

Registered Company Number: 99168

Charity Registered Number: 311780

Royal Agricultural University

Annual Report and Financial Statements

for the year ended 31 July 2017

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Foreword by the Chairman of Governors

This has been a year of significant change for the Royal Agricultural University (the "RAU"). In September 2016 we welcomed Professor Joanna Price as the new Vice-Chancellor for the University and under her leadership a number of key strategic initiatives have been launched. Each of those initiatives have been driven by a commitment to improve the student experience, to enhance our leadership capability, to grow our student numbers and to be an influential voice on the important issues of the day. In each area I believe we have made tremendous progress.

The Higher Education sector continues to face well publicised challenges and uncertainties, including future levels of the Higher Education Funding Council for England (HEFCE) funding, the continued capping of the home undergraduate

fees, and pressure on pay and pension costs.

Against this background, we have to plan carefully but importantly be even more ambitious for what we can do and the impact we can have. Our capital programme is progressing well with the opening of the Harnhill Farm491 building in June this year, and work on the business incubation Growth Hub underway, and scheduled for completion in May 2018. We will continue to deliver our academic vision and make strategic investments in our estate and infrastructure over the next few years, whilst at the same time ensuring that we operate in financially responsible and sustainable manner.

The RAU is a close and unique community. Ensuring that we are the destination of choice for students, not only from traditional backgrounds, but from a wide range of other, less advantaged backgrounds will be key to our success and growth over the coming years. Our steadfast focus on the student experience and the provision of high-quality, industry-relevant education, which meets the needs of an increasingly technologically-savvy customer base, will ensure that we look forward with confidence, and make best of the many opportunities which present us in the years ahead.

As ever, my thanks go to the many dedicated staff at the RAU, without whose commitment and service the RAU would not be the place it is and the place that it will become. I am also grateful to the inspirational leadership of our Vice-Chancellor, Professor Jo Price.

It is a truism, that you can take the graduate out of the RAU, but you can never take the RAU out of the graduate! It is our staff who make that saying wholly applicable to the RAU.

Finally, I would also like to give my heartfelt thanks to my fellow Governors who give freely of their time and experience for the benefit of the University. They do this, because like me, they see a great future for the RAU as a world leading University, with a proud history from which to build.

A handwritten signature in blue ink, appearing to read 'Nick Stace'.

Nick Stace
Chair of Governors

Introduction by the Vice-Chancellor

The present pace of unprecedented change in world affairs brings both opportunities and challenges. Among the most immediate of these is the UK's decision to leave the European Union. This will have a profound effect on the economy, increase uncertainty and potentially change the face of UK Agriculture. Food security is a major global challenge with the politics surrounding it fundamentally altering the relationships between the rural and urban worlds. Technological innovation is having a major impact on farming, land management and the food supply chain but the increased productivity and efficiency it provides must be balanced with the need for sustainability. On a more domestic note, scale technology is also changing how students are educated, how we work and how we live.

The Higher Education sector in the UK is also going through a period of unprecedented change. The shift from a government-funded HE sector to one in which student fees are now the biggest share of university income has led to a competitive environment for students, fundamentally changing the student expectations and the role of universities.

The pressures on Universities to perform well are greater than ever and the Teaching Excellence Framework (TEF) has brought about fundamental change within the sector. To thrive, UK universities must demonstrate excellence, be innovative and pioneer new modes of thought and explanation, demonstrating not only the employability of graduates but also the influence on their future earnings. In addition Universities must adopt new ways of working with industry and local government, be relevant to their local communities and diversify their income streams. The award of a silver TEF for the RAU was encouraging and recognises the journey of continual improvement which the university has embarked upon, indeed must embark upon, if it is to survive.

For a small specialist institution like the Royal Agricultural University (RAU), continuing to thrive in a market based higher education sector poses substantial challenges. We are a small teaching-focused university with an established reputation in Land Management and Agriculture whose graduates are highly employable, but may not be the highest earners. For us, the challenge of maintaining and balancing academic excellence and financial sustainability is great as there are many areas in which it is difficult for us to achieve economies of scale. However, there are also significant opportunities.

There has never been a more important time for a University like the RAU. 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. The current challenges of global food security, climate change and Brexit provide an unprecedented opportunity for an organisation like the RAU to establish a niche of knowledge creation and exchange working closely with industry and government.

During 2016-17 we have embarked on a process of developing our strategic priorities covering the next five years. Our aim is for the RAU to be a secure, specialist HEI, focused on the land and food-supply sectors, partnering expertly with UK and overseas businesses, and with schools and colleges. We intend to be well regarded for a diverse portfolio of programmes and the employability and enterprise of our graduates that these deliver. Our knowledge hub will help industry navigate change and uncertainty and help to attract expert staff and students to the RAU.

Our strategic priorities are to:

- Provide a high quality learning experience for a diverse community of learners and organisations.
- Produce graduates who are innovators and equipped to engage with complex and changing environments.

- Provide thought leadership, applied research and evidence-based knowledge exchange to impact at the local, national and global community level.
- Be an efficient, effective and sustainable Higher Education establishment.

These strategic priorities will act as a framework to guide our investment plans and to focus on those areas where further efficiencies can be delivered.

Increasing student numbers and improving the student experience is central to our mission. From our base in Cirencester, we can provide an intimate, welcoming and supportive community experience for our students. We have established links with industry, an award winning student enterprise programme, and established national and international partnerships. In 2017 we opened our Farm 491 business incubation centre at Harnhill. In 2018 we plan to open the state-of-the-art John Alliston building which will house a Growth Hub for Rural Enterprise and small-medium sized Agritech businesses. This will greatly enhance our links with rural businesses and enhance the learning opportunities for our students, making them even more employable. We are also developing a new Estates Master Plan and have plans to develop our Cirencester campus, providing for additional student accommodation and improved learning facilities.

Whilst facilities and infrastructure are important there is no substitute for a first class learning experience. Improving the quality of our teaching provision therefore remains a high priority, and in 2017 we commenced a major Curriculum review which aims to ensure that not only do we have the right quality of academics in place to deliver an excellent student learning experience, but that we also tailor our courses so that they are relevant to the land-based sector in the 21st century. We have made excellent progress over recent months with the introduction of semesters from October 2017 and have succeeded in attracting some additional high quality academic staff that will not only enhance teaching quality but improve our research and innovation capabilities.

It is important that we attract students not only from our traditional base but more UK students from a wide-range of non-traditional backgrounds, while also increasing our global reach and international student recruitment. Widening participation (as this is called) is clearly key to the Government's policy for Higher Education and is something which the RAU has historically struggled with as is shown by the various metrics by which our performance is judged. Alongside student growth, increasing diversity is a key priority for the RAU going forward. To achieve this we are working closely with Widening Participation experts from across the HE sector to develop a range of initiatives to complement existing activities such as our very successful Schools Farms Network Educational Alliance. The recent metrics for 16-17 have evidenced an improvement in both our percentage of State school students and the percentage of students derived from local neighbourhoods.

Whilst there are many uncertainties and challenges as we scan the current higher education sector, the RAU has a unique and long lasting brand and an enviable reputation in educating many of the past and current leaders in the agriculture and land management sectors. It is our responsibility now to build on the University's past achievements and make the further and, in some respects, even greater changes necessary to keep the RAU at the forefront of education in the disciplines underpinning agriculture and land usage, as well as ensuring it remains a thoroughly enjoyable and rewarding place to teach and to learn.



Professor Joanna Price
Vice-Chancellor
Operating and Financial Review

Strategic overview

As a small specialist university the Royal Agricultural University ("University") operates in a challenging and competitive environment. Many of the economies of scale available to a larger HE establishment cannot be leveraged by the University, but the reporting requirements are just as demanding as any other HE institution. The financial statements for the year ended 31 July 2017 and prior year comparatives reflect this reality, with small operating surpluses reported, which include (under FRS102 requirements), grant income for capital projects.

In an increasingly competitive Higher Education market, with the removal of student number controls and the loss of the HEFCE Institutional Special Funding grant (offset by transitional funding in 2016-17 and 2017-18), the University needs to ensure its systems and processes are as lean and efficient as possible to support the delivery of an excellent and enriching student experience.

The University also needs to expand its capacity to accommodate students. The University has the advantage of a significant physical estate and initial analysis has demonstrated the capacity to accommodate an increase in the student body to around 1,500 from the current 1,200 student population, with only a modest investment in facilities.

The University is committed to the delivery of excellence in academic activities and the construction of the Farm491 and Growth Hub developments will significantly enhance the University's contribution to business incubation and engagement in the agri-tech sector, as well as the wider economic community.

The University is also exploring alternative sources of funding and an application is in process to HEFCE for Catalyst funding for developing a sustainable future for land management and food production post Brexit.

These developments are integral to the University's overall strategy to make the RAU the institution of choice for students wishing to study in the areas we serve.

Results for the year

The University's Consolidated Statement of Comprehensive Income is summarised on the next page for the two years ending 31 July for 2017 and variances between them.

The University reports an operating surplus of £925,000 for the year (2016: £755,000) after FRS102 pension interest and after incurring exceptional charges of £577,000 (2016: £ nil). The exceptional charges were for the impairment in value of two properties, the main one being Bailey Lodge, which has now been demolished to clear space for the new Farm491 and Growth Hub incubation centre which is scheduled to be completed in 2017-18.

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 2017 these profits were £240,000 (2016: £315,000).

	2017	2016	Variance to 2016	% Variance to 2016
	£'000	£'000	£'000	%
Income				
Fee income	11,690	10,702	988	9.2 %
Grant funding	1,936	2,297	(361)	(15.7)%
Other income	6,066	5,238	828	15.8 %
Profit on asset sales & valuation gains	526	14	512	100%
Income sub total	20,218	18,251	1,967	10.7%
Expenditure				
Staff costs	8,516	8,107	(409)	(5.0)%
Other operating expenses	8,882	8,076	(806)	(10.0)%
Interest	525	539	14	2.6 %
Depreciation and amortisation	793	774	(19)	(2.5)%
Exceptional net cost of property impairment	577	-	(577)	100%
Expenditure sub total	19,293	17,496	(1,797)	(10.3)%
Surplus for year	925	755	170	22.5 %

The University had a record number of student enrolments for the year to 31 July 2017 of 554 FTE (2016: 494), giving a total student population of 1,182 (2016 1,103). This increase in fee income was offset by a reduction in direct grant funding, principally the removal of Institutional Specific funding which declined by £726k year-on-year to £725k, being transitional relief for 2016-17 only. Total income, excluding capital receipts of £1.4m increased 3.2% to £18.8m.

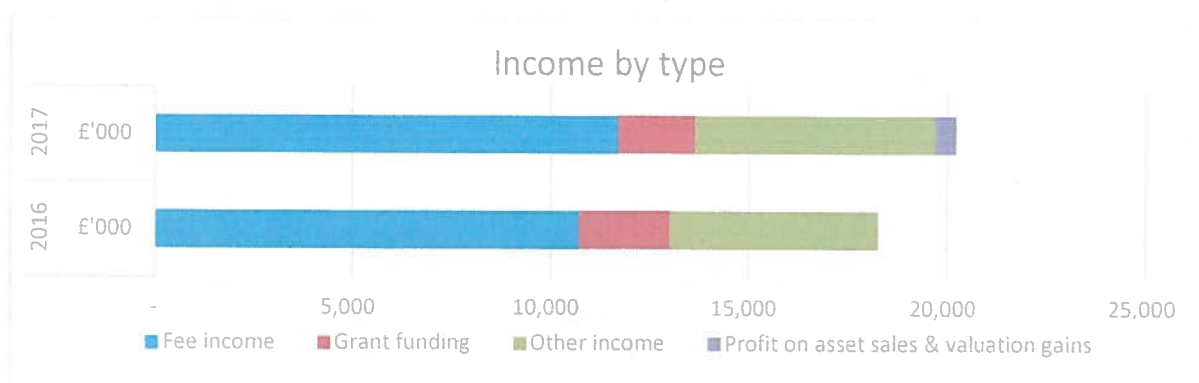
The University maintained its domestic tuition fees at £9,000 for all undergraduate courses, with scholarships, bursaries and awards available to eligible students including those from lower income households. **Tuition fee income** now accounts for £11.7m or 59% (2016: £10.7m or 59%) of total income. Tuition fee income is driven by student numbers and is based on a student FTE of 1,182 (2016: 1,103). Fees for Postgraduate provision vary by school and subject.

Funding body grants represent another significant, albeit declining component of the University's overall income (2017: 9.8%; 2016 12.5%). In the year ended 31 July 2017 the University received HEFCE grants relating to:

- Mainstream teaching for students in high-cost subject areas (i.e. Agriculture).
- Student opportunity funding towards our widening participation activities with students from disadvantaged backgrounds, with disabled students and for improving retention.
- Mainstream and business research funding.
- Funding for Institution Specific high-cost distinctive provision in recognition of the University's 'small and specialist' status and the additional costs of providing specialist education.

Other Income consists mainly of income from commercial activities including conferencing and farming, plus capital grants received for the development of the Harnhill Farm491 project of £0.9m. Total Other Income increased in 2017 to £6.1m, including investment income and donations but excluding profit on asset sales (2016: £5.2m) and is a significant contributor to the University's income, providing 30% of the total (2016: 28%).

A summary comparison of income types for 2017 and 2016 is shown below.



Expenditure

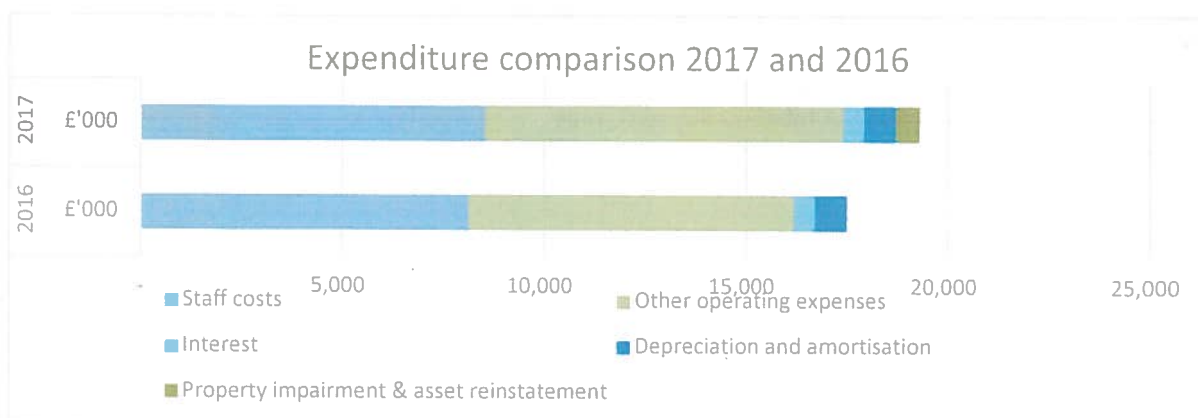
Operational expenditure has increased this year to £18.7m (2016: £17.5m), before the exceptional costs of £577,000. **Staff costs** are the most significant element of our overall expenditure and these increased in year by £0.4m (5.0%) and included termination payments of £82k for two staff members. The University participates in national pay awards negotiated by the Universities and Colleges Employers Association (UCEA) and these resulted in a cost of living pay award of 1.1% from 1 August 2016.

Average FTE staff numbers remained consistent with prior year, at 200 staff (2016: 202), of which 91 staff were academic or academic support (2016: 92). The University's academic staff to student ratio is currently reported at 1 to 22, although this is planned to improve in 2018 as the strategic plans to bolster the academic resources at the University are delivered.

The University's **other operating expenses** increased by £0.8m in the year, primarily due to costs incurred on the strategic review of the university and spend on the restructure of the executive team following the appointment of the new Vice-Chancellor in September 2016.

Exceptional costs of £577,000 relate to the impairment of two University buildings, principally Bailey Lodge, which has now been demolished, partly offset by some asset impairment reversals.

Interest and other finance costs reflect loan interest on the University's secured loans of £4.1m (2016: £4.5m) and the net interest charge on the University's defined benefit pension scheme, closed to new members since 2010.



Overall the income and expenditure of the University results in an **operating surplus before tax of £925,000** (2016: £755,000). In percentage terms the university's surplus is relatively healthy at 4.6% of income, although it is low in absolute terms, reflecting the scale of our operations and our nature as a small and specialist provider.

Balance Sheet

The University's **fixed assets** show a relatively small increase of £90k in year to £38.7million, but this masks a significant investment in property, most notably the Harnhill Farm491 building and preliminary works on the new on-campus Farm491/Growth hub building. In addition, two assets were reinstated (£142k), two properties were sold at a profit (£299k) and one property, Trent Lodge, previously in Investments, came into University use and was transferred into fixed assets.

In terms of **investments**, RAU has a small portfolio of stocks and shares valued at £1.27million managed by Cazenove. In addition, there is a parcel of land, on campus, which has outline planning permission for a mixed development. This was revalued upwards at year-end by £50k to £950k.

The University's **creditors** include 3 separate bank loans, originally taken out to finance capital and other building developments, with a total outstanding value at the Balance Sheet date of £4.1million (2016: £4.6million). No new loans were taken out during the year and one of the loans was fully repaid in July 2017. Overall our borrowings and associated capital spend is relatively low compared with the sector average.

Pension provisions at year-end decreased by £0.8m to £14.5m (2016:£15.3m), reflecting an increase in the discount rate used to value liabilities for the closed Royal Agricultural College Pension Scheme (RACPS) defined benefit scheme, as calculated on an FRS102 prescribed basis.

The University continues to service the recovery plan at the rate agreed with the Trustees with annual contributions payable of £689,000 per annum.

The University's teaching staff are eligible to join the Teachers' Pension Scheme (TPS), a multi-employer pension scheme which is treated as fully funded and, as it is entirely government backed, no liability has to be reflected in the University accounts.

Summary

The University's net asset base continues to be strong, with continued investment in fixed assets, loans decreasing and an improvement in the pension liability. In overall terms, the University remains in a stable financial position, as shown by the Key Financial Indicators (KFIs) used by HEFCE, HESA (the Higher Education Statistics Agency) and others to assess the financial strength of the university and level of financial risk.

The KFIs are summarised in the table on the next page.

KFI	Measure	2017	2016	Movement
Surplus as % of income	Generation of surplus for investment	4.70%	4.40%	Positive 0.30%
Staff costs as % of income	Appropriateness and significance of the staff cost structure for the institution	43.25%	44.30%	Positive -1.05%
Net liquidity days	Coverage of, and ability to respond quickly to, short-term financial pressures	76 days	54 days	Positive 22 days
Current ratio	Assurance over ability to meet short term obligations	1.28	1.34	Negative 0.06
External borrowing as % of income	Reliance on borrowings for development, balancing need for growth with costs of borrowing	20.79%	24.80%	Positive -4.01%
Surplus as % of income	Generation of surplus for investment	4.70%	4.40%	Positive 0.30%
Discretionary reserves as % of income	Provision of a buffer against large unexpected financial pressures	124.3%	127.8%	Negative -2.5%
Cash flow from operating activities as % of income	Financial sustainability of the institution's core business	3.97%	3.90%	Positive 0.07%

Financial Risk Management

The University takes the following steps to manage its financial exposure to risk:

Price risk

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 and 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. 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. Revenue from other sources is made up of largely small individual transactions with the Commercial Services department, the pricing of which is largely governed by market forces in the local environment.

Credit risk

This is generally low. Income is made up of a fairly large number of transactions which individually are comparatively small. The risk of significant financial risk is therefore kept to a minimum. 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. Finance staff are also proactive with regard to credit control and follow up on outstanding debts quickly to avoid significant debt problems arising.

Cash flow and liquidity risk

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.



On behalf of the Governing Council
Nick Stace
Chairman of Governors
24 November 2017

Report of the Governors and Corporate Governance Statement

The Governors have the pleasure in presenting their report and financial statements for the year ended 31 July 2017, and confirm that they comply with the requirements of the Charities Act 2011, the memorandum and Articles of Association of the University and the Charities SORP FRS102.

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 (if in post) and Director of Finance 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 and 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 (from 1 October 2016 to 30 April 2017, Acting Chief Operating Officer) 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 normally 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 Chairman 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 Chairman. It ensures that a wide trawl for names is achieved and, in making recommendations, the Committee pays due regard to the balance of membership of the University Governors and the needs of the University. The Committee is empowered to appoint Governors to sub-committees, to co-opt persons (others than Governors) for specific purposes and acts as an initial forum for Academic Board and Governing Council when providing a recommendation on the appointment of a President or Vice-President and, when required, a new Vice-Chancellor.

The **Remunerations 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.

Principal Officers and professional advisors

<p>Principal address and Registered Office The Royal Agricultural University Stroud Road Cirencester Gloucestershire, GL7 6JS</p>	<p>Principal Officers</p> <p>Vice-Chancellor (from 1 Sep 2016): Professor Joanna Price (to 31 Aug 2016): Professor Chris J Gaskell</p> <p>Director of Finance (From 18 Sep 2017): Susan O'Neill (19 Apr to 18 Sept 2017): Mark O'Connor (to 29 Nov 2016): Richard Harris (then COO to 30 Apr 2017)</p>
<p>Registered auditors PricewaterhouseCoopers LLP 2 Glass Wharf Bristol, BS2 0FR</p>	<p>Company Secretary: (From 18 Sep 2017): Susan O'Neill (19 May to 18 Sept 2017): Helen Wildman (to 18 May 2017): Theresa M Chapman</p>
<p>Investment Managers Schroder & Co Ltd t/a Cazenove Capital Management 12 Moorgate London, EC2R 6DA</p>	<p>Bankers Lloyds Bank plc 14 Castle Street Cirencester Gloucestershire, GL7 1QJ</p>

<p>Solicitors Pennington Manches LLP 9400 Garsington Road Oxford Business Park Oxford, OX4 2HN</p>	<p>Solicitors Eversheds LLP 1 Wood Street London, EC2V 7WS</p>
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The Vice-Chancellor

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 Higher Education Funding Council for England (HEFCE), the Vice-Chancellor 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 HEFCE in writing of the action or policy. The Vice-Chancellor may be summoned to appear before the Public Accounts Committee of the House of Commons.

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.

Independent Governors, Charity Trustees & Directors of the Limited Company	
Mr Mohamed Amersi	Mr Chris Musgrave
Mrs Alison Bernays	Prof Michael Osbaldeston, Vice- Chairman
Prof Patricia Broadfoot, Chair of Remunerations Committee	Mr Colin Pett, Chairman of Finance & Strategy Committee
Mr Anthony Colburn (to Dec 16)	Mrs Jean Roberts
Mr Ian Cooper (from Jan 17) Chairman of Audit & Risk Committee	Mr David Slack (to Dec 16)
Prof Jonathan Kydd	Mr Nick Stace, Chairman of Governors (from Dec 16)
Mr Alex Lawson (from Jan 17)	Mr James Townshend
Mr Jeremy Lewis, Chairman of Governors (to Dec16)	Mr Mike Tucker (to Dec 16)
Mr Philip Moody (to Dec 16)	

President	Vice- Presidents
His Royal Highness The Prince of Wales	The Earl Bathurst Mr Simon Pott
Staff Representatives	
Ms Scarlett Crew	Mr William Manley
Mr Edward Dillon (SU Chairman) (to Sep 17)	Mr Hugo Pearson-Wood (to Aug16)
Mr Henry Butson (SU Secretary from Sep 17)	Mr Sam Holliday (to May 17)
Mr Jack Walton (SU Chairman from Sep 17)	
Officers	
Prof Chris J Gaskell (Vice-Chancellor to Aug 16)	Prof Joanna Price (Vice-Chancellor from Sep 16)
Prof W Paul Davies (Deputy Vice-Chancellor) (to Aug 16)	Mrs Theresa M Chapman (Company Secretary to May 2017)
Mrs Helen Wildman (Interim Company Secretary from May to Sep 17)	Mrs Susan O'Neill (Director of Finance and Company Secretary from Sep 2017)

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 2017 and/or at 31 July 2016 were:

	2017	2016
Prof Patricia Broadfoot	1	1
Mr Anthony Colburn	1	1
Prof Colin Dennis	1	1
Mr Jeremy Lewis	1	1
Mr Richard Macdonald	1	1
Mr Philip Moody	1	1
Prof Chris Mullard	1	1
Mr Chris Musgrave	1	1
Prof Michael Osbaldeston	1	1
Mr Colin Pett	1	1
Mr Julian Sayers	1	1
Mr David Slack	1	1
Mr Michael Tucker	1	1
Total (out of 120)	13	13

In addition, as at 31 July 2017, Prof Jo Price (Vice-Chancellor) held three shares (2016: nil) and Prof Chris Gaskell held three shares (2016: six). The remaining shares are held by former governors, friends of the University and members of the original founding families. No dividends or tangible benefits accrue to the holders of the shares.

Financial Risk Management

The University's financial risk management processes are set out on page 10.

Statement of the Governing Council's responsibilities

The Governing Council is responsible for preparing the Report of the Governors and 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 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 Corporate Plan 2015-2020.

Statement on disclosure of information to the auditors

So far as each Governor is aware, there is no relevant audit 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.

Statement on 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 Non-Executive Director 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 alerts all prospective and continuing students to the opportunities for financial support provided through HEFCE Access Funds and its own bursary and scholarship schemes for outstanding achievers, sports, and students from low participation areas as well as a range of awards from outside trusts. Financial support is given in a number of different ways: through bursaries and fee waivers; via discounted tuition fees for RAU graduates who return to carry out postgraduate study; through scholarships to encourage local recruitment and enable students to reduce the cost of higher education by living at home and studying; and through overseas scholarships to better promote the diverse international community at the University. In addition, the University has continued developing its progression partnerships and outreach activities (such as raising aspirations and achievement, ensuring support during study, and providing targeted promotional materials) with schools and Further Education Colleges in target areas.

- **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 organised by HESA (the Higher Education Statistics Agency), on average over the past five years, 96% of RAU undergraduates are in employment or further study within six months of leaving the University. The University's employability statistics are amongst the very 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, which 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**

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 sponsoring companies.

The University expects that any private benefit will be legitimately incidental to the achievement of its primary charitable objectives for public benefit. Accordingly the Governors have established an Ethics Committee to advise the University should the commercial application of its research and consultancy give rise to harm. 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 post graduate research students. As discussed previously, increasing the number of academic staff is a key priority. In addition to recruiting academics who can support and develop teaching, it will also be important to appoint some staff who develop research 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 is seeing progress in these areas and working towards full accreditation of its Environmental Management System through ISO14001.

- **Fundraising**

In order to further expand the facilities of the University and increase the bursaries and financial support available to student beneficiaries, the RAU operates an annual regular giving programme, 'The Cirencester Fund'. Aimed at raising support from alumni, who kindly contribute either with a single gift or by setting up a direct debit, this programme generates cash which will go towards projects directly benefitting current students and further enhancing the student experience at the RAU. 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.

- **Inclusivity, Equality and Diversity**

The Royal Agricultural University 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, work 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 not only enables individual development but 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.

Risk Management: Statement of internal control

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 with the HEFCE.

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 the HEFCE 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 HEFCE in their circular 19/2016 "HEFCE's Accounts direction to higher education institutions for 2016 - 17 financial statements" and the accompanying annexes.

The Audit and Risk Committee is tasked to provide 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 SSR which is allocated to the most appropriate member of the Senior Management Group for monitoring and action. For each strategic risk, a more detailed risk register log is maintained identifying risk causes, RAG rating and ownership details. The SRR is reviewed on a monthly basis at the Change Management Board, 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 KPMG, an external firm of Chartered Accountants. 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 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 who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and 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 carried out a review of its internal audit requirements and obtained proposals from three companies, including KPMG LLP, with the preferred organisation presenting to the University's Audit & Risk Committee. As a result the University has chosen Uniac, a Higher Education internal audit specialist, to carry out its required internal audit work for the current year. Meetings are being held during November and December 2017 to develop the financial year ending 31 July 2018 internal audit plan for the approval of the Audit & Risk Committee in January 2018.

The University's Articles of Association give Governors Directors' 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.

Independent Auditor

PricewaterhouseCoopers LLP is the appointed Auditor to the University.

On behalf of the Council



Nick Stace
Chairman of Governors
24 November 2017

Independent auditors' report to the Governing Council of 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 2017 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 2016/17 HEFCE Accounts Direction; 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 2017; 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.

Directors' Report and Strategic Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Director's Report and the Strategic Report, for the year ended 31 July 2017 is consistent with the financial statements and has have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent institution and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report and the Strategic Report.

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 15, 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 the 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 HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the 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 HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability, 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
- 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.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Internal control

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group. 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 2017

Consolidated and University Statement's of Comprehensive Income

Year ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	2	11,690	11,657	10,702	10,678
Funding body grants	3	1,936	1,936	2,297	2,297
Research grants and contracts	4	150	150	375	375
Other income	5	5,779	5,206	4,790	4,187
Investment income	6	39	39	43	42
Total income before donations and endowments		19,594	18,988	18,207	17,579
Donations and endowments	7	98	119	44	44
Total income		19,692	19,107	18,251	17,623
Expenditure					
Staff costs	8	8,516	8,252	8,107	7,814
Other operating expenses		8,882	8,561	8,076	7,741
Interest and other finance costs	9	525	525	539	539
Depreciation and amortisation	10	793	793	788	788
Exceptional net cost of property impairment	10	577	577	-	-
Total expenditure	10	19,293	18,708	17,510	16,882
Surplus before other gains and losses		399	399	741	741
Profit on sale of fixed assets and investment property		311	311	-	-
Gain on investments	14	215	215	14	14
Operating surplus for the year before taxation		925	925	755	755
Taxation		-	-	-	-
Operating surplus for the year		925	925	755	755
Actuarial gain/(loss) in respect of pension schemes	28	298	298	(5,373)	(5,373)
Total comprehensive income/(expenditure) for the year		1,223	1,223	(4,618)	(4,618)
Represented by:					
Endowment comprehensive expenditure for the year		(4)	(4)	(2)	(2)
Restricted comprehensive income/(expenditure) for the year		9	9	(33)	(33)
Unrestricted comprehensive income/(expenditure) for the year		1,218	1,218	(4,583)	(4,583)
Attributable to the University		1,223	1,223	(4,618)	(4,618)

All items of income and expenditure relate to continuing activities

Consolidated and University Statements of Changes in Reserves

Year ended 31 July 2017

Consolidated	Income reserve			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 Aug 2015	164	52	8,304	19,345	27,865
Operating surplus from the comprehensive income statement	1	44	710	-	755
Other comprehensive expenditure	-	-	(5,373)	-	(5,373)
Release of restricted funds spent in year	(3)	(77)	80	-	-
Total comprehensive expenditure for the year	(2)	(33)	(4,583)	-	(4,618)
Balance at 1 Aug 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	-	-	606	(606)	-
Transfer on impairment of fixed assets	-	-	719	(719)	-
Release of restricted funds spent in year	(4)	(49)	53	-	-
Total comprehensive (expenditure)/income for the year	(4)	9	3,881	(2,663)	1,223
Balance at 31 July 2017	158	28	7,602	16,682	24,470
University	Income reserve			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 Aug 2015	164	52	8,304	19,345	27,865
Operating surplus from the comprehensive income statement	1	44	710	-	755
Other comprehensive expenditure	-	-	(5,373)	-	(5,373)
Release of restricted funds spent in year	(3)	(77)	80	-	-
Total comprehensive expenditure for the year	(2)	(33)	(4,583)	-	(4,618)
Balance at 1 Aug 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	-	-	606	(606)	-
Transfer on impairment of fixed assets	-	-	719	(719)	-
Release of restricted funds spent in year	(4)	(49)	53	-	-
Total comprehensive (expenditure)/income for the year	(4)	9	3,881	(2,663)	1,223
Balance at 31 July 2017	158	28	7,602	16,682	24,470

Consolidated and University Balance Sheets

At 31 July 2017

Company Number 99168

	Notes	At 31 July 2017		At 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Intangible assets	11	60	60	85	85
Fixed assets	12	38,738	38,738	38,648	38,648
Heritage assets	13	525	525	525	525
Investments	14	2,216	2,266	3,116	3,166
		41,539	41,589	42,374	42,424
Current assets					
Stock	15	491	456	384	350
Trade and other receivables	16	1,784	2,040	1,100	1,300
Cash and cash equivalents		3,810	3,485	2,545	2,202
		6,085	5,981	4,029	3,852
Creditors: amounts falling due within one year	17	(4,756)	(4,702)	(3,006)	(2,879)
Net current assets		1,329	1,279	1,023	973
Total assets less current liabilities		42,868	42,868	43,397	43,397
Creditors: amounts falling due after more than one year	18	(3,799)	(3,799)	(4,815)	(4,815)
Provisions					
Pension provisions	19	(14,532)	(14,532)	(15,273)	(15,273)
Other provisions	19	(66)	(66)	(61)	(61)
Total net assets		24,471	24,471	23,248	23,248
Restricted Reserves					
Income account reserve - endowment	20	158	158	162	162
Income account reserve - restricted	21	28	28	19	19
Unrestricted Reserves					
Income account reserve - unrestricted		7,602	7,602	3,721	3,721
Revaluation reserve		16,682	16,682	19,345	19,345
		24,470	24,470	23,247	23,247
Share Capital		1	1	1	1
Total Reserves		24,471	24,471	23,248	23,248

The financial statements on pages 25 to 55 were approved and authorised for issue by the Governing Body on 24 November 2017 and were signed on its behalf on that date by:



Governor



Governor

Consolidated Cash Flow Statement

Year ended 31 July 2017

	2017	2016
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	925	755
Adjustment for non-cash items		
Amortisation of intangible assets	25	14
Depreciation	768	774
Net impairment of fixed assets	577	-
Gain on investments	(215)	(14)
(Increase)/decrease in stock	(107)	7
Increase in debtors	(684)	(143)
Increase/(decrease) in creditors	811	(453)
Increase in other provisions	5	4
Post-employment benefits less payments	(443)	(357)
Adjustment for investing or financing activities		
Investment income	(39)	(43)
Interest payable	166	181
Profit on the sale of fixed assets and investment property	(311)	-
Capital grant income	(1,042)	(4)
Net cash inflow from operating activities	<u>436</u>	<u>721</u>
Cash flows from investing activities		
Proceeds from sales of fixed assets	919	-
Capital grant receipts	1,408	265
Proceeds from sale of investment properties	411	-
Investment income	39	43
Payments made to acquire intangible assets	-	(43)
Payments made to acquire fixed assets	(1,481)	(492)
Asset reinstatement	142	-
	<u>1,438</u>	<u>(227)</u>
Cash flows from financing activities		
Interest paid	(166)	(181)
Repayment of loans	(433)	(415)
	<u>(599)</u>	<u>(596)</u>
Increase/(decrease) in cash and cash equivalents in the year	<u>1,275</u>	<u>(102)</u>
Cash and cash equivalents at beginning of the year	2,474	2,576
Cash and cash equivalents at end of the year (note 22)	3,749	2,474

Notes to the Financial Statements for the year ended 31 July 2017

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, and in accordance with the Companies Act 2006 and the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education 2015, and in accordance with Financial Reporting Standards (FRS102).

As in previous years the University has taken advantage of adapting 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 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.

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 endowments. 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.

Notes to the Financial Statements for the year ended 31 July 2017

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

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 potentially 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.

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 from a business is capitalised at its cost and amortised over its useful economic life. The University has an intangible fixed asset relating to the University's website which has been capitalised as an intangible asset and is being amortised over its estimated economic life of four years.

Notes to the Financial Statements for the year ended 31 July 2017

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

Tangible fixed assets for University use

Tangible fixed asset additions whose cost of acquisition exceeds £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. 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%
Plant and machinery	20%
Computers and software	20% or 25%
Farm plant and machinery	10% or 20%

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, 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 more formal valuation arranged every three years. Any gains or losses on valuation are taken to the Statement of Comprehensive Income.

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.

Notes to the Financial Statements for the year ended 31 July 2017

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

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 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 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 is no reason to believe that there has been any 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.

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. For other stock, this 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.

Notes to the Financial Statements for the year ended 31 July 2017

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

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 subsidiary undertakings are eliminated on consolidation.

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

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 2017

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 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. This is an independently administered scheme, which is supplemented by discretionary payments made by the University, which offsets the related liability account.

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 28.

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 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
2 Tuition fees and education contracts				
Full-time home and EU students	9,320	9,320	8,400	8,400
Full-time international students	676	676	735	735
Part-time students	1,694	1,661	1,567	1,543
	11,690	11,657	10,702	10,678
Due to an improved method, the 2016 analysis between Home & EU and international students have been updated, but the overall total is unchanged.				
3 Funding body grants				
Recurrent grant	£'000	£'000	£'000	£'000
Higher Education Funding Council for England	1,794	1,794	2,293	2,293
Capital grant	142	142	4	4
	1,936	1,936	2,297	2,297
4 Research grants and contracts				
Research charities	34	34	48	48
Industry and commerce	110	110	82	82
Other	6	6	245	245
	150	150	375	375
5 Other income				
Residences, catering and conferences	3,683	2,860	3,406	2,606
Other capital grants	900	900	-	-
Farms income	655	655	663	663
Property rentals and ground hire income	174	174	195	195
Other income	367	617	526	723
	5,779	5,206	4,790	4,187
6 Investment income				
Investment income on endowments	-	-	1	1
Other investment income	39	39	42	41
	39	39	43	42
7 Donations and endowments				
Donations unrestricted	58	58	-	-
Donations with restrictions	40	61	44	44
	98	119	44	44

Notes to the Financial Statements

For the year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Staff costs				
Staff Costs :				
Salaries	7,192	6,960	6,856	6,595
Social security costs	694	671	629	609
Other pension costs	630	621	622	610
	8,516	8,252	8,107	7,814

	Year ended 31 July 2017			Year ended 31 July 2016
	Professor Price £	Professor Gaskell £	Total for year £	£
Emoluments of the Vice-Chancellors:				
Salary	140,426	14,167	154,593	167,917
Benefits - rent allowance	16,500	-	16,500	10,319
Employer's pension cost	16,873	-	16,873	-
	173,799	14,167	187,966	178,236

There was one other higher paid employee who received emoluments of more than £100,000 (2016: None) and their remuneration for the year was in the band £100,000 and £110,000.

	2017 No.	2016 No.
Average full time equivalent (FTE) staff numbers by major category :		
Academic	58	59
Academic support	9	10
Continuing education	5	4
Academic services	24	23
Central administration	34	33
Staff and student facilities	5	8
Premises	25	25
Residences and catering	40	40
	200	202

Employment termination benefits of £82,000, included in the above staff costs, are for two employees. Both amounts were accrued and were outstanding at year end.

Notes to the Financial Statements for the year ended 31 July 2017

8 Staff costs (continued)

Key management personnel

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Key management personnel compensation	<u>454</u>	<u>428</u>

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 2016 only), Director of Finance, Acting Chief Operating Officer (part 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 organisation on 18 September 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 (2016 - none).

The total expenses paid to or on behalf of 14 council members was £6,883 (2016 - £6,405 to 13 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

9 Interest and other finance costs

		Year ended 31 July 2017		Year ended 31 July 2016	
	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loan interest		166	166	181	181
Net charge on pension scheme	28	359	359	358	358
		<u>525</u>	<u>525</u>	<u>539</u>	<u>539</u>

Notes to the Financial Statements

For the year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
10 Analysis of total expenditure by activity				
Academic departments	5,475	5,489	5,321	4,933
Academic services	1,905	1,906	1,968	2,001
Research grants	298	298	310	307
Consultancy	42	-	142	-
Commercial services	1,970	1,532	1,864	1,675
Premises	3,330	3,382	3,094	3,157
Central administration	3,097	3,117	2,194	2,135
General education expenditure	1,587	1,587	1,203	1,167
Staff and student facilities	885	686	687	520
Others including general endowment expenditure	704	711	727	1,001
	19,293	18,708	17,510	16,895
	£'000		£'000	
Total expenditure includes:				
Amortisation of intangible fixed assets	25		14	
Depreciation of tangible fixed assets	768		774	
Total amortisation and depreciation	793		788	
Exceptional cost of property impairment	719		-	
Asset impairment reversals	(142)		-	
Exceptional net cost of property impairment	577		-	
External auditor's remuneration - audit services	27		29	
External auditor's remuneration - non-audit services	-		-	
Operating lease rentals:				
Land and buildings	103		68	
Other	70		50	
11 Intangible assets				
		Consolidated and University £'000		
Software				
Cost				
At 1 August 2016 and at 31 July 2017		99		
Amortisation				
At 1 August 2016		14		
Charge for the year		25		
At 31 July 2017		39		
Net Book Value				
At 31 July 2017		60		
At 31 July 2016		85		

Notes to the Financial Statements

For the year ended 31 July 2017

12 Fixed Assets

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated and University				
Cost or valuation				
At 1 August 2016	39,266	2,968	-	42,234
Additions	162	253	1,066	1,481
Transfer from Investment Property	715	-	-	715
Transfers	655	-	(655)	-
Disposals	(637)	(499)	-	(1,136)
At 31 July 2017	40,161	2,722	411	43,294
Consisting of:				
Valuation as at 1 August 2014	38,643	-	-	38,643
Cost	1,518	2,722	411	4,651
	40,161	2,722	411	43,294
Depreciation				
At 1 August 2016	1,166	2,420	-	3,586
Charge for the year	509	259	-	768
Impairments	719	-	-	719
Disposals	(18)	(499)	-	(517)
At 31 July 2017	2,376	2,180	-	4,556
Net book value				
At 31 July 2017	37,785	542	411	38,738
At 31 July 2016	38,100	548	-	38,648

During the year one of the Universities' investment properties has been transferred to fixed assets, as it is now in University use and two off campus properties have been sold. Total profit from the sale of fixed assets was £299,000 (2016: £nil).

With the Farm491 Growth hub building project commencing on the Campus site, this required the University to impair the Bailey Lodge building, which has now been demolished, as well as recognising the impairment of another property which, together, increased the University's expenditure in the year by £719,000. This is partly offset by the reinstatement of two assets with a net book value of £142,000 and the net cost is shown as an exceptional charge in the year on the face of the Consolidated Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 31 July 2017

	At 31 July 2017		At 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
13 Heritage assets				
Heritage assets at valuation	525	525	525	525

There have been no acquisitions of Heritage Assets during the last 5 years. Details of Heritage Assets, how they were acquired and the accounting treatment is shown in the Statement of Principal Accounting Policies and Estimation Techniques.

14 Non-current investments

	Subsidiary companies	Investment property	Investment in stocks and shares	Total
	£'000	£'000	£'000	£'000
Consolidated				
At 1 August 2016	-	2,015	1,101	3,116
Gain on investment	-	50	165	215
Disposal	-	(400)	-	(400)
Transfer to University fixed assets	-	(715)	-	(715)
At 31 July 2017	-	950	1,266	2,216
University				
At 1 August 2016	50	2,015	1,101	3,166
Gain on investment	-	50	165	215
Disposal	-	(400)	-	(400)
Transfer to University fixed assets (see note 12)	-	(715)	-	(715)
At 31 July 2017	50	950	1,266	2,266

The non-current investments have been valued at market value. The shares valuation was based on the closing price on the London Stock Exchange on 31 July 2017. The remaining investment property was valued at market value by a qualified RICS Registered Valuer as at 31 July 2017.

The profit on the disposal of the investment property was £12,000 (2016: £nil).

Notes to the Financial Statements

For the year ended 31 July 2017

15 Stock

	At 31 July 2017		At 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Farm stocks	404	404	299	299
Finished goods	38	38	30	30
General consumables	49	14	55	21
	491	456	384	350

Farm stocks include biological assets of breeding sheep valued at £41,000 (2016: £39,000), other sheep £27,000 (2016: £24,000), arable crops of £266,000 (2016: £202,000), vineyard crop £29,000 (2016: Nil) and other farm stocks £41,000 (2016: £34,000).

16 Trade and other receivables

	At 31 July 2017		At 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,125	1,029	607	436
Prepayments and accrued income	653	640	482	469
Amounts due from subsidiary companies	-	365	-	384
Derivatives	6	6	11	11
	1,784	2,040	1,100	1,300

17 Creditors : amounts falling due within one year

	At 31 July 2017		At 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Bank overdraft	61	61	71	71
Secured loans	294	294	422	422
Trade payables	1,202	1,188	827	817
Social security and other taxation payable	192	192	241	241
Accruals and deferred income	3,007	2,967	1,445	1,328
	4,756	4,702	3,006	2,879

Notes to the Financial Statements

For the year ended 31 July 2017

18 Creditors : amounts falling due after more than one year

	At 31 July 2017		At 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	-	-	711	711
Secured loans	3,799	3,799	4,104	4,104
	3,799	3,799	4,815	4,815

Analysis of secured loans:

Due within one year or on demand (Note 17)	294	294	422	422
Due between one and two years	294	294	292	292
Due between two and five years	968	968	948	948
Due in five years or more	2,537	2,537	2,864	2,864
Due after more than one year	3,799	3,799	4,104	4,104
Total secured loans	4,093	4,093	4,526	4,526
Secured loans repayable by 2034	4,093	4,093	4,526	4,526

Lender	Amount £'000	Term	Interest rate %	Borrower
Lloyds Bank (B)	465	2023	2.086% fixed to Aug 2023	University
Handelsbanken (A)	1,878	2034	6.29% fixed to Sep 2019	University
Handelsbanken (B)	1,750	2027	Libor + 2.5% Capped	University
Total	4,093			

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 2017

19 Provisions for liabilities

Consolidated

	Defined Benefit Obligations (Note 28) £'000	Total Pensions Provisions £'000	Leasehold Dilapidation £'000	Total Other £'000
At 1 August 2016	15,273	15,273	61	61
(Decrease)/ increase in provisions	(741)	(741)	5	5
At 31 July 2017	14,532	14,532	66	66

University

	Defined Benefit Obligations (Note 28) £'000	Total Pensions Provisions £'000	Leasehold Dilapidation £'000	Total Other £'000
At 1 August 2016	15,273	15,273	61	61
(Decrease)/ increase in provisions	(741)	(741)	5	5
At 31 July 2017	14,532	14,532	66	66

20 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Consolidated and University	
	At 31 July 2017 Expendable endowments £'000	At 31 July 2016 Expendable endowments £'000
At 1 August 2016		
Capital	162	152
Accumulated income	-	12
	<u>162</u>	<u>164</u>
Investment income	-	1
Expenditure	(4)	(3)
Total endowment comprehensive expenditure for the year	<u>(4)</u>	<u>(2)</u>
At 31 July 2017	<u>158</u>	<u>162</u>
Represented by:		
Capital	162	152
Endowment (losses)/income	(4)	10
	<u>158</u>	<u>162</u>
Analysis by type of purpose:		
Scholarships and bursaries	<u>158</u>	<u>162</u>
Analysis by asset		
Cash and cash equivalents	<u>158</u>	<u>162</u>

Notes to the Financial Statements

For the year ended 31 July 2017

21 Restricted Reserves

Reserves with restrictions are as follows:

	Consolidated and University		
	At 31 July 2017	At 31 July 2016	
	Donations £'000	Total £'000	Total £'000
At 1 August 2016	19	19	52
New donations	58	58	44
Expenditure	(49)	(49)	(77)
Total restricted comprehensive income/ (expenditure) for the year	9	9	(33)
At 31 July 2017	28	28	19

	2017	2016
	Total £'000	Total £'000
Analysis of other restricted funds by purpose:		
General	28	19
	28	19

22 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Consolidated only			
Included in current assets:			
Cash and cash equivalents	2,545	1,265	3,810
Included in Creditors: amounts falling due in one year:			
Bank overdraft (note 17)	(71)	10	(61)
	2,474	1,275	3,749

Notes to the Financial Statements

For the year ended 31 July 2017

23 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2017:

	At 31 July 2017		At 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	60	60	-	-

24 Contingent liabilities

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

- As part of the purchase of Harnhill Manor Farm in September 2009, the University signed a side letter to the vendor undertaking that, should the University sell the property within 5 years of purchase, it would pay the Trustees 50% of the difference in value between the purchase and sales prices and 25% of such difference for any sales in years 6 to 8 inclusive. Based on the valuation of the property as at 31 July 2017, the remaining contingent liability is valued at £1,183,000 (2016: £1,183,000). This time related contingent liability expired on 30 September 2017.
- The University's teaching staff became eligible for membership of the Teachers' Pension Scheme on 1 August 2001 but they did not join until 1 October 2010 when the University closed its defined benefit scheme. The University believes it has taken reasonable steps to mitigate the risk of any potential liabilities arising by paying the RAC Pension Scheme Trustees £423,000 during 2010/11 to guarantee an underpin to the RAC Scheme for each of these active members as at the date of Scheme closure. This underpin comes into force at the date each individual retires and offers a choice as to the scale of benefits (TPS or RAC) on which pensionable service between August 2001 and September 2010 is paid out. It is not possible to quantify any residual potential liabilities that might subsist at the present time.
- Pursuant to the University's existing planning consent for the Corinium Campus, it entered into a s106 planning agreement whereby, should the site be developed, it would incur financial commitments up to £543,000 (2016: £543,000); these are backed by a bond with Lloyds Bank.

25 Lease obligations

Total rentals payable under operating leases:

	At 31 July 2017			At 31 July
	Land and	Plant and	Total	2016
	Buildings	Machinery		Total
	£'000	£'000	£'000	£'000
Payable during the year	103	70	173	110
Future minimum lease payments due:				
Not later than 1 year	63	75	138	107
Later than 1 year and not later than 5 years	115	30	145	150
Later than 5 years	159	-	159	187
Total lease payments due	337	105	442	444

Notes to the Financial Statements

for the year ended 31 July 2017

26 Events after the reporting period

The combined Farm491/Growth Hub on campus building project contract was signed on 31 August 2017 for a value of £2,594,000. The combined projects also have funding agreements in place.

27 Subsidiary undertakings

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

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

Notes to the Financial Statements for the year ended 31 July 2017

28 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), the Universities Superannuation Scheme (USS) and a defined contribution (GPP) scheme with Aegon.

Notwithstanding the closure to future accrual the University continues to service the recovery plan at the rate agreed with the Trustees. Following the April 2015 triennial actuarial valuation the recovery plan and annual contributions payable increased from £650k to £689k per annum and from a total of 16.5 years to 20 years. This increase, agreed by the Trustees, is principally a result of the continuing increase in mortality rates and lower asset returns affecting the pension liabilities of all pension schemes.

(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 is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are 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' (FRS 102).

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 next TPS valuation will be reported in 2017/18.

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 61 members of the TPS as at 31 July 2017 (2016: 62).

Notes to the Financial Statements for the year ended 31 July 2017

28 Pensions (continued)

(d) Universities Superannuation Scheme (USS)

One former and one employee were members of the Universities Superannuation Scheme (USS), a defined benefit scheme, until the University formally withdrew from the Scheme on 5 April 2015. There were no outstanding contributions for active service payable at the balance sheet dates by the University. The s75 withdrawal debt was settled during the year ended 31 July 2016.

(e) 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, rising 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 will be 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 2016 - 31 Jul 2017	-	10.00%	2.00%	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	USS	TPS
Last actuarial valuation	2015	2014	2012
Investment returns per annum	6.09%	5.20%- 4.70%	5.06%
Market value of assets at last valuation date (£millions)	18	41,600	177
Minimum funding requirement proportion if accrued benefits covered by the actuarial value of assets	67%	89%	92%

Notes to the Financial Statements for the year ended 31 July 2017

28 Pensions (continued)

Charge in the Statement of Comprehensive Income

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

		2017	2016	2015
		£'000	£'000	£'000
Defined benefit schemes:	TPS	421	405	343
	USS	-	-	11
		421	405	354
Defined contribution schemes:	GPP: Aegon	52	58	74
	GPP: Friends Life	155	159	151
		207	217	225
		628	622	579

Total Pensions Cost as per Note 8, Staff Costs

		2017	2016	2015
		£'000	£'000	£'000
Analysed as:	Current service	628	622	579
	Past service	-	-	-
		628	622	579

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 2017 £7,000 contributions were due to Aegon (2016: £8,000) and £17,000 to Friends Life (2016: £19,000). These sums, relating to July payroll, were paid in August 2017.

Reconciliation to Balance Sheet (RACPS and FSSU)

	2017	2016	2015
	£'000	£'000	£'000
Fair value of Scheme assets	19,570	19,236	19,232
Present value of Scheme liabilities	(34,102)	(34,509)	(29,489)
	(14,532)	(15,273)	(10,257)

Notes to the Financial Statements for the year ended 31 July 2017

28 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 an actuarial valuation at 31 July 2017.

	2017	2016	2015
	£'000	£'000	£'000
RACPS	(14,301)	(14,988)	(9,955)
FSSU supplemental scheme	(231)	(285)	(302)
Total deficits	(14,532)	(15,273)	(10,257)

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.

	2017	2016	2015
	£'000	£'000	£'000
At the beginning of the year	19,236	19,232	18,248
Contributions by University	741	650	650
Benefits paid	(982)	(951)	(955)
Expected return on assets	457	679	758
Actuarial gains/(losses)	118	(374)	531
At the end of the year	19,570	19,236	19,232

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

	2017	2016	2015
	£'000	£'000	£'000
At the beginning of the year	(34,509)	(29,489)	(27,112)
Interest cost	(816)	(1,037)	(1,118)
Employee contributions	-	65	62
Benefits paid	1,043	951	955
Actuarial gains/(losses)	180	(4,999)	(2,276)
At the end of the year	(34,102)	(34,509)	(29,489)

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

	2017	2016	2015
	%	%	%
Rate of increase in pensionable salaries	-	-	-
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 (LPI3-5)	3.51	3.25	3.48
Rate of increase in pensions in payment – post 01/04/03 (LPI 5)	3.14	2.64	3.14
Rate of increase in pensions in payment – post 01/04/05 (LPI 2.5)	2.34	2.16	2.34

Notes to the Financial Statements for the year ended 31 July 2017

28 Pensions (continued)

Principal assumptions made by the actuary in the valuation for the purpose of FRS102 Section 28 (continued)

		2017	2016	2015
		%	%	%
Inflation rate (RPI)		3.22	2.64	3.16
Inflation rate (CPI)		2.32	1.74	2.41
Discount rate		2.54	2.40	3.58
Cash commutation		25.00	25.00	25.00
Demographic assumptions	Base table	S2PMA	S2PMA	S1PMA
	Projection basis	CMI 2016	CMI 2015	CMI 2011
	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 clearly 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'). For 2016 and 2017 SAPS2 tables have been used to provide a best estimate of future experience of the pension scheme; these tables are in common use throughout the pensions industry.

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. This adjustment is unchanged from the 2016 disclosures.

The assets and value of the RACPS scheme at 31 July 2017 and the expected rate of return were:

Group and University	2017	2016	2015
	£'000	£'000	£'000
LDI funds (Liability Driven Investments)	4,530	-	-
Bonds	-	2,121	2,009
Gilts	-	3,679	3,290
Property	50	2,024	1,918
Dynamic growth fund	9,874	5,321	5,714
Global absolute return strategies	4,781	5,769	6,072
Annuities	215	214	214
Cash	120	108	15
Total market value	19,570	19,236	19,232

The discretionary FSSU supplementation scheme holds no assets and its deficit has been based on an actuarial valuation at 31 July 2017. The assumptions having the most significant effect on the calculation of the provision are that future interest rates will average 2.32% CPI and 3.22% RPI (2016: 1.74% and 2.64% respectively) per annum and that the rate of increase in pensions in payment will be 3.45% (2016: 3.04%) per annum.

Notes to the Financial Statements for the year ended 31 July 2017

28 Pensions (continued)

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

RACPS and FSSU	2017 £'000	2016 £'000	2015 £'000
Deficit in schemes at start of year	(15,273)	(10,257)	(8,864)
Contributions	802	715	712
Other finance costs	(359)	(358)	(360)
Actuarial gain/(loss) in the statement of changes in reserves	298	(5,373)	(1,745)
Deficit in schemes at end of year	<u>(14,532)</u>	<u>(15,273)</u>	<u>(10,257)</u>

Due to the planned development of the Bailey Lodge site for the Campus Farm 491 Growth Hub, the University has arranged the release of the charge on the property in favour of an adjacent property, Trent Lodge, with the security documents signed on 24 March 2017. The University had pledged Bailey Lodge and Steadings' Cottages against the pensions deficit by deeds dated 21 March 2007 and 15 January 2013. These charges have been lodged with the Pensions Regulator, Land Registry and Companies House.

An analysis of the amount charged to other finance costs is shown in the following table:

RACPS and FSSU	2017 £'000	2016 £'000	2015 £'000
Expected return on RACPS assets	457	679	758
Interest on liabilities	(816)	(1,037)	(1,118)
Net cost	<u>(359)</u>	<u>(358)</u>	<u>(360)</u>

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

RACPS and FSSU	2017 £'000	2016 £'000	2015 £'000
Actual less expected return on RACPS assets	118	(374)	531
Experience gains/(losses) arising on liabilities	180	(4,999)	(2,276)
Actual gain/(loss) recognised in statement of changes in reserves	<u>298</u>	<u>(5,373)</u>	<u>(1,745)</u>

Notes to the Financial Statements for the year ended 31 July 2017

29. 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 accounts, the University updated the values of its land and buildings to market value, using this as deemed cost going forward, using updated 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 accounts amounts to £509,000 so 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 the University has had to impair a property where the building has been demolished to prepare the site for the Campus Farm491 project. Similarly, following professional advice from qualified residential valuers, the University has made a judgement to make an impairment charge on another property. The University's properties are still of significant value and it would take a significant overall reduction in property market values to effect the whole estate sufficiently to make a material difference.

(b) Pension liability

The University uses qualified Actuaries to revalue the Pension liability each year who utilises prescribed bases and the Actuaries' best estimate in relationship to specific subjective factors. These are all set out in note 28 Pensions.

30. Student Union

In recent years, the Student Union activities have been carried out through an independent Company Limited by Guarantee with registered charity status in its own right. As a result its financial statements are not included in the consolidated figures.

31. 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 2017 was £Nil (2016: £49,000). The amount owed by the Royal Agricultural University to the Life Cover Trust at the year end was £Nil (2016: £Nil).

Notes to the Financial Statements for the year ended 31 July 2017

31. Related party transactions (continued)

(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 of 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 and can be inspected at www.rau.ac.uk.

The full register of Governors' interests has been inspected by the external auditors.

(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.

(f) The Royal Agricultural College Beagles

In 2001 the RAC Beagles, which had been run as part of the University, were 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; (2016: £5,000). Normal business sales to the RAC Beagles amounted to £7,000 (2016: £13,000). There were no business purchases from the RAC Beagles in either of the two years.

(g) The Royal Agricultural University Student Union

Note 30 explains that the Royal Agricultural University Student Union is separated off from the University. However, by token of its name and its purpose it is 'linked' to the University. During the year the University made a grant to the student union of £210,000 (2016: £172,900) and supplied goods and services to the student union to the value of £28,000 (2016: £79,000). There were no business purchases from the RAU Student Union in either of the two years.

Notes to the Financial Statements for the year ended 31 July 2017

31. Related party transactions (continued)

(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. The charity accounts for the year ended 30 September 2016 show income of £148,156 (2015: £197,900) and expenditure of £139,042 (2015: £188,961) with a positive fund of £56,138 (2015: positive fund of £47,024). More recent accounts 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. The latest published charity accounts are for the year ended 31 March 2016 show income of £18,598 (2015: £18,776) and expenditure of £42,600 (2015: £23,750) with a positive fund of £872,236 (2015: fund balance of £896,238). More recent accounts are not available.

