way it goes about this task is already the subject of change as it prepares to meet the demands of an industry facing a post Brexit world. In addition, both external and internal scrutiny of the work and performance of the University has never been greater.

The arrival of Higher Education's new watchdog body, The Office for Students, means that the quality of what we do and the value for money which we offer is of ever increasing importance.

With this in mind the RAU Governing Council, which I have had the honour of chairing since January, has not stood still. We have refreshed our vision by declaring that it is our ambition "to become the leading specialist University providing a fresh perspective for the land, agri-food and rural enterprise sectors."

In addition, in July, Council approved an ambitious new five year strategic and financial plan designed to enable us to invest in new teaching talent, an enhanced student experience, greater diversity of undergraduates and the University infrastructure needed to turn our vision into hard reality.

Praise must go to our Vice-Chancellor Jo Price and her now much strengthened top management team for all the imaginative and hard work that they put in to developing this new plan. Council too has responded to this challenge by adopting plans for a revised Governance Structure which will put at its heart the ability to properly measure progress towards the achievement of our new strategic goals, whether it be in terms of student numbers, overall performance measures or the investments in the facilities we will need to realise our ambitions.

Already we can post some tangible achievements towards meeting these challenges. We have been awarded £1.1 million of public funding to develop new Courses which will specifically equip students for work in the post Brexit World. In July we opened the newly built John Alliston Centre.

At its heart will be the operation of our Knowledge Hub, designed to ensure that all those connected with the industry can have access to the latest practical guidance as to how to put into practice the latest thinking available to the Industry. This work will also enable us to continue with our growing efforts to form working partnerships with key players in the Agri-food, Rural and Equine sectors.



Growth and recognition of the University's important role in the sector is not just restricted to the Cirencester site as this year has already seen the development of new partnership arrangements especially with Further Education Colleges who respect our expertise in the field and want to be able to offer their students the opportunities to gain degree level qualifications through their association with the RAU.

Finally, I would like to record my thanks and appreciation for all the hard work which, over the last twelve months, has been contributed by all my colleagues on the Governing Council. They do this because they, like me, are truly committed towards helping the RAU realise its long term potential.

I would especially like to pick out my predecessor as Chair, Nick Stace. Nick's term of Office came to an end in January but during his time in the Chair he brought to Council a new clarity of purpose and introduced improved procedures for it to undertake its business. I know that all Members of Council would want to join with me in expressing our sincere thanks to Nick for all he did during his time with the Royal Agricultural University.

Rt Hon Michael Jack CBE, Chair

Vice-Chancellor's Introduction

In last year's Annual Report I wrote about the pace of unprecedented change in world affairs that brings both opportunities and challenges. A year later the UK political agenda continues to be dominated by Brexit and changing global geopolitics which creates further uncertainty. However, one thing is certain- universities remain central to the political agenda of both major political parties. There will be increased scrutiny by politicians and by our new regulator, the Office for Students (OfS), of degree standards, unconditional offers, student diversity, tuition fee levels, University costs, loan burdens and debt recovery rates. The perception of students and the public of the Value for Money (VfM) provided by Higher Education is likely to become one of the main issues of our time and as an institution we have to start to live and breathe the VfM agenda and develop our own taxonomy of value for RAU students. The pressures on all Universities to perform at the highest level and demonstrate that we provide value for money are therefore greater than ever.

Alongside uncertainty in the Higher Education sector, major changes face agriculture and the land-based sector and the outline of the new Agriculture Bill has started to paint a picture of what the future could look like. This is why I remain convinced that the RAU is needed more than ever to help provide the leaders of the future who can improve agricultural productivity while sustaining the environment and rural communities. However, to be a sector leader, the RAU must provide an outstanding student experience, embrace excellence, be innovative and challenging, pioneer new modes of thought and explanation and demonstrate the employability of our graduates. To achieve this requires radical change and a clear vision and strategic plan.

The RAU was founded in 1845 to educate those who had to face the challenge of feeding Britain at the time of the industrial revolution. By reflecting on what made the RAU successful in the past (applied research, place-based learning, knowledge exchange, farmer led innovation etc.), and by anticipating what may be needed in the future, we have developed a vision and strategy, alongside our Governors, that we are confident will 'future proof' the RAU.

Our four key strategic priorities for the next five years are:

To grow and diversify our student community by providing an outstanding student experience and excellent employment outcomes. Our programmes must be informed by the evolving needs of industry and designed for learners at all stages of life, delivered via traditional and distance learning platforms.

To establish a Knowledge Hub that will help industry navigate the necessary change and make it possible to tackle big challenges more effectively, delivering societal benefit and economic impact. The Hub will provide a focus to pioneer farmer-led innovation, act as an accelerator of rural enterprise and become a centre for thought leadership for the informed development of evidence-based policy and strategic thinking.

Strategic and sustainable partnership working with land-based colleges and schools, so diversifying our student community, extending our academic reach and developing closer working relationships with industry and research-leading institutions.

Becoming an efficient economically viable organisation that can fund a continuing investment in our physical, digital and human infrastructure ensuring a continually improving and excellent experience for both our students and our staff.

Our strategy will enable us to grow into "a wider economy of learning" that will be far bigger than the relatively limited world of conventional University education that the RAU has traditionally offered (on-site full time provision). Our strategic priorities also align with some developing narratives around the future of Higher Education; that Universities need to work more closely with Further Education Colleges, should consider delivery of more Foundation Degrees and BSc (Level 4 and Level 5 programmes), attract more mature learners and work in concert with public and private partners.

There is evidence that a wider market for more imaginative and relevant learning propositions is growing apace. This is why our successful HEFCE Catalyst Bid has the potential to be truly transformational as not only will it enable us to develop new courses, it will also adapt our thinking about all our undergraduate and postgraduate programmes, ensuring that they meet the needs of industry and a changing community of learners.

We have also undertaken an external review of all our existing courses as improving the quality of our teaching provision and improving the student experience is a the number one priority for our new Deputy Vice-Chancellor, Dr Lucy Meredith. In 2017 we introduced semesters as the first stage of our Curriculum Review and stage two has been to develop a new pedagogical framework for all our programmes. By improving our teaching quality and by embedding innovation in what we teach we will be able to grow our student community.

Academic staff are of course critical for ensuring excellent teaching quality and play a vital role in attracting new students. We have succeeded in attracting a number of academics who all have expertise in knowledge exchange, research and innovation. In particular we have a new Professor of Animal Welfare; An Agri-Chair for Rural Land Management and we have also recently appointed the Elizabeth Creak Chair in Rural Policy.

There is also evidence of greater demands for life-long learning from in-career professionals and this is why the Knowledge Hub with its focus on industry-led innovation is strategically coherent. Universities are needed more than ever to provide trusted quality and evidenced truths in a world where both are in very short supply. In 2018 we opened the state-of-the-art John Alliston building which houses a Growth Hub for Rural Enterprise and small-medium sized Agri-tech businesses. This project is already building our connections with rural businesses and enhancing the learning opportunities for our students.

Another priority is to attract more students from non-traditional backgrounds, while also increasing our global reach and international student recruitment. It is important that we do this as diversity will enrich the experience of and broaden the perspectives of our traditional community of students.

To achieve success in this area, that all land-based institutions have traditionally struggled with, our new Director for Students, Julie Walkling, supported by a creative and committed team, is developing a range of exciting new initiatives to complement existing activities such as our very successful Schools Farms Network Educational Alliance.

Whilst facilities and infrastructure are no substitute for a first class learning experience, they are important. Improving our facilities, while being mindful of our heritage, will be necessary if we are to enhance the student experience and also recruit and retain the best staff. In 2017-2018 our Director of Finance Sue O'Neill completed a new Estates Master Plan for the Cirencester campus, providing for additional student accommodation and far better learning facilities. With generous support from our LEP/Gloucestershire County Council, investment in the Alliston Centre, home to project Farm491 and the Cirencester Growth Hub, gives students the chance to work closely with businesses and the project is also central to the development of our Knowledge Exchange strategy.

I am most grateful to the Chair and members of Governing Council for their support and total commitment as we have undertaken these key projects that are critical enablers for delivery of our new strategy.

In summary, there are many challenges facing us as a small specialist institution that must operate in a highly competitive Higher Education sector with a tough regulatory framework and challenging political environment. However, the RAU has a unique and long-lasting brand, and an enviable reputation in educating past and current leaders in the Land Management and Agri-food sectors. It is the responsibility of all of us who care about the land and the RAU to deliver the radical changes necessary to make the University a globally recognized sector leader, a 'jewel in the crown' of UK Higher Education and a thoroughly enjoyable and rewarding place to teach and to learn.

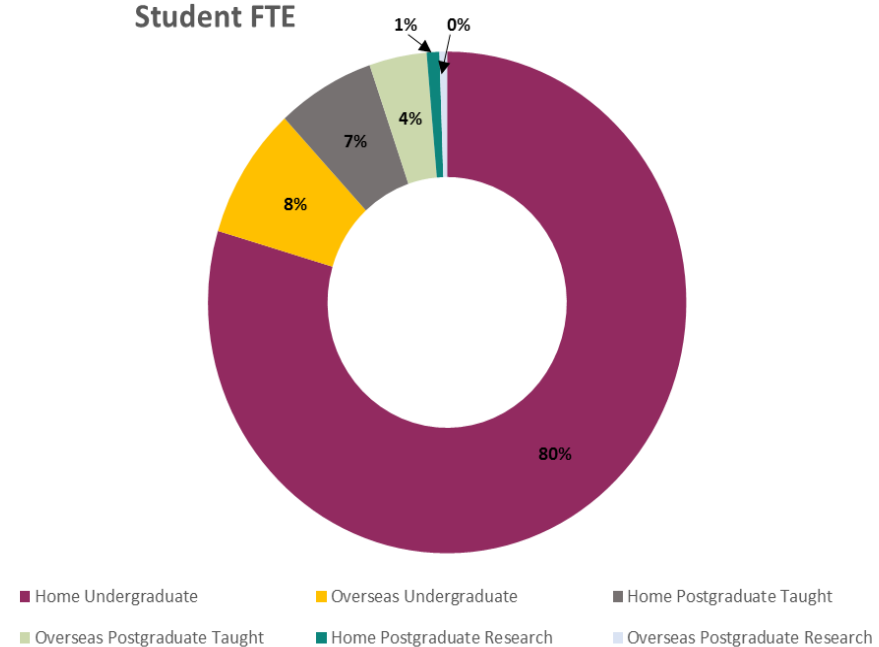
Professor Joanna Price

Vice-Chancellor

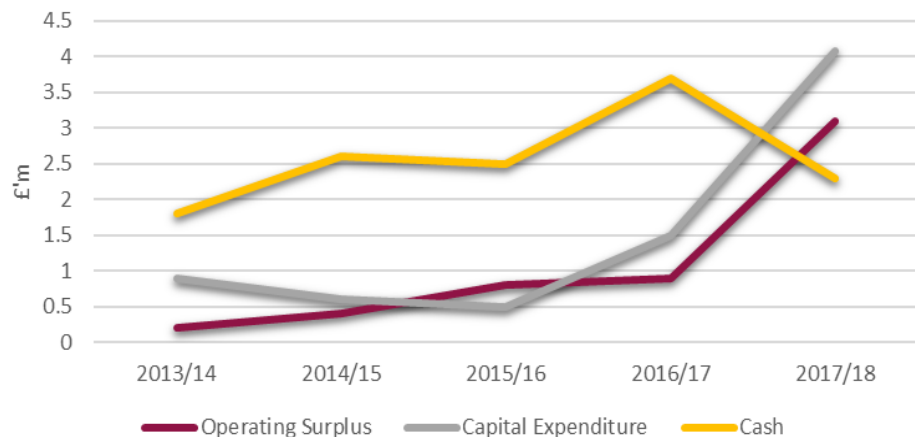
Highlights

- Capital investment during the year of £4m including the new Alliston Centre supporting Gloucestershire and Agri-tech businesses
- £1.1m Catalyst funding and £1.4m investment from RAU and UCEM/CCRI* partnerships secured for new programmes
- 93% Employability
- Ranked top 5 for student course completion (Guardian University Guide)
- Safest University in the UK (Complete University Guide)
- New Chair in Animal Welfare and Creak Chair in Rural Policy appointed

Student FTE



Year on Year Performance



- First graduates from Capel Manor Programmes
- New academic partnership with Plumpton College
- Buitelaar Partnership creating a new blueprint for UK dairy calf rearing
- Achieved ISO14001 environmental management accreditation
- New Senior Executive Team appointed
- Teaching Excellence Framework Silver award presented to RAU in June 2018

The Executive Team



Vice-Chancellor Professor Joanna Price BSc, BVSc, PhD

Joanna Price joined the RAU in September 2016 from the University of Bristol, where she was Professor of Veterinary Sciences and Head of the Bristol Veterinary School. Prior to this, she was Professor of Veterinary Anatomy at the Royal Veterinary College (RVC), University of London, and Head of the College's Basic Science Department. She joined the RVC from University College London.

Jo qualified as a veterinary surgeon from the University of Bristol in 1983, then spent a number of years in clinical practice in the UK and overseas before entering research and academia. Her research area is biomedicine and she has studied the mechanisms by which bones regenerate (using deer antlers as a model) and adapt to mechanical loading. The overarching aim has been to prevent and treat human osteoporosis and related diseases of bone fragility in animals and humans. For many years she investigated the pathogenesis and prevention of musculoskeletal injuries in horses. In addition to her 'day jobs', Jo has held a number of non-executive appointments. She is currently a Trustee of the Bristol Zoological Society, Chair of Trustees of Horses4Homes, and a member of the Animal Health and Welfare Framework Group for Wales.



Deputy Vice-Chancellor Lucy Meredith BSc Hons, MSc eng, PhD, FCIEH, SFHEA, FLFHE

Lucy was appointed as Deputy Vice-Chancellor in March 2018. Her portfolio includes assisting the Vice-Chancellor and taking a strategic lead for teaching, learning and research. Lucy's appointment followed a period of time at the University of South Wales as Dean in the Faculty of Computing Engineering and Science. She started her career as an Environmental Health Officer in Merseyside after graduating from the University of Salford with an Environmental Science Degree. She then completed an MSc Eng in Tropical Public Health Engineering at the University of Leeds and was appointed to her first academic role as a lecturer in Environmental Health at Bristol Polytechnic in 1991.

Since then, Lucy has worked in a number of Higher Education institutions including Bath Spa University, University of Bristol and University of the West of England, Bristol. Her PhD focused on the consumer as a cause of food poisoning in the domestic environment. She is a Chartered Fellow of the Institute of Environmental Health, a Senior Fellow of the Higher Education Academy as well as a Fellow of the Leadership Foundation. She has extensive experience of academic leadership at a variety of levels and is passionate about working with staff and students to co-create an excellent working and learning environment.



Director of Finance and Company Secretary Sue O'Neill FCA

Sue O'Neill joined the RAU in September 2017 as Director of Finance and Company Secretary and is the strategic lead for Finance, Treasury, Governance and Estates. Sue has worked at an Executive/Board level for the last 15 years, most recently as the Finance & Resources Director at Merlin Housing and before that as Finance Director for Cambridge Housing. After graduating with a BA Hons in Business Studies, Sue started her career at Hazlewoods, qualifying as a Chartered Accountant before moving into industry. Sue is a Fellow of the Institute of Chartered Accountants in England and Wales and has completed the Cranfield High Performance Leadership Programme. Sue is committed to delivering excellent student services and strong financial performance through effective leadership.



Director of Business Development and Marketing Chris Dunkley

Chris looks after the development of the industry and commercially related activities at the University including Farm491, the Farms, Alumni, Fundraising, conferencing, catering, accommodation, continuing professional development, consultancy and the implementation of the emerging knowledge exchange strategy.

Chris joined the RAU from Rothamsted, the oldest agricultural research institute in the world where, as the Enterprise Director, he oversaw the significant capital investment into the campus, becoming CEO of the AgriTech innovation campus company, the Rothamsted Centre for Research and Enterprise (RoCRE). He also recently led, as programme director, the first Rothamsted Open Innovation Forum.

Previously, he was Head of New Product Development and Marketing at Ipsos Retail Performance, bringing online analytical products to global markets. Chris was founding director of The Sparc Technology Network and Bright Sparc Awards for Technology Led businesses and has a background in technology and research related business incubation, running a number of successful incubation and high growth programmes based out of the Open University and Cranfield University.



Director of Operations Julie Walkling Dip Couns, MA, PG Cert, FCMI

Julie Walkling was appointed Director of Operations at the RAU from January 2018. She is responsible for a range of services supporting the student journey as well as areas supporting staff and operations. She is committed to ensuring that the RAU is a place that students and staff are proud to be a part of.

Julie has worked in higher education since 1995, starting as a University Counsellor in Student Services at the University of North London (now London Met) and leaving in 2009 as Director. She moved to Anglia Ruskin University in January 2010 as Director of Student Services where she was responsible for 220 staff across 15 teams, delivering a range of services and activities to students. She was also member of the Corporate Management Team with University-wide responsibilities and was the Professional Services Staff Governor from 2015 until her departure. In 2012 she won a Times Higher Education Leadership and Management Award for Outstanding Student Services Team.

Julie was a member of the Heads of University Counselling Services Steering Group from 1997-1999 and a Board member of AMOSSHE for 9 years, serving as Chair from 2006-2008. Previous employment before working in HE includes retail management, coordinating volunteers and service delivery for a charity and counselling roles within the voluntary and private sectors.

The Executive Team is responsible for the overall management and day to day decision making. In addition to the Executive Team there are Academic Heads to support the day to day management of the academic activities. There are also Professional Service Heads who cover a wide range of vital professional, commercial, administrative and other functions that support the University.

Our Vision and Strategy

To become the leading specialist University providing a fresh perspective for the land agri-food and rural enterprise sectors.

OUR STRATEGIC AIMS:

Grow and diversify
our student
community by
providing an
outstanding student
experience

Establish a
Knowledge Hub

Strategic and
sustainable
partnership
working

Become a
sustainable,
efficient,
organisation

OUR VALUES

Real organisational values create a context in which we work and underpin our Strategic Plan. They define how we interact with each other and the attitudes we adopt towards our students. They are absolutely fundamental to everything we do, providing each person in our organisation with a clearly defined approach to how they need to work to successfully support delivery of our Plan. At the RAU we:

- Challenge Assumptions
- Are Enterprising
- Are Inclusive
- Nurture Talent



- Strive for Excellence
- Embrace Change
- Respect our Heritage



When considering our strategy and values one of the key components throughout is value for money.

Value for Money

The RAU is committed to providing our students with Value for Money across all areas of university life.

The Governing Council, Vice-Chancellor, Senior Executive Team and the Heads of Department consider Value for Money in all their decision-making processes.

The University strives to provide all our students with an outstanding educational experience by ensuring that all our programmes of study are relevant, innovative and intellectually challenging, while retaining a practical “real world” focus. This ensures our graduates are highly employable and with a strong value set, who strive to make a difference to the communities they serve.

The retention and recruitment of high quality staff is a key priority, as people are our most precious resource who will ensure that students remain at the heart of our agenda. We are currently strengthening our academic staff team to ensure that our staff-student ratios are sufficient to ensure the best possible student experience. We are reviewing the structure of all professional support teams to ensure that they operate in an efficient and customer focused manner. Before they make any decision we require our staff to ask the question: ‘How does this provide Value for Money for Students’?

We are also investing in our facilities and accommodation to ensure that we are constantly improving the amenities available to our students.

The University is also implementing a new procurement programme across all areas to ensure we purchase smartly and efficiently, keeping costs to a minimum.

The RAU manages its finances to enable it to both provide Value for Money for students whilst ensuring the long term financial sustainability of the University. The RAU is committed to being open and transparent about the income streams that we receive and how we spend them.



Achievements 2017/18

Student Growth	Knowledge Hub	Sustainability / Infrastructure	Partnerships
<p>Catalyst funding We have been awarded £1.1 million funding to help meet the skills and leadership needs of the land-based sector post-Brexit. This will enable the creation of new courses, new academic roles and investment in distance learning. The courses are being developed with a wide range of industry partners and will include an MBA, a new MSc in Rural Policy and a BSc in the area of AgroEcology. The project is being undertaken in partnership with University College of Estate Management (UCEM) and the Countryside and Community Research Institute (CCRI).</p> <p>Academic changes Improving teaching quality is critical if we are to remain relevant and attract more students and those from 'non-traditional' backgrounds. To achieve this we have undertaken an external review of our entire portfolio of programmes and with input from industry we are implementing changes that will ensure that our graduates are highly employable and equipped to cope with a rapidly changing external environment.</p> <p>Academic Leadership. Professor David Main has been recruited to a Chair in Production Animal Health and Welfare. An expert in Policy and Farmer led innovation, David is building critical mass in a discipline that is of great importance for UK Agriculture.</p>	<p>The Alliston Centre This landmark £4.2m project opened in July 2018, funded by £4.1m from the Local Enterprise Partnership (LEP) (accountable for the Local Growth Capital Funding from the HM Government) and Gloucestershire County Council. It will support both Gloucestershire businesses and agri-tech enterprises. Named after RAU's late Emeritus Professor of Agriculture, John Alliston, the Centre will be home to Farm491 and Cirencester Growth Hub. We are immensely grateful to HRH the Prince of Wales for supporting the event via video-link.</p> <p>Buitelaar partnership This project, managed by a PhD student, is based at Harnhill and is creating a new blueprint for UK dairy calf rearing.</p> <p>A national Rewilding Conference (planned during the year) will be delivered by RAU in November 2018, with speakers including Nick Barter, Defra's Deputy Director of Natural Environment Strategy, and Sir Charles Burrell, best known for returning his Knepp Castle estate to wildland.</p> <p>Working in collaboration with the non-profit Rothamsted Research Institute, RAU has won funding from the John Oldacre Foundation to carry out sector-leading research into the impact of pesticide resistance in crop pests and its long-term impact on the environment. The Foundation is also supporting our work on field trials using soybean varieties from around the world, to determine their suitability for UK growing conditions, as we look to meet the challenges of climate change.</p>	<p>An Estates Masterplan (2018 -2023) has been completed. This is based on strategic priorities, discussion with staff and students as well as feedback from Governing Council. It will see the RAU develop its student accommodation, laboratory facilities, informal learning and social spaces so we can continue to meet current and future students' expectations of the higher education experience.</p> <p>The implementation of this plan is dependent on the University securing external funding and to help achieve this another key piece of work has been undertaken - the development of a 10 year financial plan.</p>	<p>Academic partnerships Building closer links with Further Education (FE) Colleges and Schools is a key strategic priority. Discussions are ongoing with a range of land-based FE Colleges who are interested in working more closely with the RAU and in the delivery of RAU degrees under a franchised arrangement.</p> <p>We have established an exciting academic partnership with Plumpton College and the RAU now validates a number of their degree programmes.</p> <p>The first RAU students graduated from Capel Manor College, London in July 2018, and the Graduation ceremony was attended by the Vice-Chancellor. This partnership is thriving and has huge potential as urban farming is an area that we are seeking to develop.</p> <p>Establishment of a Heritage Institute in Swindon Initial links and talks were put in place during the year for a project which will be undertaken in partnership with Swindon Council and University of Trinity St David, with the RAU as lead partner. It will see the opening of a new HE centre in central Swindon. This will be an opportunity for the RAU to expand its portfolio of programmes into Heritage Studies as they relate to the land. It will also help build an HE presence in Swindon.</p>

Public Benefit

The RAU Articles of Association state that ‘The objects of the University are the advancement of education and learning, including instruction and vocational training in, and research into, agriculture, land management and other subjects’.

The University continues to provide public benefit by the provision of education in the agricultural food chain ‘field to fork’ sector and the rural economy. Education is provided at both undergraduate and postgraduate level. The collegiate nature of the learning environment supports a diverse range of students who might not otherwise benefit from higher education. Training covers a range of activity from continuing professional development to hands-on vocational skills training for a rural workforce.

The Governors of the University (Trustees of the registered charity) and its Senior Management are aware of the Charity Commission Guidance on the reporting of public benefit and in particular to its supplementary documents “The Advancement of Education for Public Benefit” and consider this guidance in their decision making. The detail included within this statement demonstrates the ways in which the University has delivered its charitable purposes for public benefit.

Beneficiaries

The University’s main beneficiaries are its undergraduate and postgraduate students, who are engaged in learning and research. Other direct beneficiaries include employers, industry and those who might benefit from its research.

The University is open to all students on the basis of ability and academic achievement and there is no geographical restriction on entry. It holds annual Experience Days for applicants and endeavours to interview all who meet the entry criteria.

Teaching and Learning

The University continues to ensure that it delivers an excellent student experience by offering dynamic, current and vocationally relevant programmes. We are currently engaged in a review of the curriculum supported by catalyst funding, which ensures that RAU programmes are delivered through innovative and inclusive approaches to teaching and learning, by academics with a passion and commitment to land based subjects. We will support a diverse student body by offering an integrated foundation year and enhance graduate outcomes by integrating placement and optional sandwich years in all our undergraduate programmes.



“Opening
Doors”

Employability

The University aims to ensure that all its students maximise their ability to secure satisfying, meaningful and rewarding careers and to make an effective contribution to the economic and social wealth of society. Our graduates continue to enjoy excellent employment rates: according to the annual national survey by HESA (the Higher Education Statistics Agency). On average based on 2016/17, over 93% of RAU undergraduates are in employment or further study within six months of leaving the University. The University's employability statistics are amongst the highest in the whole of the UK, and bear out the educational merit and value its courses deliver to society. The provision of a steady stream of high-calibre graduates benefits not only the industries the University serves, but also employers and the economy.

As well as fostering a community-based learning environment which supports a range of students from more than 45 different countries, the University actively encourages interaction with business and social enterprises. For example, many RAU students undertake work placements as part of their course and the use of the University farms as an outdoor laboratory is integral to the education provided.

With the aim of developing the leaders of tomorrow, adding value to students' degrees and providing better graduate employment to the students, the University promotes Student Enterprise projects such as the 'Grand Idea' which engages external business people and entrepreneurs to mentor and advise budding student entrepreneurs at the RAU. These projects are designed to improve the life skills of RAU graduates, allowing them to contribute to the local community and wider society.

Further to its interaction with business, the University is a key stakeholder in sharing developments in agriculture as a rural centre of

excellence, promoting a deeper understanding of agriculture, food production and the land based sector. The investment in Harnhill Farm allows the University to further its research and learning activities in relation to agri-tech, the food chain and global food security. It facilitates the sharing of cutting-edge knowledge between those involved in agricultural production and those undertaking applied research, enabling the promotion of education, innovation and knowledge exchange.

Widening Participation

The University encourages social mobility by raising aspirations to enter higher education and we tackle issues of social exclusion by providing an extensive outreach programme. This draws on best practice from UK and overseas, to widen participation in higher education and to stimulate interest in further study. This includes visits to schools, colleges and strong links with our collaborative partner colleges.

The RAU aims to offer programmes of study that are attractive to a diverse range of potential students, have fair and transparent admission policies and provide financial support to low income students. The University mitigates the financial barriers to students accessing education by offering bursary schemes and fee waivers that are particularly targeted towards those from low income backgrounds who are assessed as eligible for state support.



Research and Knowledge Exchange

The University intends that the useful knowledge acquired from its research activities is disseminated to the public and to those able to utilise or benefit from it. The RAU aims to increase the level of trial and research work taking place on the University-owned farms, both by its own researchers and sponsored by companies.

By engaging with these projects, students and lecturers gain access to field scale trials, treatments and see the results in progress. The trial managers engage with students and staff, and the University gains up to the minute results which help students understand the sector's future. The research projects often employ placement students; and open days and farm walks for students are hosted by the University's researchers and the project sponsors.

The University expects that any private benefit will be legitimately incidental to the achievement of its primary charitable objectives for public benefit. Accordingly, an Ethics Committee has been established to advise the University on the commercial application of its research and consultancy. The University maintains an ethical research policy. Externally-funded research activity is assessed prior to acceptance in terms of the public benefit test for charitable purpose.

The RAU continues to support research and seeks to increase the number of postgraduate research students. As discussed previously, increasing the number of academic staff is a key priority. In addition to employing academics who can support and develop teaching, it will also be important to appoint staff who develop research and lead in knowledge exchange in key strategic areas (e.g. agri-tech).

Environmental Policy

The RAU takes its environmental responsibilities seriously and continues to embed sustainability within the curriculum and in its broader operational activities. The RAU has an Environmental and Sustainability Strategy Committee with strong Governor and student representation which has developed an Environmental Action Plan

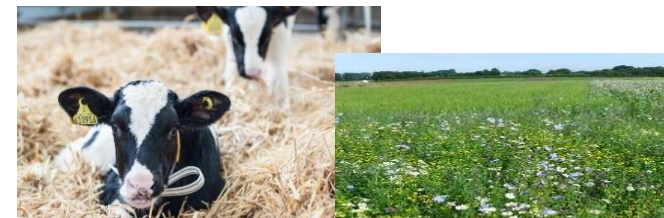
outlining ambitious targets. In recent years, the RAU has made significant progress in reducing its carbon emissions and increasing the proportion of energy generated from renewable sources. The RAU has achieved full accreditation of its Environmental Management System through ISO14001.

Fundraising

The RAU operates a fundraising programme to support its education, policy and research work in all matters relating to the land and the rural economy. This programme involves partnerships with corporates, trust and foundations, and with our alumni through the annual regular giving programme – 'The Cirencester Fund'. The Cirencester Fund aims to give our alumni a direct link with the work going on at the RAU today, and is aimed at supporting projects directly benefitting current students and further enhancing the student experience. The level of alumni engagement with the RAU is particularly strong and is an excellent gauge of warmth to the institution and the perceived relevance and value of the learning and teaching provided.

Looking towards the future of the RAU's charitable work, our vision is to help to bring the best possible people into the land-based sector. This means that we will be seeking more support for scholarships and bursaries, for our award-winning entrepreneurship programme, and for new academic posts across all our disciplines to help ensure that the best knowledge is passed on to the students who will be the future leaders of our sector.

We will also be developing our facilities to ensure that we can deliver the best possible education and support to our students and to the wider rural community in the UK and beyond. In order to do this, we will be building on our existing philanthropic partnerships as well as seeking new relationships.



Inclusivity, Equality and Diversity

The RAU is committed to providing a welcoming environment in which every student, staff member and visitor feels valued and respected and is treated fairly. The staff and students of the University community work to eliminate direct or indirect discrimination, to promote good relations between people of all backgrounds, and to provide an environment in which all individuals have the opportunity to achieve their full potential.

The RAU recognises that it benefits, as a community, from the contributions made by individuals who collectively have the widest range of experiences and backgrounds.

Summary

Public benefit is provided by the University's unique learning environment, the international dimension of its activities, its focus on enterprise and innovation and the significant achievements of its students and alumni.

The education on offer enables individual development, and also enriches the wider society, by equipping future employees for rewarding careers in the land-based and food industries, and through its research into these areas. RAU students make a vital contribution to society and to the UK's efforts to address the challenges of food security at home and overseas.



Financial Review

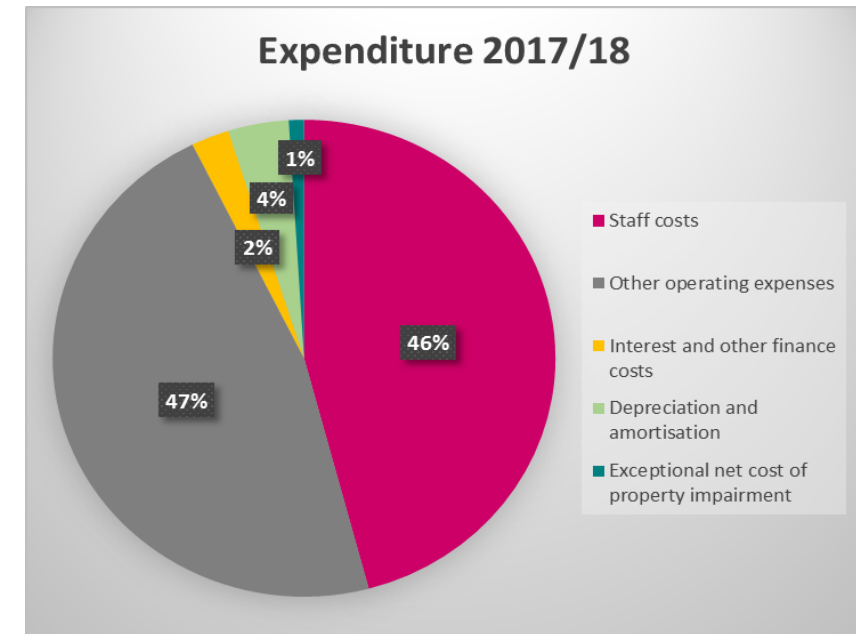
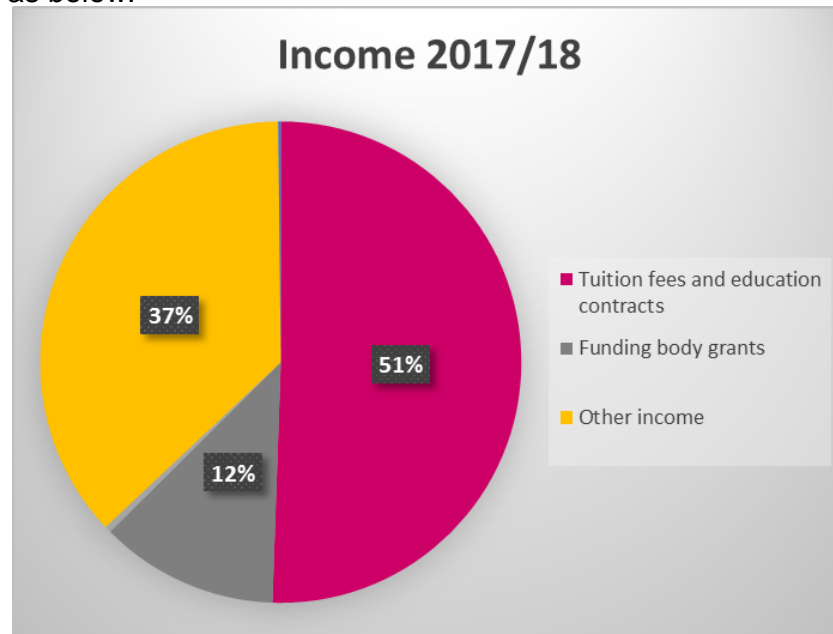
Financial performance for the year was positive with a surplus for the year before other gains and losses of £3.1m (2017: £0.4m). The result this year is boosted by £3.5m of capital grants (2017: £0.9m) included in other income and gains on investments in the year of £129k that relate to invested funds.

Property impairments of £236k (2017: £577k) reflect provisions for buildings that have been identified for replacement following the production of an Estates Masterplan during the year.

The University benefitted from gains on pension schemes during the year of £1m (2017: £0.3m), due to a gain on the return on the scheme assets and experience gains on liabilities. The overall pension liability reduced to £13.2m (2017: £14.5m).

The operating surplus includes the profits generated from the RAU's wholly owned subsidiary, Royal Agricultural University Enterprises Limited (RAUEL), which is responsible for the conferencing, retail and consultancy operations of the University. Operating profits from RAUEL are gift-aided to the University and in 2018 these profits were £273k (2017: £240k).

Total income for the year was £23.5m (2017: £19.7m) and total expenditure of £20.5m (2017: £19.3m). Income and expenditure is represented as below:



The University has maintained a fairly consistent level of student numbers over the last two years (2018: 1,168, 2017: 1,182), following a period of moderate growth prior to this. The new Strategic Plan sets out a number of projects and plans to support the growth of the student population over the course of the next 5 years. As previously reported, Institutional Specific Funding is being removed and this year reflects the final receipt of £725k previously £1.5m pa.

Other income consists mainly of the capital grants received (£3.5m), together with income from commercial activities including conferencing and farming.

As part of other income, there were unrestricted donations received during the year with amounts from the Elizabeth Creak Charitable Trust (£25k), the Douglas Bomford Trust (£20k) and the Amersi Foundation (£10k). A further £2.1m has been received following the

Financial Risks

Price Risk	Credit Risk	Cash-flow and Liquidity Risk
<p>Prices for provision of Foundation and Undergraduate degrees are currently capped, with little prospect of an increase, by HEFCE at £9,250 for Home (UK) and EU based students. The majority of universities have adopted this amount as their default fee for these types of courses. Fees for other course types are generally determined by market forces.</p> <p>Market trends in pricing are continually monitored and the University Executive is mandated to amend pricing policy should the need arise, as a result of competitors' actions or change in government policies.</p> <p>Revenue from other sources is made up of mainly small individual transactions with the Commercial Services department, the pricing of which is largely governed by market forces in the local environment.</p>	<p>This is generally low. Income is made up of a fairly large number of transactions which individually are comparatively small. The potential for significant financial risk is therefore kept to a minimum.</p> <p>Tuition income is, in the majority of cases, met out of loans provided to the student by the Student Loan Company, which are remitted direct to the University. Accommodation fees are paid by approximately one third of the student body and University policy requires payment arrangements to be set up before the student is allowed to take up residence.</p> <p>Finance staff are also proactive with regard to credit control and follow up on outstanding debts quickly to avoid significant debt problems arising.</p>	<p>The group has banking facilities available with Lloyds Bank should the need arise. Cash flow is monitored regularly as part of the management reporting processes which allows any cash flow timing issues to be identified and mitigated in good time.</p>

year end from the John Oldacre Foundation.

Operational expenditure has increased this year to £18.8m from £17.4m. The increase in costs reflects the investment in the leadership team and operations to provide the resources to deliver the new strategic plan.

Capital investment in the year was £4.1m (2017: £1.5m). The main project was construction of the Alliston Centre, a growth hub for agritech and other businesses.

The University has low gearing and cash in hand at the year end of £2.3m. The University looks to maintain cash at a level of £2m.

Key Performance Indicators

KPI	Measure	2018	2017
Surplus as % of income	Generation of surplus for investment	13.2%	4.7%
Staff costs as % of income	Appropriateness and significance of the staff cost structure for the institution	39.9%	43.3%
Current ratio (debtors/creditors<1year)	Assurance over ability to meet short term obligations	1.13	1.28
External borrowing as % of income	Reliance on borrowings for development, balancing need for growth with costs of borrowing	16.1%	20.8%
Discretionary reserves as % of income	Provision of a buffer against large unexpected financial pressures	121.4%	124.3%
Cash flow from operating activities as % of income	Financial sustainability of the institution's core business	0.5%	4.0%

Risk Management

The Governing Council of the University is responsible for maintaining a sound system of internal control that supports the achievements of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible. This is done in accordance with the responsibilities assigned to the Governing Council in the University's Memorandum and Articles and the Memorandum of Assurance and Accountability of HEFCE/ OfS.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. We review the effectiveness of internal control on at least an annual basis.

The Governing Council is required to express a view as to whether its processes are adequate in accordance with the direction from HEFCE/OfS for identifying, evaluating and managing the University's risks during the year. The appropriate committees of the Governing Council have considered these processes and are of the view that they are adequate. Nevertheless, the University seeks to continue to strengthen them.

The aforementioned policies and procedures continue to be developed and the Governing Council is satisfied that the University's internal control and risk management assessments meet the requirements set out by OfS Accounts direction to higher education institutions OfS 2018.26.

The Audit and Risk Committee is tasked with providing oversight and advice on the effectiveness of the establishment and implementation of risk management. As part of the annual update of operational risks that feed into the strategic risk register (SRR) both inherent and residual risk is scored. Key strategic risk assessments are performed by Senior Managers within the University and included in the SRR which is

allocated to the most appropriate member of the Executive Team for monitoring and action. For each strategic risk, a more detailed risk register log is maintained identifying risk causes, rating and ownership details. The SRR is reviewed on a regular basis by the Executive Team, and updates to the SRR are presented to the Audit and Risk Committee at each meeting, showing progress and/or movements in the overall risk status from the previous review. This summary is then taken to the Governing Council meeting for review and approval.

The University's Internal Audit function for the financial year was carried out by Uniac, a Higher Education internal audit specialist. Their programme of work was built upon a risk based approach with focus on key strategic risks, value for money and any areas of suspected weakness that might require further attention. The Internal Auditors operate to standards defined in the HEFCE/OfS Audit Code of Practice and submit regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Governors' review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within the University. These Auditors and managers have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and other reports to Governors and management. On the basis of this information the Governors identify areas where actions are required to improve the effectiveness of the systems of internal control and steps are taken to address these.

The University's Articles of Association give Governors Indemnity Insurance and Qualifying Third Party Indemnity provision as permitted by the Companies Act 2006. This was in force throughout the year and at the year end.

Principal Risks and Uncertainty

Student Recruitment	Finance	Staff
<p>Risk of falling below recruitment, retention and success targets; causes would be:</p> <ul style="list-style-type: none"> • Lack of awareness in marketplace and effective positioning • Quality and distinctiveness/ poor teaching • Changing demand • Poor programme design • Poor transition, induction, engagement and support for students and staff • Not providing a fit for purpose learning environment. • Poor student experience • Requirement to meet benchmark targets, particularly Widening Participation (WP) • Employability comparative to sector (graduate and non-graduate roles) <p>Mitigating actions</p> <p>The RAU is developing clear marketing strategies with focus on WP, developing digital programmes, leadership training, programme development, improving performance management and managing data and data capability.</p>	<p>Risk of failing to meet financial targets. Causes would be:</p> <ul style="list-style-type: none"> • RAU fails to make progress towards its Widening Participation targets • Student recruitment below target • Requirement for increased RACPS pension deficit recovery contributions or increase in TPS employer contributions • Costs exceed financial assumptions • Over investment • Lack of financial control seen through budget overspends and poor budget setting • Failure to understand and deliver investment priorities • Inadequate liquidity • Unexpected match-funding requirements <p>Mitigating actions</p> <p>The RAU is undertaking a procurement review and developing a strategy. Cost saving initiatives have been developed across the University. The University is working towards an efficient, effective budget management programme.</p>	<p>Risk of failing to recruit and retain high quality staff. Important factors are:</p> <ul style="list-style-type: none"> • Quality of recruitment and selection • Lack of commitment to training and development opportunities • Loss of key staff, succession planning • Adequacy of infrastructure resources for high performance (IT, workspace) • Salary rates <p>Mitigating actions</p> <p>The RAU is committed to provide fair employment for staff. There are development programmes being put in place to ensure staff have CPD and job specific training, this also includes leadership programmes.</p> <p>Staff welfare is a key priority for the RAU, to ensure staff have everything they need to perform their role to the best of their ability.</p>
Compliance	Reputation	
<p>Risk of RAU failing to be compliant with respect to:</p> <ul style="list-style-type: none"> • OFFA (now OfS) targets • GDPR requirements • Health and Safety regulations • Funding requirements <p>Mitigating actions</p> <p>The RAU takes compliance very seriously and has processes, procedures and data capture to assist the management of compliance. There are regular internal audits and experienced staff to meet the needs of the regulatory demands.</p>	<p>Risk of the RAU having a poor reputation. This may be caused by:</p> <ul style="list-style-type: none"> • Weak performance in league tables • Brand effectiveness • Low profile • Dissatisfied staff • Poor student experience • Negative publicity <p>Mitigating actions</p> <p>The RAU is committed to provide a great student experience. There are mechanisms in place to capture and act on student feedback. Data capture is an important focus to ensure it is accurate and relevant.</p>	

Corporate Governance

The Governors have pleasure in presenting their report and financial statements for the year ended 31 July 2018, and confirm that they comply with the requirements of the Charities Act 2011, the memorandum and Articles of Association of the University, the Charities SORP (Statements of Recommended Practice) and FRS102 (Financial Reporting Standard).

Principles

The Royal Agricultural University (RAU) is committed to exhibiting best practice in all aspects of corporate governance. It aims to conduct its business in accordance with the seven principles set out by the Nolan Committee on Standards in Public Life, i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Legal Status

The Royal Agricultural College was incorporated by Royal Charter in 1845. It was registered under the Charities Act (registered charity number 311780) in 1964 and at Companies House as a limited company (registered number 99168) in 1908, the word 'limited' being omitted by licence of the Board of Trade. It traded as such until 23 April 2013 when it attained University status and changed the name of both the charity and the limited company to "Royal Agricultural University". For ease of use the limited company is described as "the University" throughout these statements. The University has two wholly owned subsidiaries: Royal Agricultural University Enterprises Limited and Royal Agricultural College Limited, which is a dormant company.

The Governing Council

Governing Council is the executive governing body consisting of up to 18 Independent Governors, up to five Co-opted Governors, up to three Staff and two Student Union Representatives. The President, Vice Presidents, Vice-Chancellor, Deputy Vice-Chancellor and

Director of Finance may attend on an ex-officio basis. The Company Secretary is a member of Council by virtue of being an officer of the company. Governing Council has six formal meetings, a strategy day each year and ad-hoc meetings as necessary. No members of the Governing Council receive any remuneration for the work they perform. The Governing Council has a number of sub-committees that report to it. These are formally constituted with terms of reference and delegated powers. Much of the detailed University work is initially performed by committees, and their decisions formally reported to the Governing Council. The committees include the following:

The Finance and Strategy Committee is a joint committee of the Governors and University Executives which comprises no less than four independent Governors, to include the Chair and Vice-Chair of Governing Council, no less than two executive members from the Vice-Chancellor, a Deputy Vice-Chancellor and the Director of Finance. The Committee meets formally six times per year with ad hoc meetings as required. The Governing Council delegates some of its powers to this committee.

The Audit and Risk Committee has three formal meetings a year and ad-hoc meetings as necessary. The Committee comprises no fewer than three Governor members, at least one with recent and relevant experience in finance, accounting and auditing. Members of the Finance and Strategy Committee may not be elected to the Audit Committee. The Vice-Chancellor and Director of Finance may attend meetings but the Committee meets the external and internal auditors in private with no officers of the University present at least once a year. The Committee is responsible for monitoring internal control systems, risk management and value for money. It appoints the Internal Auditors and receives their reports. It also receives the annual financial statements and management letter from the external auditors and submits an annual report to the governing body before they are signed.

The Nominations Committee has three formal meetings a year and ad-hoc meetings as necessary. The Committee is chaired by the Chair of the University Governors and includes in its membership at least three Independent Governors, the Vice-Chancellor and one of the staff representatives on Governing Council. The function of the Nominations Committee is to seek out and recommend new Independent and co-opted Governors as well as leading the search for Council and Committee Chairs. It ensures that a wide search for names is achieved and, in making recommendations, the Committee pays due regard to the balance of membership of the Governors and the needs of the University. The Committee is empowered to appoint Governors to sub-committees, to co-opt persons (other than Governors) for specific purposes and makes recommendations to Academic Board and Governing Council on the appointment of a President or Vice President and, when required, a new Vice-Chancellor.

The Remuneration and Staffing Committee has three formal meetings a year and ad-hoc meetings as necessary. The Committee consists of at least four independent Governors and the Vice-Chancellor is a member for matters other than personal pay and conditions. The Committee is responsible for the remunerations policy of the University, specifically determines the salaries of the University Senior Executives as well as considering equality, diversity and inclusivity in matters relating to staffing within the institution, advising the Council accordingly. The Remunerations Committee seeks comparative information on salaries and other emoluments and conditions of service in the University sector to inform its decisions.



Governing Council

The Governing Council is responsible for preparing the Report of the Governors, Corporate Governance Statement and the financial statements of the group (the ‘financial statements’) in accordance with applicable law and regulations. Company law requires the Governors (who are the Directors) to prepare financial statements for each financial year. Under that law the Governors have prepared the group and company financial statements in accordance with United Kingdom Accounting Standards, comprising FRS102 “the Financial Reporting Standard applicable in the UK and Republic of Ireland” and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group and company for that period. In preparing these financial statements, the Governing Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors, who are also the Trustees and Governors of the University, are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Governing Council has taken reasonable steps to:

- ensure that funds from the HEFCE/OfS are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- secure the economic, efficient and effective management of the University’s resources and expenditure.

The Governing Council is responsible for the maintenance and integrity of the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Governing Council is responsible for ensuring that the University adheres to its charitable objects in line with its vision as laid out in the RAU Strategic Plan 2018-2023.

Statement on disclosure of information to the auditors

So far as each Governor is aware, there is no relevant information of which the company’s auditors are unaware.

Each director has taken all the steps that he/she ought to have taken in order to make himself/herself aware of any relevant audit information and to establish that the company’s auditors are aware of the information.

Going Concern

After making appropriate enquiries the Board of Governors considers that the University 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 financial statements.

Reserves

Reserves are maintained at a level that enables the RAU to manage financial risk and short-term income volatility. They allow the RAU to sustain its core business over the long term, ensuring that financial commitments can be met as they fall due.

Principal Officers and Professional Advisors

Principal Officers	Registered Auditors	Solicitors
Professor Joanna Price, Vice-Chancellor	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR	Pennington Manches LLP 9400 Garsington Road Oxford Business Park Oxford, OX4 2HN
Susan O'Neill, Director of Finance and Company Secretary (from 5 Dec 2017) and has become Chief Operating Officer in October 2018		
Mark O'Connor, Interim Director of Finance (to 18 Sept 2017)	Bankers	Eversheds LLP 1 Wood Street London, EC2V 7WS
Helen Wildman, Company Secretary (to 5 Dec 2017)	Lloyds Bank Plc 14 Castle Street Cirencester Gloucestershire, GL7 1QJ	
Principal Address and Registered Office	Investment Managers	
The Royal Agricultural University Stroud Road Cirencester Gloucestershire, GL7 6JS	Schroder & Co Ltd t/a Cazenove Capital Management 12 Moorgate London, EC2R 6DA	

The Vice-Chancellor (VC) is the chief executive and head of the University. Under the terms of the Memorandum of Accountability and Assurance with the Office for Students (OfS), the VC is the Accountable Officer of the University, with a general responsibility for ensuring that all public funds are used properly and give value for money. As Accountable Officer, the VC advises the Governing Council on its responsibilities under the Memorandum of Accountability and Assurance and has a duty to ensure that it discharges such responsibilities. The VC is required to advise the Governing Council if any action or policy under consideration by the Council appears to be incompatible with the terms of the Memorandum of Assurance and Accountability. If the Governing Council nonetheless chooses to proceed with such an action or policy, the VC is required to inform the Accounting Officer at OfS in writing of the action or policy. The VC may be summoned to appear before the Public Accounts Committee of the House of Commons.

Council Members

Register of Interests

The University maintains a Register of Interests of Governors. This may be inspected by prior arrangement with the Company Secretary. A similar register is maintained for senior managers.

The Governing Council

The composition of the Governing Council and the individuals in office during the year and up to the date of signing the financial statements is shown below. Staff and Student representatives (who are neither Directors of the Limited Company nor Trustees of the registered charity) are also disclosed.

Governors	
Rt Hon Michael Jack CBE, Chair of Governors (from 22 Jan 2018)	Mr Nick Stace, Chair of Governors (to 22 Jan 2018)
Prof. Jonathan Kydd, Vice Chair (from 22 Mar 2018)	Prof. Michael Osbaldeston, Vice Chair (to 22 Jan 2018)
Mr Mohamed Amersi	Mr Chris Musgrave
Mrs Alison Bernays	Mr Colin Pett, Chair of Finance & Strategy Committee
Prof. Patricia Broadfoot, Chair of Remunerations Committee	Mrs Jean Roberts
Mr Ian Cooper, Chair of Audit & Risk Committee	Mr James Townshend
Mr Alex Lawson	
President His Royal Highness The Prince of Wales	Vice-Presidents The Earl Bathurst Mr Simon Pott
Staff Representatives	
Mr Jack Walton (SU Chair from Sept 17) Mr Henry Butson (SU Secretary from Sept 17) Mr Edward Dillon (SU Chair to Sept 17)	Ms Scarlett Crew (to Dec 17) Mr William Manley Ms Marieke Guy (from Sept 18)

Council Members

Governors' interests in shares of the University

The interests in the issued share capital of the University by Governors in post either at 31 July 2018 and at 31 July 2017 were:

	2018	2017
Prof. Patricia Broadfoot	1	1
Mr Chris Musgrave	1	1
Prof. Michael Osbaldeston	1	1
Mr Colin Pett	1	1
Total	4	4

In addition, as at 31 July 2018, Professor Joanna Price (Vice-Chancellor) held three shares (2017: three). The remaining shares are held by former governors, friends of the University or members of the original founding families. No dividends or tangible benefits accrue to the holders of the shares.

Independent Auditor

PricewaterhouseCoopers LLP is the appointed External Auditor to the University.

On behalf of the Governing Council:
Rt Hon Michael Jack CBE
Chair of Governors
22 November 2018

Independent auditors' report to the Governing Council of The Royal Agricultural University (the "institution")

Report on the audit of the financial statements

Opinion

In our opinion, Royal Agricultural University's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2018 and of the group's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education, and the requirements of the Office for Students' ("OfS's") Accounts direction (OfS 2018.26); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise the consolidated and University Balance Sheets as at 31 July 2018; the consolidated and University Statements of Comprehensive Income for the year then ended; the consolidated and University Statements of Changes in Reserves for the year then ended; the consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the Governing Councils' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for Issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Governing Council are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report and Strategic report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Annual Report and Financial Statements

In our opinion, based on the work undertaken in the course of the audit, the information given in the Annual Report and Financial Statements, for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and parent institution and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Annual Report and Financial Statements. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Council for the financial statements

As explained more fully in the Statement of the Governing Council's responsibilities set out on page 25, the Governing Council (who are also the directors of the institution for the purposes of company law) is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Council is also 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.

In preparing the financial statements, the Governing Council is responsible for assessing the group's and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Council either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Governing Council of Royal Agricultural University, in accordance with Charters and Statutes of the institution, section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992 (as amended)

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes and
- funds provided by the Higher Education Funding Council for England, the OfS and Research England have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept by the parent institution, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent institution financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Lynn Pamment (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

27 November 2018

Consolidated and University Statements of Comprehensive Income

Year ended 31 July 2018

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	2	11,786	11,755	11,690	11,657
Funding body grants	3	2,753	2,753	1,936	1,936
Research grants and contracts	4	122	122	150	150
Other income	5	8,641	8,026	5,779	5,206
Investment income	6	43	43	39	39
Total income before donations and endowments		23,345	22,699	19,594	18,988
Donations and endowments	7	151	151	98	119
Total income		23,496	22,850	19,692	19,107
Expenditure					
Staff costs	8	9,383	9,140	8,516	8,252
Other operating expenses		9,614	9,211	8,882	8,561
Interest and other finance costs	9	520	520	525	525
Depreciation and amortisation	10	794	794	793	793
Property impairment	10	236	236	577	577
Total expenditure	10	20,547	19,901	19,293	18,708
Surplus before other gains and losses		2,949	2,949	399	399
Profit on sale of fixed assets and investment property		10	10	311	311
Gain on investments	14	129	129	215	215
Operating surplus for the year before taxation		3,088	3,088	925	925
Taxation		-	-	-	-
Operating surplus for the year		3,088	3,088	925	925
Actuarial gain in respect of pension schemes	29	963	963	298	298
Total comprehensive income for the year		4,051	4,051	1,223	1,223
Represented by:					
Endowment comprehensive expenditure for the year		(2)	(2)	(4)	(4)
Restricted comprehensive (expenditure)/ income for the year		(28)	(28)	9	9
Unrestricted comprehensive income for the year		4,081	4,081	1,218	1,218
Attributable to the University		4,051	4,051	1,223	1,223

All items of income and expenditure relate to continuing activities

Consolidated and University Statements of Changes in Reserves

Year ended 31 July 2018

	Income reserve			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Consolidated					
At 1 August 2016	162	19	3,721	19,345	23,247
Operating surplus from the comprehensive income statement	-	58	867	-	925
Other comprehensive income	-	-	298	-	298
Transfer revaluation to income reserve on sale of properties	-	-	637	(637)	-
Asset revaluation reserve movements	-	-	701	(701)	-
Transfer of excess depreciation on revaluation of fixed assets	-	-	1,325	(1,325)	-
Release of restricted funds spent in year	(4)	(49)	53	-	-
Total comprehensive income for the year	(4)	9	3,881	(2,663)	1,223
At 31 July and 1 August 2017	158	28	7,602	16,682	24,470
Operating surplus from the comprehensive income statement	-	-	3,088	-	3,088
Other comprehensive income	-	-	963	-	963
Transfer of excess depreciation on revaluation of fixed assets	-	-	80	(80)	-
Release of restricted funds spent in/or year end balance	(2)	(28)	30	-	-
Total comprehensive income for the year	(2)	(28)	4,161	(80)	4,051
Balance at 31 July 2018	156	-	11,763	16,602	28,521
University	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	162	19	3,721	19,345	23,247
Operating surplus from the comprehensive income statement	-	58	867	-	925
Other comprehensive income	-	-	298	-	298
Asset revaluation reserve movements	-	-	701	(701)	-
Transfer revaluation to income reserve on sale of properties	-	-	637	(637)	-
Transfer of excess depreciation on revaluation of fixed assets	-	-	1,325	(1,325)	-
Release of restricted funds spent in year	(4)	(49)	53	-	-
Total comprehensive expenditure for the year	(4)	9	3,881	(2,663)	1,223
At 31 July and 1 August 2017	158	28	7,602	16,682	24,470
Operating surplus from the comprehensive income statement	-	-	3,088	-	3,088
Other comprehensive income	-	-	963	-	963
Transfer of excess depreciation on revaluation of fixed assets	-	-	80	(80)	-
Release of restricted funds spent in/or year end balance	(2)	(28)	30	-	-
Total comprehensive income for the year	(2)	(28)	4,161	(80)	4,051
Balance at 31 July 2018	156	-	11,763	16,602	28,521

Consolidated and University Balance Sheets

At 31 July 2018

Company Number 99168

	Notes	At 31 July 2018		At 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Intangible assets	11	74	74	60	60
Fixed assets	12	41,795	41,795	38,738	38,738
Heritage assets	13	525	525	525	525
Investments	14	2,345	2,395	2,216	2,266
		44,739	44,789	41,539	41,589
Current assets					
Stock	15	488	455	491	456
Trade and other receivables	16	1,771	2,034	1,784	2,040
Cash and cash equivalents	22	2,353	1,987	3,810	3,485
		4,612	4,476	6,085	5,981
Creditors: amounts falling due within one year	17	(4,068)	(3,982)	(4,756)	(4,702)
Net current assets		544	494	1,329	1,279
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	18	(3,508)	(3,508)	(3,799)	(3,799)
Provisions					
Pension provisions	19	(13,183)	(13,183)	(14,532)	(14,532)
Other provisions	19	(70)	(70)	(66)	(66)
Total net assets		28,522	28,522	24,471	24,471
Restricted Reserves					
Income account reserve - endowment	20	156	156	158	158
Income account reserve - restricted	21	-	-	28	28
Unrestricted Reserves					
Income account reserve - unrestricted		11,763	11,763	7,602	7,602
Revaluation reserve		16,602	16,602	16,682	16,682
		28,521	28,521	24,470	24,470
Share Capital		1	1	1	1
Total Reserves		28,522	28,522	24,471	24,471

The financial statements and notes on pages 32 to 64 were approved and authorised for issue by the Governing Body on 22 November 2018 and were signed on its behalf on that date by:

Consolidated Cash Flow Statement

Year ended 31 July 2018

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	3,088	925
Adjustment for non-cash items		
Amortisation of intangible assets	25	25
Depreciation	769	768
Impairment of fixed assets	236	577
Gain on investments	(129)	(215)
Decrease/(increase) in stock	3	(107)
Decrease/(increase) in debtors	13	(684)
Increase in creditors	416	1,177
Increase in other provisions	4	5
Post-employment benefits less payments	(386)	(443)
Adjustment for investing or financing activities		
Investment income	(43)	(39)
Interest payable	159	166
Profit on the sale of fixed assets and investment property	(10)	(311)
Capital grant income	(4,032)	(1,042)
Net cash inflow from operating activities	113	802
Cash flows from investing activities		
Proceeds from sales of fixed assets	14	919
Capital grant receipts	2,955	1,042
Proceeds from sale of investment properties	-	411
Investment income	43	39
Payments made to acquire intangible assets	(39)	-
Payments made to acquire fixed assets	(4,066)	(1,481)
Asset reinstatement	-	142
Net cash (outflow) / inflow from investing activities	(1,093)	1,072
Cash flows from financing activities		
Interest paid	(159)	(166)
Repayment of loans	(300)	(433)
Net cash outflow from financing activities	(459)	(599)
(Decrease)/increase in cash and cash equivalents in the year	(1,439)	1,275
Cash and cash equivalents at beginning of the year	3,749	2,474
Cash and cash equivalents at end of the year (note 22)	2,310	3,749

Notes to the financial statements

For the year ended 31 July 2018

1 Statement of Principal Accounting Policies and Estimation Techniques

Basis of preparation

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets, in accordance with the Companies Act 2006, the Statements of Recommended Practice (SORP) – Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS102).

As in previous years the University has taken advantage of adapting some of its own arrangement of the headings and sub-headings of its financial statements due to the special nature of its business in accordance with Section 404 (5) of the Companies Act 2006.

The following accounting policies have been applied consistently in dealing with items that are considered material to the financial statements.

Basis of consolidation

The consolidated financial statements include the University and its trading subsidiary, Royal Agricultural University Enterprises Limited (RAUEL). As required by the SORP, a separate Statement of Comprehensive Income for the University is presented. Intra-group sales and profits are eliminated on consolidation. Accounting policies have been applied consistently across the group.

Income recognition

Funding Council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the Statement of Comprehensive Income over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating expenditure.

Income from grants, contracts and other services rendered are accounted for on a performance basis and included in income as the performance requirements are met. Payments received in advance of performance are recognised on the balance sheet as deferred income in liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred income in liabilities in the balance sheet until performance criteria are met, at which point they are released to the Statement of Comprehensive Income.

Notes to the financial statements for the year ended 31 July 2018

1 Statement of Principal Accounting Policies and Estimation Techniques (continued)

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

Endowment and investment income is credited to the Statement of Comprehensive Income on a receivables basis. Income from endowments not expended in accordance with the conditions of the endowment is transferred from the Statement of Comprehensive Income to endowment reserve. Any realised gains or losses from dealing in the related assets are retained within the endowment reserve in the balance sheet.

Changes in value arising on the revaluation of fixed asset investments to market value are charged/credited to the Statement of Comprehensive Income as they arise. Increases/decreases in value arising on revaluation or disposal of endowment assets are added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset and crediting or debiting the endowment fund and reported in the Statement of Changes in Reserves.

Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body or other body, where the University is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the Statement of Comprehensive Income of the University.

Leases and hire purchase contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Taxation

The University is a registered charity and is classed as a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

Notes to the financial statements

For the year ended 31 July 2018

1 Statement of Principal Accounting Policies and Estimation Techniques (continued)

The University receives no similar exemption in respect of Value Added Tax (VAT). The University's principal activities are exempt from VAT, but certain ancillary supplies and services are liable to VAT at various rates. Irrecoverable VAT on inputs is included in the costs of such expenditure. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

The University's wholly owned subsidiary company, Royal Agricultural University Enterprises Limited, is liable to Corporation Tax and VAT in the same way as any other commercial organisation.

Apportionment of costs

Where costs are apportioned between cost headings, the apportionment is carried out so as to best reflect the time spent by staff in carrying out their duties in the different operations of the University.

Termination benefits

Termination benefits are recognised when an agreement is made with an employee. This expenditure is recognised in the period to which the agreement is made with any unpaid amounts accrued for at year end.

Intangible fixed assets

An intangible asset purchased separately and/or developed by the University is capitalised at its cost and amortised over its useful economic life. The University has intangible fixed assets relating to the University's website, which has been capitalised and is being amortised over its estimated economic life of four years, and the purchase and development of its Customer Relationship Management System.

Tangible fixed assets for University use

Tangible fixed asset additions whose cost of acquisition exceeds £5,000 (2017: £10,000) are capitalised. Items costing less than this are written off in the year of purchase.

Land and building fixed assets held as at 1 August 2014 were revalued as at that date and are carried at deemed cost based on that valuation. Any subsequent additions to land and buildings are included at cost. Cost of fixed assets includes interest on borrowings to finance construction of assets to the extent that such interest accrues in respect of the period of construction.

Notes to the financial statements

For the year ended 31 July 2018

1 Statement of Principal Accounting Policies and Estimation Techniques (continued)

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Statement of Comprehensive Income in the period it is incurred. The asset values are reviewed each year to ensure they still represent fair value and if, a material reduction in net book value is noted, an impairment is made in the Statement of Comprehensive Income.

Acquisition with the aid of specific grants

Where tangible fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the Statement of Comprehensive Income as soon as the performance criteria for the grant has been met.

Depreciation

Depreciation is provided on tangible fixed assets and intangible fixed assets at rates calculated to write off the cost, less estimated residual value, over their expected useful lives on a straight line basis as shown below. Freehold land is not depreciated.

Freehold buildings	1% to 4%
Fixed fixtures and fittings	10%
Moveable fixtures and fittings	20% to 33%
Plant and machinery	10% to 20%
Computers - hardware	17% to 33%
Farm plant and machinery	10% or 20%
Intangible assets	25%

Investments

Investment properties are land and buildings which are held to earn rentals and/or for capital appreciation and not for use in the provision of services, for administrative purposes or sale in the ordinary course of business.

These properties have been separately identified, are recorded in the balance sheet at their fair value, and are not depreciated. Any increase or decrease in valuation is recorded as an unrealised gain or loss in the Statement of Comprehensive Income. The asset values are reviewed each year to ensure they still represent fair value and a formal valuation arranged every three years. Any gains or losses on valuation are taken to the Statement of Comprehensive Income.

Notes to the financial statements

For the year ended 31 July 2018

1 Statement of Principal Accounting Policies and Estimation Techniques (continued)

Listed investments held as fixed or endowment assets are shown at market value. Gains and losses arising on investment assets, through change in valuation, are credited/charged in the Statement of Comprehensive Income. Gains or losses arising from the disposal of assets are also disclosed in the Statement of Comprehensive Income as realised, being the difference between sales proceeds and market value at the beginning of the year. The University's investment in its wholly owned trading subsidiary is carried at cost.

Heritage assets

Heritage Assets relate primarily to two groups of vintage assets which are of significant value to the study of agriculture and the rural environment and comprise:

Certain displayed paintings including past University Governors, Principals, Vice Chancellors and other senior staff and agricultural scenes.

A collection of books and manuscripts of historical importance from the 16th to 19th centuries on subjects including animal husbandry, botany and natural history. Some of these manuscripts are on permanent display but otherwise available for public viewing by arrangement with the University Library.

These assets have been gifted to or purchased by the University over the years since its establishment in 1845, and if capitalised originally, no longer feature in the fixed asset register. The two groups of assets are stated at valuation in the financial statements (based on valuations carried out in 2010) and the valuations are not subject to depreciation. There has been no impairment in the value of these assets. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Agriculture

Biological assets are living animals or plants held as assets from which economic benefits flow to the University. Agricultural produce is the harvested product of a biological asset. The University's farming operations to support student learning include breeding sheep which are stated at fair value less costs to sell. The values held for these assets are not considered material for separate disclosure as a non-current asset and are shown as a current asset within Farm stocks. Changes in fair value less costs to sell are recognised in the statement of Comprehensive Income.

The University's operations also include arable farming as well as a small vineyard and the plants and their harvested crops are treated as current assets within Farm stocks.

Notes to the financial statements for the year ended 31 July 2018

1 Statement of Principal Accounting Policies and Estimation Techniques (continued)

Stocks

Farms stocks are valued in accordance with the Royal Institution of Chartered Surveyors and the Central Association of Agricultural Valuers Guidance Notes. Breeding ewes and rams are valued at fair value less selling costs, lambs at deemed cost being discounted market value and growing crops, feedstuffs, sprays and fertilisers at cost. Other stock is valued at cost. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts, if they form an integral part of cash management.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They also include any such assets held as endowment asset investments.

Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Accounting for research and development

Expenditure on pure and applied research is treated as a part of the continuing activities of the University. Development expenditure is only capitalised where it is probable that the asset developed will generate future economic benefit. Any other expenditure on development is written off as incurred. Expenditure on capitalised development activities is carried forward and amortised over the period expected to benefit.

Intra group transactions

Gains or losses on any intra-group transactions and amounts in relation to debts and claims between group undertakings are eliminated on consolidation.

1 Statement of Principal Accounting Policies and Estimation Techniques (continued)

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 University 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 University is entitled to the funds.

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

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

- Restricted donations - the donor has specified that the donation must be used for a particular objective.
- 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 University.
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
- 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.

Financial instruments

With the exception of the small value interest hedge derivative, the University only has financial assets and financial liabilities that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost. Financial assets include the University's trade and other receivables. Financial liabilities include the University's trade creditors, accruals, other creditors and bank loans.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximates to their fair values. Where the financial instruments are of short maturity, the carrying value is equal to their fair value.

Notes to the financial statements

For the year ended 31 July 2018

1 Statement of Principal Accounting Policies and Estimation Techniques (continued)

Accounting for retirement benefits

Retirement benefits were provided to many employees of the University by its own defined benefit scheme funded by contributions from the University and employees. However, this scheme was closed to future accrual on 30 September 2010. The defined benefit scheme is an independently administered scheme whose funds are valued every three years by a professionally qualified independent actuary. The level of deficit recovery plan payments are agreed with the scheme trustees.

The University also participates in the Federated Superannuation System for Universities (FSSU) pension scheme which is treated as a defined benefit scheme.

The assets of defined benefit schemes are measured at fair value at each balance sheet date and the liabilities are measured using a specified actuarial valuation method to be discounted using a corporate bond rate. The cost to the University of funding its own Defined Benefit Scheme is accounted for in accordance with FRS102.

Since October 2010 teaching staff have been active members of the Teachers' Pension Scheme (TPS), whose accounting treatment is outlined in note 29. The University also operates two defined contribution schemes which are independently administered. The contributions paid by the University to the defined contribution schemes are charged as expenditure in the year in which they are payable.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits or an inability to measure the economic outflow. Contingent assets are disclosed by way of a note where there is a possible, rather than present, asset arising from a past event.

Notes to the financial statements for the year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
2 Tuition fees and education contracts				
Full-time home and EU students	9,137	9,137	9,320	9,320
Full-time international students	923	923	676	676
Part-time students	1,726	1,695	1,694	1,661
	11,786	11,755	11,690	11,657
3 Funding body grants	£'000	£'000	£'000	£'000
Recurrent grant:				
HEFCE/Office for Students Funding	2,291	2,291	1,794	1,794
Capital grant	462	462	142	142
	2,753	2,753	1,936	1,936
4 Research grants and contracts	£'000	£'000	£'000	£'000
Research charities	38	38	34	34
Industry and commerce	65	65	110	110
Other	19	19	6	6
	122	122	150	150
5 Other income	£'000	£'000	£'000	£'000
Residences, catering and conferences	3,755	2,802	3,683	2,860
Other capital grants	3,570	3,570	900	900
Farms income	692	692	655	655
Property rentals and ground hire income	129	129	174	174
Other income	495	833	367	617
	8,641	8,026	5,779	5,206
6 Investment income	£'000	£'000	£'000	£'000
Other investment income	43	43	39	39
7 Donations and endowments	£'000	£'000	£'000	£'000
Donations unrestricted	151	151	58	58
Donations with restrictions	-	-	40	61
	151	151	98	119

Notes to the financial statements for the year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Staff costs				
Staff Costs :				
Salaries	7,915	7,672	7,192	6,960
Social security costs	782	782	694	671
Other pension costs	686	686	630	621
	9,383	9,140	8,516	8,252

	Year ended 31 July 2018		Year ended 31 July 2017	
	Prof J Price £	Prof J Price 11 months £	Prof C Gaskell 1 month £	Total 2017 £
Emoluments of the Vice-Chancellor:				
Salary	173,333	146,667	14,167	160,834
Bonus	8,800	16,000	-	16,000
Benefits - accommodation allowance	18,000	16,500	-	16,500
Employer's pension cost	28,565	24,171	-	24,171
	228,698	203,338	14,167	217,505

The remuneration of the senior staff at the RAU is in accordance with the principles of the Committee of Chairs' Voluntary Remuneration Code for HE Senior Staff, including Vice-Chancellors. The remuneration package of the Vice Chancellor is subject to annual review by a Remuneration and Staffing sub-committee of the Governing Council of the University, who also adopt the services of an Independent Consultant to provide them with further objective guidance.

The Vice-Chancellor reports to the Chair of Governing Council, who undertakes an annual review of her performance against the University's overall objectives using both qualitative and quantitative measures of performance.

	2018
	No.
Vice-Chancellor's basic salary to employees' median	6.3
Vice-Chancellor's total remuneration to employees' median	7.0

There was one other higher paid employee who received basic salary of more than £100,000 (2017: one) and their remuneration for the year was in the band £100,000 and £104,999 (2017: £100,000 and £104,999).

Notes to the financial statements for the year ended 31 July 2018

8 Staff costs (continued)

	Year ended 31 July 2018	Year ended 31 July 2017
Average full time equivalent (FTE) staff numbers by major category :		
	No.	No.
Academic	57	58
Academic support	9	9
Continuing education	4	5
Academic services	29	24
Central administration	36	34
Staff and student facilities	9	5
Premises	24	25
Residences and catering	42	40
	210	200

Termination payments were due for the year totalling £249,000 (2017: £82,000) relating to voluntary severance and settlement payments. £184,000 (2017: £82,000) is included in creditors. The accounting policy for termination payments is shown in note 1.

Key management personnel

	£'000	£'000
Key management personnel compensation	503	454

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. The Key Management Personnel are the Vice-Chancellor, Deputy Vice Chancellor (part year both years), Director of Finance, Acting Chief Operating Officer (part previous year) and Company Secretary. The Director of Finance and Company Secretary were two interim appointments from April and May 2017 respectively until the new Director of Finance joined the University on 18 September 2017, also becoming Company Secretary from 1 November 2017. Compensation consists of salary and benefits, including any employer's pension contribution, plus consultants' fees for the two interim positions.

Council Members

The Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

No Council member has received any remuneration or waived payments from the University or any subsidiary during the year (2017 - none).

The total expenses paid to or on behalf of 13 council members was £8,500 (2017 - £7,000 to 14 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

Notes to the financial statements for the year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
9 Interest and other finance costs				
Loan interest	159	159	166	166
Pension scheme charge (note 29)	361	361	359	359
	520	520	525	525
10 Analysis of total expenditure by activity				
	£'000	£'000	£'000	£'000
Academic departments	5,820	5,896	5,475	5,489
Academic services	2,279	2,279	1,905	1,906
Research grants	126	229	298	298
Consultancy	61	-	42	-
Commercial services	2,282	1,699	1,970	1,532
Premises	2,835	2,886	3,330	3,382
Central administration	3,463	3,472	3,097	3,117
General education expenditure	1,841	1,841	1,587	1,587
Staff and student facilities	980	731	885	686
Others including general endowment expenditure	860	868	704	711
	20,547	19,901	19,293	18,708
Total expenditure includes:				
Amortisation of intangible fixed assets	25		25	
Depreciation of tangible fixed assets	769		768	
Total amortisation and depreciation	794		793	
Property impairment	236		577	
External auditors' remuneration - audit services	25		27	
External auditors' remuneration - non-audit services	-		-	
Operating lease rentals:				
Land and buildings	117		103	
Other	78		70	

11 Intangible assets

Software	Consolidated and University			
	At 1 August 2017 £'000	Additions £'000	Amortisation £'000	At 31 July 2018 £'000
Cost	99	39	0	138
Accumulated amortisation	39		25	64
Net Book Value	60	39	(25)	74

Notes to the financial statements for the year ended 31 July 2018

12 Fixed Assets

Consolidated and University	Freehold Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2017	40,161	2,722	411	43,294
Additions	-	405	3,661	4,066
Disposals	-	(211)	-	(211)
At 31 July 2018	40,161	2,916	4,072	47,149
Consisting of:				
Valuation as at 1 August 2014	38,643	-	-	38,643
Cost	1,518	2,916	4,072	8,506
	40,161	2,916	4,072	47,149
Accumulated depreciation				
At 1 August 2017	2,376	2,180	-	4,556
Charge for the year	590	179	-	769
Impairments	236	-	-	236
Disposals	-	(207)	-	(207)
At 31 July 2018	3,202	2,152	-	5,354
Net book value				
At 31 July 2018	36,959	764	4,072	41,795
At 31 July 2017	37,785	542	411	38,738

Assets in the course of construction relates to The Alliston Centre which was opened in late July 2018. Final external works and costs were completed after the year end.

The University recognised the impairment of other properties of £236,000 (2017: £577,000) and is shown in the Consolidated Statement of Comprehensive Income.

Total profit from the sale of fixed assets was £10,000 (2017: £299,000).

Notes to the financial statements for the year ended 31 July 2018

13 Heritage assets

Consolidated and University	At 31 July 2018	At 31 July 2017
	£'000	£'000
Heritage assets at valuation	<u>525</u>	<u>525</u>

There have been no acquisitions of Heritage assets during the last 5 years.

14 Non-current investments

	Subsidiary Companies	Investment Property	Investment in Stocks and Shares	Total
	£'000	£'000	£'000	£'000
Consolidated				
At 1 August 2017	-	950	1,266	2,216
Gain on investment	-	-	129	129
At 31 July 2018	<u>-</u>	<u>950</u>	<u>1,395</u>	<u>2,345</u>
University				
At 1 August 2017	50	950	1,266	2,266
Gain on investment	-	-	129	129
At 31 July 2018	<u>50</u>	<u>950</u>	<u>1,395</u>	<u>2,395</u>

The non-current investments have been valued at market value. The share valuation was based on the closing price on the London Stock Exchange on 31 July 2018. The investment property was valued at market value by a qualified RICS Registered Valuer as at 31 July 2017 and Governors consider that there has not been a material change during the year.

There were no disposals in the year to 31 July 2018 (2017: one disposal, profit of £12,000)

Notes to the financial statements for the year ended 31 July 2018

15 Stock

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Farm stocks	390	390	404	404
Finished goods	51	51	38	38
General consumables	47	14	49	14
	488	455	491	456

Farm stocks include biological assets of breeding sheep valued at £45,000 (2017: £41,000), other sheep £23,000 (2017: £27,000), beef calves £9,000 (2017 Nil), arable crops of £227,000 (2017: £266,000), vineyard crop £45,000 (2017: £29,000) and other farm stocks £41,000 (2017: £41,000).

16 Trade and other receivables

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Trade receivables	503	447	1,125	1,029
Prepayments and accrued income	1,264	1,258	653	640
Amounts due from subsidiary	-	325	-	365
Derivatives	4	4	6	6
	1,771	2,034	1,784	2,040

17 Creditors : amounts falling due within one year

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank overdraft	43	43	61	61
Secured loans	285	285	294	294
Trade payables	1,474	1,453	1,202	1,188
Social security and other taxation payable	233	233	192	192
Accruals and deferred income	2,033	1,968	3,007	2,967
	4,068	3,982	4,756	4,702

Notes to the financial statements for the year ended 31 July 2018

18 Creditors : amounts falling due after more than one year

	At 31 July 2018	At 31 July 2017
Consolidated and University		
	£'000	£'000
Secured loans	3,508	3,799
	<u>3,508</u>	<u>3,799</u>
Analysis of secured loans:		
Due within one year or on demand (note 17)	<u>285</u>	<u>294</u>
Due between one and two years	285	294
Due between two and five years	852	968
Due in five years or more	2,371	2,537
Due after more than one year	<u>3,508</u>	<u>3,799</u>
Total secured loans	<u>3,793</u>	<u>4,093</u>
Secured loans repayable by 2034	<u>3,793</u>	<u>4,093</u>

Lender	Amount £'000	Term	Interest %	Borrower
Lloyds Bank	395	2023	2.086% fixed to Aug 2023	University
Handelsbanken (A)	1,815	2034	6.29% fixed to Sep 2019	University
Handelsbanken (B)	1,583	2027	Libor + 2.5%	University
Total	<u>3,793</u>			

The interest on the Handelsbanken (B) loan is capped at 2.5% for the first 10 years of the loan, until September 2019. The value of the cap is recorded at fair value as a derivative in note 16.

Notes to the financial statements for the year ended 31 July 2018

19 Provisions for liabilities

Consolidated and University

	Defined Benefit Obligations (Note 29) £'000	Leasehold Dilapidation £'000	Total provisions £'000
At 1 August 2017	14,532	66	14,598
(Decrease)/ increase in provisions	(1,349)	4	(1,345)
At 31 July 2018	<u>13,183</u>	<u>70</u>	<u>13,253</u>

20 Endowment Reserves

Consolidated and University

Restricted net assets relating to endowments are as follows:

	<u>At 31 July 2018</u>	<u>At 31 July 2017</u>
	Expendable endowments £'000	Expendable endowments £'000
At 1 August 2017		
Capital	158	162
	<u>158</u>	<u>162</u>
Expenditure	(2)	(4)
Total endowment comprehensive expenditure	<u>(2)</u>	<u>(4)</u>
At 31 July 2018	<u>156</u>	<u>158</u>
Represented by:		
Capital	158	162
Endowment expenditure	(2)	(4)
	<u>156</u>	<u>158</u>
Analysis by type of purpose:		
Scholarships and bursaries	<u>156</u>	<u>158</u>
Analysis by asset		
Cash and cash equivalents	<u>156</u>	<u>158</u>

Notes to the financial statements for the year ended 31 July 2018

21 Restricted Reserves

Reserves with restrictions are as follows:

Consolidated and University

	<u>2018</u>	2017
	Total	Total
	£'000	£'000
At 1 August 2017	<u>28</u>	19
New donations	-	58
Expenditure	-	(49)
Total restricted comprehensive (expenditure)/income for the year	<u>-</u>	9
Transfer to income reserves as funds not restricted	(28)	-
At 31 July 2018	<u><u>-</u></u>	<u>28</u>

22 Cash and cash equivalents

	<u>At 1 August 2017</u>	<u>Cash flows</u>	<u>At 31 July 2018</u>
	£'000	£'000	£'000
Consolidated			
Included in current assets:			
Cash and cash equivalents	3,810	(1,457)	2,353
Included in Creditors: amounts falling due in one year:			
Bank overdraft (note 17)	(61)	18	(43)
	<u>3,749</u>	<u>(1,439)</u>	<u>2,310</u>

Cash and cash equivalents includes the bank account balances of restricted reserves of £156,000 (2017: £186,000).

Notes to the financial statements for the year ended 31 July 2018

23 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2018:

	Consolidated and University	
	At 31 July 2018	At 31 July 2017
	£'000	£'000
Commitments contracted for	<u>312</u>	<u>60</u>

24 Contingent liabilities

Except as otherwise disclosed elsewhere in these Financial Statements, the only contingent liability known at the time of approving the Financial Statements is detailed below:

- Pursuant to the University's existing planning consent for development land, it entered into a s106 planning agreement whereby, should the site be developed, it would incur financial commitments up to £543,000 (2017: £543,000); these are backed by a bond with Lloyds Bank.

25 Lease obligations

Total rentals payable under operating leases:

	Consolidated and University		
	At 31 July 2018		At 31 July 2017
	Land and Buildings £'000	Plant and Machinery £'000	Total £'000
Payable during the year	<u>117</u>	<u>78</u>	<u>195</u>
Future minimum lease payments due:			
Not later than 1 year	63	74	137
Later than 1 year and not later than 5 years	115	45	160
Later than 5 years	131	-	131
Total lease payments due	<u>309</u>	<u>119</u>	<u>428</u>

Notes to the financial statements for the year ended 31 July 2018

26 Events after the reporting year

On 2 October 2018 the University received £2,189,000 from the John Oldacre Trust Fund. The University is required to invest the monies to provide an income which should be used for the support of PhD Research projects.

27 Subsidiary undertakings

The subsidiary companies (both of which are registered in England & Wales), wholly-owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Ownership
Royal Agricultural University Enterprises Limited (Company No. 02752048)	Residential conference facilities, consultancy and retail	100%
Royal Agricultural College Limited (Company No. 08542114)	Dormant Company	100%

28 Trade Union Facility time

Trade Union Facility Time is the provision of paid and unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative. We publish this data under the Trade Union (Facility Time Publication Requirements) Regulations 2017. Note the data is for the year ended 31 March 2018.

There was one employee (1 FTE) who was a relevant union official for the University during the year.

The one employee spent time on facility time within the 1% to 50% category (0%, 51 to 99% and 100% all zero).

The notional cost of facility time was £1,557 and, with a total pay bill of £8.5m, the percentage of this spent on facility time was 0.018% and the total paid facility time on activities was 0%.

29 Pensions

The University operates the following pension schemes:

(a) Royal Agricultural College Pension Scheme (RACPS)

RACPS is a defined benefits scheme, under which contributions were paid by the University and employees before its closure. Until April 2003 benefits were based on final salary: from April 2003 until closure benefits were calculated on a Career Average Revalued basis. The assets of the fund are independent from those of the University and are administered by Trustees. Pension costs are assessed on the advice of an independent actuary on the basis of valuations using the projected unit method. The scheme closed to future accrual on 30 September 2010; staff affected were provided with alternative pension provision effective 1 October 2010. The new arrangements were variously with the Teachers' Pension Scheme (TPS) and a defined contribution (GPP) scheme with Aegon.

Notwithstanding the closure to future accrual the University continues to service the deficit recovery plan at the rate agreed with the Trustees. At the April 2015 triennial actuarial valuation a deficit recovery plan was agreed with annual contributions payable of £689,000 per annum until 2035. The latest triennial actuarial valuation as at April 2018 is currently in progress.

(b) Federated Superannuation Scheme for Universities (FSSU)

The pensions of a small number of former employees are funded by a separate defined benefit scheme, but the University supplements the pensions in payment through "top-ups" to the pensioners. FSSU is accounted for as a defined benefit scheme and its present value of scheme liabilities are consolidated for disclosure purposes within the RACPS liabilities. It has no assets.

(c) Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, unfunded, defined benefit scheme, operated under the Teachers Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a 'pay as you go' basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates. The TPS is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, it is accounted for as a defined contribution scheme in accordance with Financial Reporting Standard 102 Section 28 'Employment Benefits'.

The last valuation of the TPS scheme was undertaken as at 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £192 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £177 million. The rate of real earnings growth is assumed to be 4.50%. The assumed gross rate of return and discount factor applied is 4.35%. The results of the next TPS valuation is expected to be reported later in 2018.

As from 1 April 2015 and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution was assessed at 25.7% plus a supplementary contribution rate of 0.3%, to balance assets and liabilities as required by the regulations within 15 years, giving a Standard Contribution Rate (SCR) of 26.0%. This translates into an average employee contribution rate of 9.6% and employer contribution rate of 16.4% payable from 1 September 2015 onwards. The University had 75 members of the TPS as at 31 July 2018 (2017: 61).

29 Pensions (continued)

(d) Defined contribution schemes (Group Personal Pension)

The Aegon Scheme was set up September 2010 for those support staff who were former members of the RACPS scheme. The University contribution to Aegon is 10% of salary. Members pay a variable contribution of not less than 4%. The University opened a new pension scheme with Friends Life for support staff future service on 1 January 2014. This scheme comes under the umbrella of the Higher Education Defined Contribution scheme (HEDCS); it is portable between member universities. All active support staff who were in the Prudential Scheme, which it replaced, became deferred members of the Prudential scheme and joined Friends Life for future service. There are two arms to the Friends Life Scheme: which has two distinct strands of membership:

- X Scheme - tier 1 compliant auto-enrolment scheme with contributions in line with current legislation being 1% (employee) and 2% (employer) until 30 September 2017, increased to 3% each for the next year and settling at 5% employee and 4% employer from 1 October 2018.
- Y Scheme - salaried staff pay variable contributions of not less than 2% (4% for new members) and RAU contributes 6.5%. All members' contribution rates were increased to 5% from 1 October 2018 in line with pensions legislation for auto-enrolment scheme.

The assets of all the defined contribution schemes are held separately from the University by the scheme providers, Aegon, Prudential and Friends Life.

The basic employers' contribution rates during the year were as follows:

	TPS	Aegon	Friends Life X	Friends Life Y
1 Aug 2017 - 31 Jul 2018	-	10.00%	3.00%	6.50%
1 Sep 2016 - 31 Jul 2017	16.40%	-	-	-

The assumptions and other data relevant to the determination of the contribution levels of the defined benefit schemes in which the University participates (or participated) are as follows:

Pension scheme	RACPS	TPS
Last actuarial valuation	2015	2012
Investment returns per annum	6.09%	5.06%
Market value of assets at last valuation date (£m)	18	177
Funding % of accrued benefits covered by the actuarial value of assets	67%	92%

Notes to the financial statements for the year ended 31 July 2018

29 Pensions (continued)

Charge in the Statement of Comprehensive Income

The charge for pensions, adjusted for FRS102 Section 28 where applicable, is as follows:

		2018	2017	2016
		£'000	£'000	£'000
Defined benefit schemes:	TPS	421	421	405
		<u>421</u>	<u>421</u>	<u>405</u>
Defined contribution schemes:	GPP: Aegon	52	52	58
	GPP: Friends Life	155	155	159
		<u>207</u>	<u>207</u>	<u>217</u>
		<u><u>628</u></u>	<u><u>628</u></u>	<u><u>622</u></u>

Total Pensions Cost as per Note 8, Staff Costs

		2018	2017	2016
		£'000	£'000	£'000
Analysed as:	Current service	628	628	622
		<u><u>628</u></u>	<u><u>628</u></u>	<u><u>622</u></u>

The cash contributions to be paid by the employer to the RACPS in respect of past service deficit increased as a result of the April 2015 actuarial valuation from £650,000 to £689,000 per annum, although the payment to catch up was made in August 2016. No amounts were charged to staff costs in the Statement of Comprehensive Income in respect of the RACPS defined benefit scheme.

The pensions charge in the financial statements represents contributions made by the University to the defined contribution scheme providers on behalf of its employees. As at 31 July 2018 £7,000 of contributions were due to Aegon (2017: £7,000) and £17,000 to Friends Life (2017: £17,000). These sums, relating to July payroll, were paid in August 2018.

Reconciliation to Balance Sheet (RACPS and FSSU)

		2018	2017	2016
		£'000	£'000	£'000
Fair value of Scheme assets		19,712	19,570	19,236
Present value of Scheme liabilities		(32,895)	(34,102)	(34,509)
		<u><u>(13,183)</u></u>	<u><u>(14,532)</u></u>	<u><u>(15,273)</u></u>

Notes to the financial statements for the year ended 31 July 2018

29 Pensions (continued)

Scheme deficits

The deficit in the balance sheet in respect of defined benefit schemes is shown below. The FSSU scheme is unfunded and its deficit amount is based on a valuation in accordance with FRS102 at 31 July 2018.

	2018	2017	2016
	£'000	£'000	£'000
RACPS	(12,970)	(14,301)	(14,988)
FSSU supplemental scheme	(213)	(231)	(285)
Total deficits	(13,183)	(14,532)	(15,273)

The table below provides a reconciliation of the fair value of scheme assets. Assets are held by RACPS only; the FSSU has no assets that the University can include in this statement.

	2018	2017	2016
	£'000	£'000	£'000
At the beginning of the year	19,570	19,236	19,232
Contributions by University	689	741	650
Benefits paid	(1,190)	(982)	(951)
Expected return on assets	490	457	679
Actuarial gains/(losses)	153	118	(374)
At the end of the year	19,712	19,570	19,236

The table below reconciles the present value of scheme liabilities for both RACPS and FSSU.

	2018	2017	2016
	£'000	£'000	£'000
At the beginning of the year	(34,102)	(34,509)	(29,489)
Interest cost	(851)	(816)	(1,037)
Employee contributions	-	-	65
Benefits paid	1,248	1,043	951
Actuarial gains/(losses)	810	180	(4,999)
At the end of the year	(32,895)	(34,102)	(34,509)

Notes to the financial statements for the year ended 31 July 2018

29 Pensions (continued)

Principal assumptions made by the actuary in the valuation for the purpose of FRS102 Section 28.

		2018	2017	2016
		%	%	%
Rate of increase in pensions in payment – pre 06/04/97		3.00	3.00	3.00
Rate of increase in pensions in payment – post 06/04/97		3.47	3.51	3.25
Rate of increase in pensions in payment – post 01/04/03		3.15	3.20	2.64
Rate of increase in pensions in payment – post 01/04/05		2.34	2.35	2.16
Inflation rate (RPI)		3.15	3.22	2.64
Inflation rate (CPI)		2.25	2.32	1.74
Discount rate		2.72	2.54	2.40
Cash commutation		25.00	25.00	25.00
Demographic assumptions	Base table	S2PMA	S2PMA	S2PMA
	Projection basis	CMI 2017	CMI 2016	CMI 2015
	Long term improvement trend	1.00	1.00	1.00

A rate of cash commutation of 25% is shown in these figures, based on Scheme actual experience (20%) plus flexibility offered to members by the Pensions Act 2004 (25% HMRC tax free limit).

The demographic assumptions used in valuation will have an impact on the total value derived. Over recent years disclosures have been prepared using assumed mortality rates derived from the S1PMA/S1PFA tables, published by the Continuous Mortality Investigations Bureau ('CMI').

The SAPS2 tables assume a long term improvement trend in life expectancy of 1.00% per annum (increased from 0.50% in 2015). In valuing RAU pensions, the death rates implied by the tables have been reduced (to 91% for males and 87% for females) to reflect the particular mortality characteristics of the scheme members.

The assets and value of the RACPS scheme at 31 July 2018 and the expected rate of return were:

Consolidated and University	2018	2017	2016
	£'000	£'000	£'000
Liability driven investment funds	4,970	4,530	-
Bonds	-	-	2,121
Gilts	-	-	3,679
Property	-	50	2,024
Dynamic growth fund	9,840	9,874	5,321
Global absolute return strategies	4,624	4,781	5,769
Annuities	205	215	214
Cash	73	120	108
Total market value	19,712	19,570	19,236

Notes to the financial statements for the year ended 31 July 2018

29 Pensions (continued)

The assets and value of the RACPS scheme at 31 July 2018 and the expected rate of return (continued)

The discretionary FSSU supplementation scheme holds no assets and its deficit has been based on an actuarial valuation at 31 July 2018. The assumptions having the most significant effect on the calculation of the provision are that future inflationary increase rates will average 2.25% CPI and 3.15% RPI (2017: 2.32% and 3.22% respectively) per annum and that the rate of increase in pensions in payment will be 3.39% (2017: 3.45%) per annum.

The table below analyses the movement in deficit for RACPS and FSSU during the year:

RACPS and FSSU	2018 £'000	2017 £'000	2016 £'000
Deficit in schemes at start of year	(14,532)	(15,273)	(10,257)
Contributions	747	802	715
Other finance costs interest charge applied (note 9)	(361)	(359)	(358)
Actuarial gain/(loss) in the statement of changes in reserves	963	298	(5,373)
Deficit in schemes at end of year	(13,183)	(14,532)	(15,273)

The University has pledged properties to the value of £1.47m against the pensions deficit by deed dated 24 March 2017. These charges have been lodged with the Land Registry and Companies House.

An analysis of amounts recognised in the statement of changes in reserves is given below:

RACPS and FSSU	2018 £'000	2017 £'000	2016 £'000
Actual less expected return on RACPS assets	153	118	(374)
Experience gains/(losses) arising on liabilities	810	180	(4,999)
Actual gain/(loss) recognised in statement of changes in reserves	963	298	(5,373)

30 Accounting estimates and judgements

The main accounting estimates and judgements relate to tangible assets (land and buildings) and the pension liability.

(a) Land and buildings

As part of the transition from UK GAAP to FRS102 as the basis for the consolidated financial statements, the University updated the values of its land and buildings to market value, using this as deemed cost going forward, updating estimates of remaining useful lives for the buildings obtained from the qualified valuers. These remaining useful lives have then been used to calculate depreciation on each of the buildings. The total charge for depreciation on the University's portfolio of properties in these financial statements amounts to £590,000.

As a result a significant proportion of the estimated lives would need to be incorrect before any adjustment to estimated useful lives would give rise to a material adjustment to the depreciation charge in the Financial Statements.

Similarly, the University has to make a judgement on the ongoing valuation of its assets and whether any properties are impaired. In the current year, following professional advice from qualified residential valuers, the University has made a judgement to make an impairment charge on one of its properties off campus.

The University's properties are of significant value and it would take a significant overall reduction in property market values to affect the whole estate sufficiently to make a material difference.

(b) Pension liability

The University uses qualified actuaries to revalue the pension liabilities each year who utilise prescribed bases and the Actuaries' best estimate in relationship to specific subjective factors. These are all set out in note 29 Pensions.

31 Student Union

The Student Union activities are carried out through an independent Company Limited by Guarantee with registered charity status. As a result its financial statements are not included in the consolidated figures.

32 Related party transactions

(a) Exemption

The University has taken advantage of the exemption permitted by FRS102 Section 33 (Related Party Disclosures) available to group undertakings where 100% of the voting rights are controlled within the group and where consolidated financial statements are publicly available, not to disclose transactions with other group companies within these Financial Statements.

(b) Pension scheme and Life Cover Trust

The Royal Agricultural College Pension Scheme and Life Cover Trust are related parties by definition. The amount owed by the Royal Agricultural University to the pension scheme at the year end 31 July 2018 was £Nil (2017: Nil). The amount owed by the Royal Agricultural University to the Life Cover Trust at the year end was £Nil (2017: £Nil).

(c) Transactions with organisations related to governors

Due to the nature of the University's operations and the composition of Governing Council, being drawn from local and national public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement practices.

The University maintains a Register of Interests for all members of Council. The register is open to inspection under the Freedom of Information Act 2000 and the governors' register of interests is published on the University website.

(d) Transactions with organisations related to University Senior Management

All transactions involving organisations in which a member of the University Senior Management Group may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement practices.

The University maintains a Register of Interests of its Senior Management Group. The register is open to inspection under the Freedom of Information Act 2000 and has been inspected by the external auditors.

(e) Farming operations

The University has an Arable Contract Farming agreement for certain of its farming operations, organised by Moore Allen & Innocent LLP for a two year crop harvest contract with Kemble Farms, effective from 29 September 2016.

32 Related party transactions (continued)

(f) The Royal Agricultural College Beagles

The RAC Beagles are set up as an independent trust. Whilst no Governor or member of the University Senior Management is an officer or committee member of the RAC Beagles, the Beagles are “linked” to the University by virtue of their name, their provision of sporting and learning opportunities for the students and because they regularly appear at agricultural shows and game fairs to promote the University both nationally and in the local community.

In recognition of this the University made a donation to them of £5,000; (2017: £5,000). Normal business sales to the RAC Beagles amounted to £16,000 (2017: £7,000). There were no business purchases from the RAC Beagles in either of the two years.

(g) The Royal Agricultural University Student Union

During the year the University made a grant to the student union of £204,000 (2017: £210,000) and supplied goods and services to the student union to the value of £27,000 (2017: £28,000). There were no business purchases from the RAU Student Union in either of the two years.

(h) Related Charities

The University is linked to the following charities:

The African Fellowship Trust, registered charity number 1120786, was set up in 2007 to permit African students to advance their education in sustainable development and protection of the environment by studying for a masters programme at the University. The Fellows are fully funded by the charity. For 2018, the University received tuition and accommodation income of 27,000 (2017: £58,000). The charity’s financial statements for the year ended 30 September 2017 show income of £84,000 (2016: £148,000) and expenditure of £78,000 (2016: £139,000) with a positive fund of £62,000 (2016: £56,000). More recent financial statements are not available.

The Sir Emrys Jones Memorial Trust, registered charity 1105861, was set up in 2004 in memory of Sir Emrys Jones, Principal of the University from 1974 to 1979, to provide financial assistance by way of fees or maintenance grants to students from Wales (whether by origin or residence) who are in need of financial assistance to attend University. Without it being binding, the Trustees understand the benefactor’s wish that priority should be given to students reading agriculture or related subjects. For 2018 the University received tuition and accommodation income of 20,000 (2017: £30,000). The latest published charity financial statements are for the year ended 31 March 2017 show income of £18,000 (2016: £19,000) and expenditure of £30,000 (2016: £42,000) with a positive fund of £860,000 (2016: fund balance of £872,000). More recent financial statements are not available.