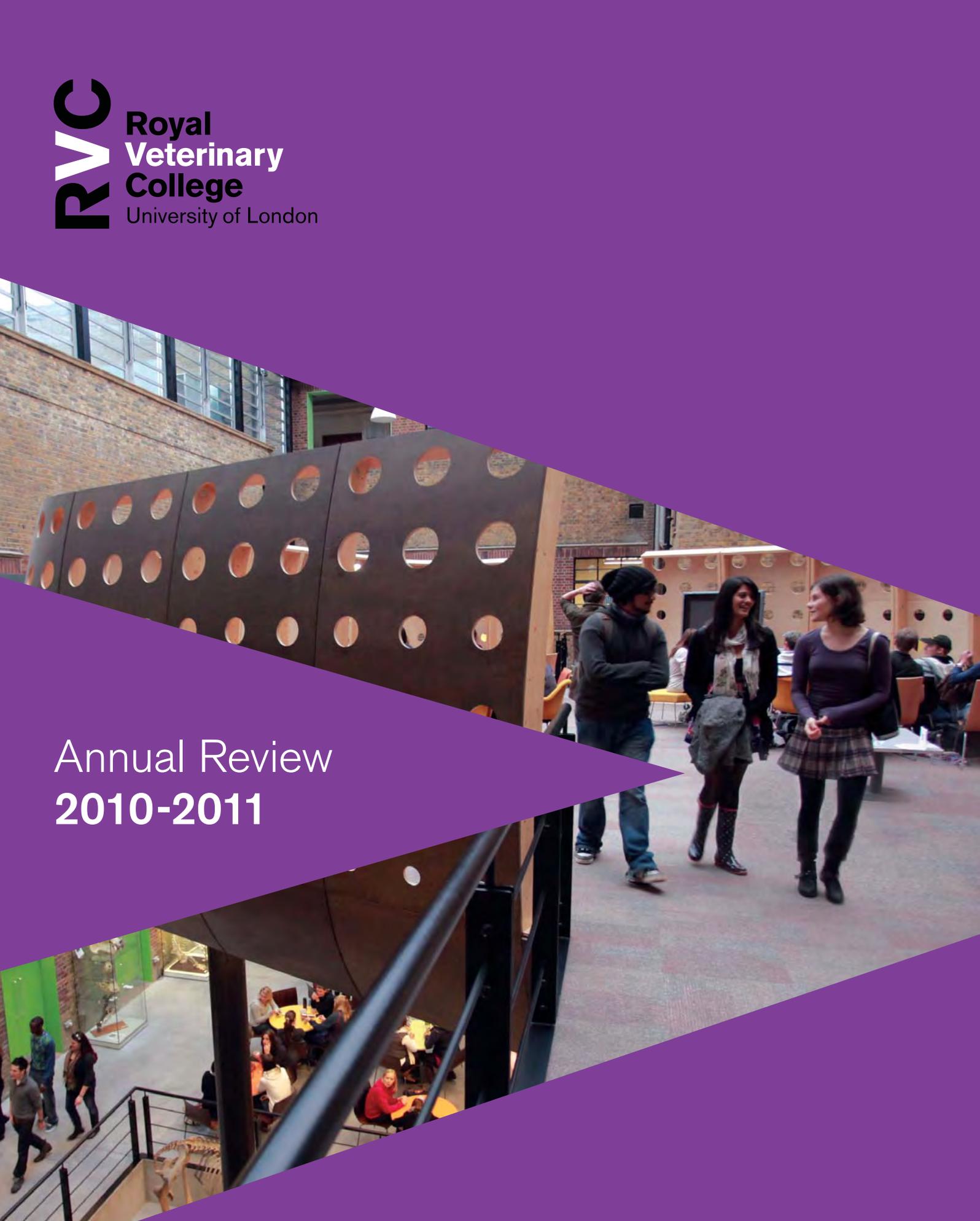


RVC

**Royal
Veterinary
College**

University of London

The image shows a modern building interior with a large, curved, perforated metal wall. The wall has a grid of circular holes. In the foreground, a man in a dark jacket and jeans is talking to two women. One woman is wearing a plaid skirt and black boots, and the other is wearing a dark top and a plaid skirt. In the background, other people are sitting at tables. The floor is a patterned carpet. The overall atmosphere is bright and modern.

**Annual Review
2010-2011**

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CHAIRMAN'S INTRODUCTION

As Chairman of Council of the Royal Veterinary College, I am delighted to report on another successful year. Maintaining our position as a leader and innovator in all aspects of our mission is at the heart of Council's objectives as it supports the new Principal and the staff of RVC in their work.

RVC is an international organisation in every respect, from the nationalities of our students to our research in Africa and our initiatives in Hong Kong. Animal health is a global issue and RVC has a global vision.

Clearly, the landscape for all of those involved in higher education is changing and a governing body of any College must be both reactive and proactive as challenges arise and new opportunities present themselves. This we do with a firm focus on the quality of all that RVC offers – whether it is education, research or caring for the animals committed to our care, we expect to deliver to the highest standards. I commend its work to you.

The Rt Hon The Baroness Shephard of Northwold



PRINCIPAL'S REPORT

It is a privilege for me to be writing this introduction as Principal of the Royal Veterinary College; I have joined an organisation of great heritage and with an international reputation for excellence in veterinary science, education and clinical service. Arriving in January, the early months of 2011 were exciting and stimulating as I came to understand the essence of RVC and its mission. I am delighted to find myself in an institution that ranks amongst the most innovative and forward looking of its kind, anywhere in the world.

The external environment, as ever, is changing but 2010-11 has been remarkable by any reckoning. With economic crises still disrupting world markets and completely new funding structures for the Higher Education sector being introduced in England and Wales, the pressures that are being brought to bear on our activities have arguably never been greater. More than ever, clear mission and robust strategy will mark out those organisations that prevail.

Good progress has been made despite the backdrop of increased financial stringency as, like many others in the sector, bold, and in some cases difficult, decisions have been required to ensure long term sustainability. These challenges have been met by a professional and committed attitude from my colleagues and the positive out turn for the year speaks volumes for the way in which the College managed an unsettling and emotive period. A combination of additional effort directed towards income generation and defined budgetary controls leaves us well placed for the coming year but continued vigilance and prudence will remain essential.

Three major building projects evolved simultaneously during the year and these will contribute greatly to improvements in infrastructure supporting teaching, research, clinical activities and the student experience. We are indebted to the Jean Sainsbury Animal Welfare Trust for the generous gift towards the refurbishment of the renamed Beaumont Sainsbury Animal Hospital. Whilst the completion of our new build programme adds significantly to the ambiance and appearance of the estate, it also brings into sharp relief the areas of our campus where investment is now required. The imperative from HEFCE is clear; reduction of both physical and carbon footprints is a requirement and so we have been actively looking at disposal of out-dated estate that will then allow us to progress the priority projects addressing student sport and leisure facilities, as well as our food and farming agenda.



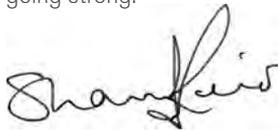
With solid foundations of international quality research, clinical leadership and educational innovation, we must focus anew on the totality of the student experience and work closely with our students to ensure that our mission is embraced by all and our commitment to quality is embedded in all of our processes. The National Student Survey (NSS) is an important barometer of the extent to which we are meeting the expectations of our students. This importance is only likely to grow and we must address the matters raised in these annual surveys if we are to say that we are truly 'student centred'.

We are entering a period of unprecedented change in the funding structures of Higher Education. The contributions of students directly to their education and, in some cases, the complete withdrawal of Government funding, alters the landscape immensely. The fee levels we have set for 2012 will be competitive and the financial support packages we will offer to students are attractive. These changes are the significant part of proposals made in the Government's White Paper, which places the student at the heart of the education system, and it was particularly pleasing to note that the College's Gateway foundation year programme was cited in the White Paper as an example of a successful widening participation strategy.

OPERATING AND FINANCIAL REVIEW

THE OPERATING AND FINANCIAL REVIEW CONSIDERS THE COLLEGE'S ACTIVITIES IN THE YEAR 2010/11 IN THE CONTEXT OF THE CHALLENGES AND RISKS WITHIN WHICH IT OPERATES.

Finally, and recognising the adage that the road to success is always under construction, it has been the people that have made the biggest impact on me since my arrival. The energy of the students, the dedication of the staff, the support of our friends and alumni, and the commitment of our Council members: This is the family that is the Royal Veterinary College – 220 years and still going strong.



Professor Stuart W J Reid

Context and risk analysis

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

The key strategic objectives of the College are set out within its Corporate Plan 2009-2013. At the heart of this Corporate Plan is the provision of leadership in veterinary education, research and clinical endeavour. Developing and enhancing excellence across all of the College's activities is paramount.

The College has adopted a range of Key Performance Indicators to assess its overall strength and progress against the Corporate Plan. Areas covered include: student recruitment, retention and employability; improving the student experience in both educational and social terms; financial performance against budgets and longer-term sustainability; quality of research outputs and funding success; growth in clinical caseload driven by targeted investment in services and facilities.

Risk awareness and management is well embedded within the College. The Corporate risk register sets out the top 10 key risks facing the College. Risks are identified through a combination of 'bottom-up' and 'top-down' processes and are discussed by the senior managers, Audit Committee and at Council. Indeed, the Council's strategy day in October 2011 was devoted to a 'first principles' review of risk, and assessment of the strength of mitigation. Given the significant changes and challenges in the financial context of the Higher Education sector, financial risks are considered the most significant at present. Other risks within the top-10 include those impacting on the College's reputation, including performance in the National Student Survey and other league tables.

Compared to other Higher Education Institutions, the College derives a relatively large proportion of its income from commercial activities. These are primarily through veterinary fees generated by its veterinary hospitals, first opinion practices and diagnostic laboratories. In addition, the College's wholly owned subsidiary, the London Bioscience Innovation Centre, provides laboratory and office space to small biotech and related industry companies. These areas of the College's operations are subject to very different market and competitive conditions when compared to teaching and research activities and are subject to appropriate leadership, management and risk analyses.

ACADEMIC REVIEW

Learning and the student experience

The College's teaching activities are dominated by the Bachelor of Veterinary Medicine degree. This five-year programme provides the education, skills and knowledge required to practice as a veterinary surgeon on completion of the course. Students on the BVetMed account for 1,200 of the College's 2,000 students. The College has been at the forefront of curriculum development in the BVetMed and 2010-11 saw the first cohort of students enter the final year of a substantially altered curriculum, which places emphasis on self-directed learning and a reduction in didactic teaching time. Feedback indicates that the students have superior problem solving and independent learning skills than their predecessors. With the vast majority of BVetMed students entering veterinary practice on graduation it is pleasing to report a continued increase in those taking optional modules in enterprise and entrepreneurship.

Also within its undergraduate portfolio the College recruits strongly to a BSc in Bioveterinary Science; a Veterinary Gateway programme; and a BSc and Foundation Degree in Veterinary Nursing. Work is progressing on modularising the teaching in the second year of the BSc Bioveterinary Science and identifying the core that is common with the Gateway Year, to enable combined delivery of this core. The 'jewel in the crown' of the BSc programmes is the individual student research project. These projects are often high quality and contribute to peer-reviewed publications.

The College's Veterinary Nursing activities now extend beyond the UK, with the successful recruitment in September 2010 of thirty-nine students to a joint degree programme with Hong Kong Polytechnic University. In the UK, the Veterinary Nursing foundation degree was given full approval status by the Royal College of Veterinary Surgeons (RCVS), giving students exemptions from sitting additional exams with the RCVS on graduation.

Overall recruitment of new students continues to be capped by HEFCE, limiting the number of places the College can offer. Application rates for the year remained strong, both in quantity and quality.

At postgraduate level, the College's specialist Masters courses were aided by the reorganisation of the Registry support function, in order to streamline processes and increase efficiency of operations. A new Masters Course Co-ordinating Committee was established in the year in order to identify opportunities to develop and enhance the College's portfolio of Masters courses. Two key proposals are the development of a 'one-health' MSc in collaboration with the London School of Hygiene and Tropical Medicine (LSHTM), and the modularisation of all current Masters courses.

The College's reputation as a leader in simulation for Veterinary Education has continued to grow. The College's development of the use of haptics to simulate various conditions has been responsible for driving discussion between vets, medics and dentists and sharing of experiences. In November 2010 the College hosted a Haptics Workshop for delegates from across Europe.

The College's completion rate for the National Student Survey (NSS) increased from 70% in 2010 to 76% in 2011 following an active campaign to develop both student and staff awareness of the importance of

this survey to the College. For a number of years the College has lagged behind its competitor vet schools in overall satisfaction scores. Unfortunately this is borne out in the most recently published survey, where the College's BVetMed course is ranked last of the UK vet schools with an overall satisfaction score of 80% (compared to scores above 90% for the other vet schools).

During the year the College has developed general principles to foster an enhanced 'student centred university' based on respect and understanding, openness and trust as well as on mutual support and commitment. The central plank of this strategy is greater engagement of the student body with the College's activities and a major increase in the effectiveness of interactions between staff and students at the academic, pastoral and social levels. One of the highest priorities identified has been enhancing feedback to students that is relevant, focussed and timely, particularly in the latter part of the BVetMed course. A number of actions have been agreed to help to address this.

Research, innovation and employer engagement

Research activity across the College has increased significantly, and preparations for the Research Excellence Framework (REF) in 2014 have progressed well, and we would expect to realise the benefits of this in due course.

The College has been actively involved in the pilot exercises assessing impact, which is a new component of assessment. As part of the information gathering required for the REF on public engagement, academics have completed a Public Engagement Survey as part of their appraisal process. The responses received indicate a high level of activity in engaging with all stakeholder groups and the general public. The College's REF Working Group is developing twenty impact and engagement case studies to be submitted to the REF. A mock REF exercise

has recently been undertaken to ensure that publications meet the likely levels needed to continue to attract QR funding from HEFCE.

Grant applications and awards have been exceptional and demonstrate how competitive academic staff have been in the current difficult funding climate. The College recognises that, where appropriate, research outcomes are best delivered by collaborating with other institutions and has responded to funders' increased expectations in this regard. The College has well established collaborations in the UK with University College London, King's College London, the London School of Hygiene and Tropical Medicine, University of Reading and University of Nottingham. In addition to these the College was successful in its bid to host a BBSRC funded Agrifood Training Partnership (in collaboration with the Universities of Cambridge and Newcastle and Roslin Institute Edinburgh). The College also collaborates widely with EU partners in Germany, France, Spain, Switzerland and Denmark. These projects provide significant reputational and financial benefits to the College.

The College's researchers continue to be recognised at national and international level by their peers through the awards in numerous areas and representation on research committees.

Plans for veterinary SME and student engagement have evolved during the Higher Education Innovation Fund (HEIF) period. In the last year, the 'Innovets' experiential learning programme for clinical phase veterinary students has been developed and delivered. Innovets is a weeklong work-based small group learning experience whereby a working veterinary practice identifies an existing commercial challenge faced by the practice, briefs the students on the central issues and requires the students professionally to present solutions to the practice leadership team by the conclusion of the week. Students are then

supported by the practice management and clinical team, entrepreneurial practitioners from across the veterinary community and RVC Enterprise staff members to scope the problem, benchmark current activities against others in the sector and develop innovative solutions. The first Innovets programme focused on small animal veterinary dentistry, and improving the flow of clients to the dental suite. Significantly, a number of the students' solutions have been adopted and implemented by the practice. There are now plans in place to run annual Innovets weeks in both small animal and farm animal practice environments.

Other activities supported by HEIF have performed well:

- A key patent family licensed to an animal health company partner is now going to grant in over 25 countries, and the vaccine product anticipated to be approved next year.
- RVC Enterprise managed a record quantity and value of contract business with external partners.
- The team continues to support the academic staff in activities directed towards social as well as economic impact. In addition to participation in the BBSRC Excellence with Impact initiative, RVC's entry for the BBSRC's Innovator of the Year competition achieved runner-up in the Social Innovator category.
- The London BioScience Innovation Centre has again increased its number of client companies (to 42 – including many virtual clients with overseas headquarters), and 97% of physical space occupied.



CORPORATE RESPONSIBILITY

Staff

The College recognises that its staff members are critical to its success. As such the College offers a broad range of development opportunities to its staff through a structured annual programme covering leadership and management skills, recruitment and retention, IT skills, research careers, health and safety and wellbeing and also through personal development objectives agreed through the staff appraisal process.

Employment strategy is considered by the Council, through its Remuneration Committee. In addition regular meetings are held between the College's management and the Recognised Trade Union bodies. The College strives to work as collaboratively and constructively as possible with the RTUs, and this has been apparent in the dialogue entered into through the staff cost reduction exercise of the last year.

Staff wellbeing is very important to the College. This is supported through encouraging open communication between staff and their managers, access to an occupational health service and a telephone advice line available at no cost to all employees.

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

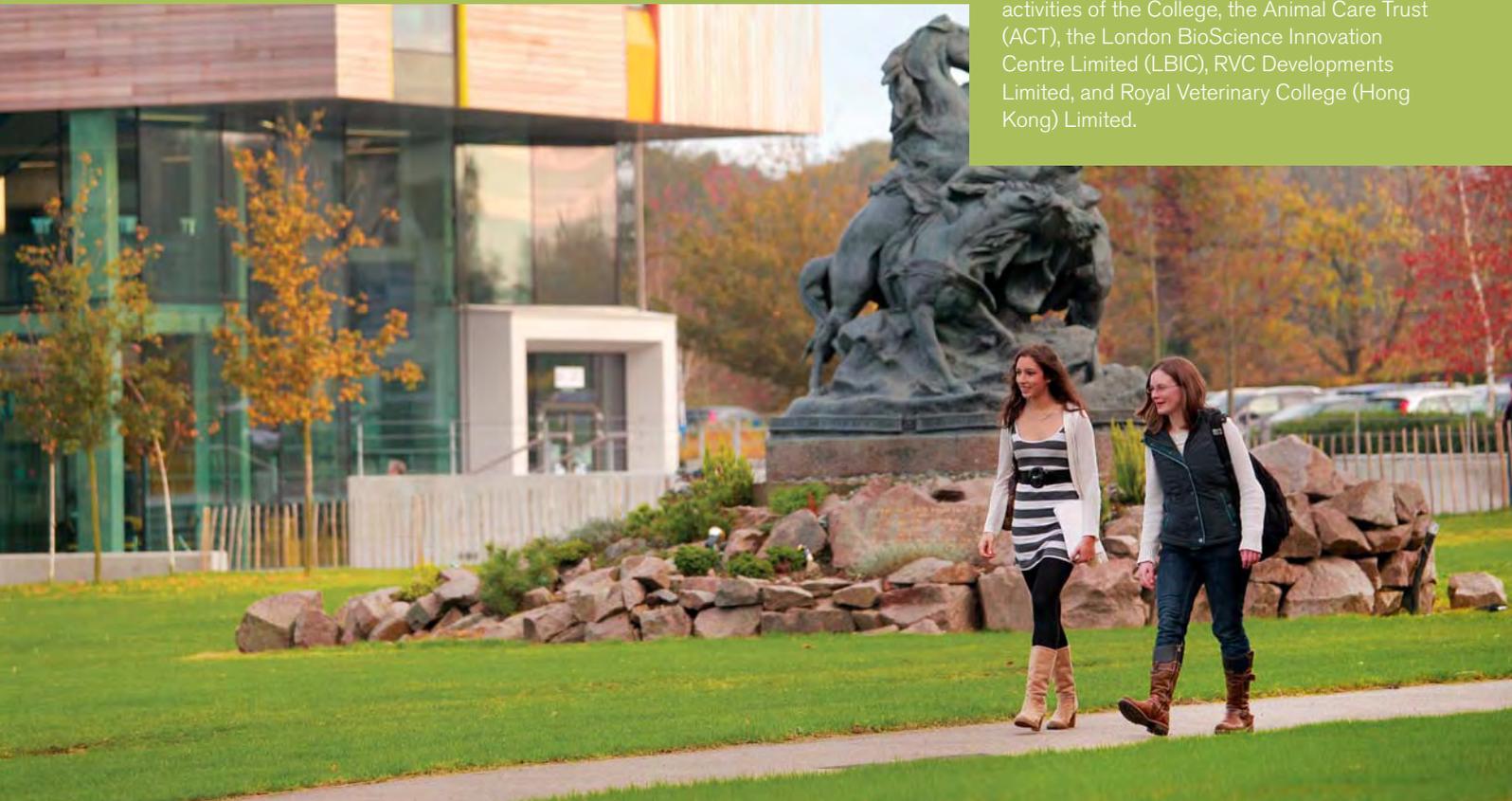
Equality and diversity

Equality and diversity are widely promoted across the College, both in relation to staff and to students.

All staff are required to undertake online equality and diversity awareness training as part of their induction and cannot be confirmed in post until this has been successfully completed. The College has an Equality Strategy Group. This group is responsible for developing policies and strategy and monitoring compliance. During the year this Group built on its work in the previous year in further developments to the College's Single Equality Scheme.

Financial

The financial statements have been prepared in accordance with the SORP 2007: Accounting for Further and Higher Education, and the relevant accounting standards. The consolidated financial statements cover the activities of the College, the Animal Care Trust (ACT), the London BioScience Innovation Centre Limited (LBIC), RVC Developments Limited, and Royal Veterinary College (Hong Kong) Limited.



CONSOLIDATED RESULTS FOR THE YEAR TO 31 JULY

	2010 (£1000)	2011 (£1000)
Income	68,598	65,832
Expenditure	68,248	67,644
Surplus/(Deficit) on Continuing Operations	350	(1,812)
Transfer from specific endowments	429	626
Surplus/(Deficit) retained within General Reserves	779	(1,186)
Investment in Fixed Assets	23,322	9,931
Borrowings	24,639	24,937
Short-term cash and deposits	6,367	20,180
Net cash flow from operating activities	6,821	(419)
Net Liquidity days	36	116

Income and expenditure

The Group achieved a surplus of £779,000, which was better than anticipated. This result is stated after non-recurrent severance costs of £1,739,000 from a voluntary scheme offered to staff during the financial year. Voluntary severance was one of a range of options made available to reduce recurrent costs staff. Forty-three employees left the College under voluntary severance terms, with a further reduction in FTEs achieved through flexible working, early retirement and a recruitment freeze. These actions were a major component in the College's strategic response to cuts in government funding for Higher Education. The College had set a target to achieve recurrent savings of £3.5million in staff costs; it is anticipated this will be reached. The staff savings achieved in 2010/11 were sufficient to fully pay back the severance costs of £1,739,000.

The College has set itself targets to increase its recruitment of students from non-EU countries. 2010/11 was a successful year in this regard (undergraduate non-EU student numbers increased by 20% from 100 to 120), as reflected in the increased tuition fee income recognised in the accounts. Delivery on the strategic intent to diversify recruitment outside the traditional North American market also progressed well during the year.

Research performance was strong in the year, with the College building on its success in the Research Assessment Exercise in 2008. The funders of the College's research are diverse, indicating the attractiveness of the researchers, the high quality facilities available and the College's reputation for successful delivery. In addition to income recognition above £12m (a 40% increase on the previous year), overhead recovery was also much improved at £1.9m as a higher proportion of grants awarded are on a full economic cost basis.

Given the disappointing financial result in 2010, additional systems of internal financial control and reporting were put in place and these improvements assisted in expenditure being in line with budgets and forecasts.

Capital Investment

The College continues to invest in its physical infrastructure. During the year the Teaching and Research Centre (TaRC) project was completed. The capital cost of the project was £8.1million, with £7.1million of this provided by HEFCE under the Capital Investment Framework. The College secured a further £0.5million donation from the Wolfson Foundation in support of the research laboratories within the building.

CONSOLIDATED RESULTS FOR THE YEAR TO 31 JULY

(continued)

Chart 1: Total Income for 5 Years

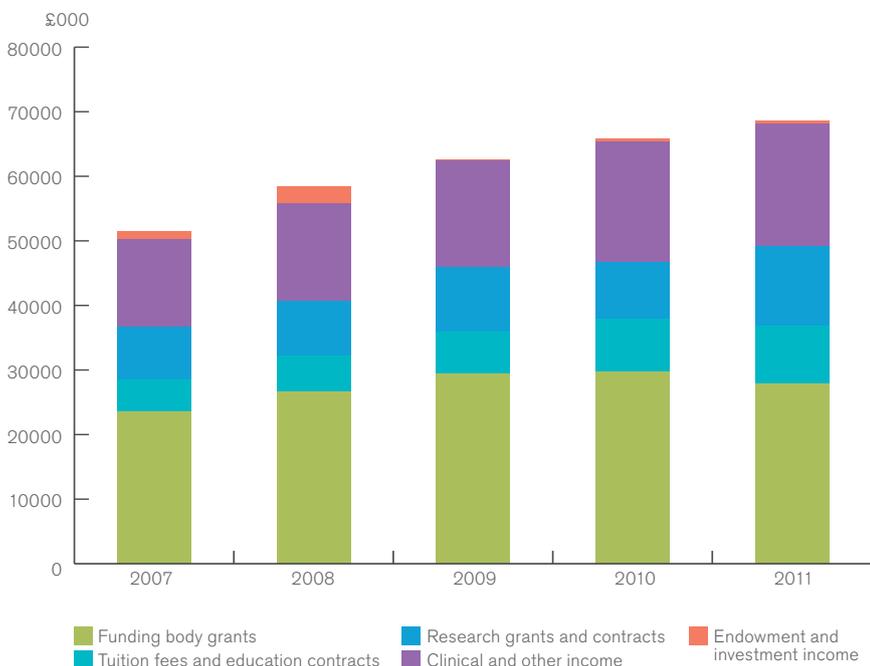
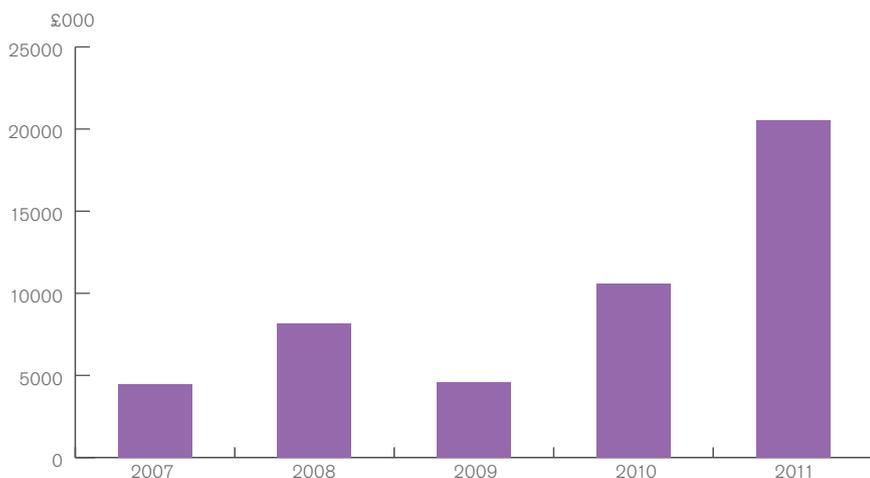


Chart 2: Capital Project Expenditure for 5 years



Also completed in the year was the major refurbishment of the Beaumont Animals' Hospital, at a cost of £1.4m. The Jean Sainsbury Animal Welfare Trust made a significant grant of £1m towards the improvements to the working and living environments of staff at the hospital and to the enhancement of patient care. In recognition of the Trust's contribution the hospital was renamed the Beaumont Sainsbury Animals' Hospital.

The third major capital project during the year was the continued construction of a new refectory, student residences and short-let accommodation at the Hawkshead campus. The new refectory was completed and operational in January 2011, with an increased seating capacity. All anticipated residence blocks were completed and ready for occupation for students starting in September 2011. The project is the College's largest single capital development, with a cost of £18m, and was undertaken on a 'design and build' contract thereby transferring a substantial element of risk to the main contractor. The project was delivered on time and within budget.

Capital structure

The College has a borrowing ratio (borrowings: total income) of 37%. This is a measure used by HEFCE in assessing debt levels and compares to a sector average of 22%. While above the sector average, all of the College's debt has been used to fund activities with a specific ongoing income stream, principally student residences. The debt is with the Royal Bank of Scotland and is at fixed rates of interest, thereby giving certainty over future cash flows. The maximum duration of any loan is 25 years.

Treasury policy and investments

The College's treasury policy seeks to ensure an appropriate return on investments at a level of risk agreed by the College Council. The Finance and General Purposes

Committee has agreed a revised investment strategy which will support a higher drawdown than previously. This is designed to enable further investment in student financial support to be made available.

The College has a long-standing engagement with BlackRock Asset Management to administer and advise on appropriate funding opportunities for surplus cash and liquid assets over and above those needed for routine working capital purposes. At 31 July 2011, the College held a total of £8,866,000 across three BlackRock funds: UK Income Equities, International Equities and All Stocks Corporate Bonds. In addition to this, £2,677,000 was held in BlackRock's Institutional Liquidity Fund. The majority of these investments represent endowment assets.

Overall, the College's investments produced a return of 9% for the year to 31 July 2011, thanks mainly to the recovery in equity markets. This return was in line with the benchmark return agreed with BlackRock. The return helped to supplement endowment funds which were then used to enhance the College's clinical and research activities and to alleviate student financial hardship.

The investment of working capital funds is monitored by the Finance and General Purposes Committee. There is a short list of permitted organisations for College deposits, all of which are required to have a credit rating of 'A' or above as rated by international agencies.

Cash flows

The significant capital expenditure during the year led to a reduction in cash and investments held (excluding endowments) from £20.2m to £6.4m. Some changes in timings of capital project expenditures meant that at the year end the cash balance was higher than forecast. In 2010 the full loan value of £18m was drawn down in advance of cash required for the student residences project. This was utilised throughout the year as the project progressed.

Due to the surplus reported; high levels of depreciation charged; and an increase in creditors; the net cash inflow from operating activities was £6.8m (2010: out flow of £0.4m).

The College has in place overdraft facilities to deal with any unexpected short-term changes in its cash profile and position. This facility was not drawn upon during 2010-11.

Pension funds

Staff at the College are entitled to join either the Universities Superannuation Scheme (USS) or the Superannuation Arrangements of the University of London (SAUL). Following the Hutton report, these schemes, along with the majority of public sector and defined benefit schemes, have been under review. There are considerable cost pressures from increased longevity, salary inflation, and more volatile investment performance, which pose risks to the financial sustainability of such schemes. In October 2009, the contribution rate for employers to the USS scheme increased from 14% to 16%.

After a period of protracted negotiations, major reforms to the scheme were agreed by the USS Board. These reforms include a benefits section of the scheme for entrants after 1 October 2011 based on career average earnings, rather than final salary. Existing members will remain in a final salary section, but will be expected to contribute more to receive these benefits. There is no change to the 16% employer's contribution rate.

The SAUL scheme has also been discussing reforms, which are still under negotiation.

Both schemes were formally valued on 31 March 2011 and it is expected that their overall funding positions will be below the level required by The Pensions Regulator. If this is the case then a formal action plan to address any funding gap will be required to be provided to The Pensions Regulator.

Financial outlook

The upcoming year is one of preparation for major changes in funding from 2012-13. Reductions in HEFCE grants are apparent already, without an ability to easily increase income from other sources to offset.

From 2012-13 the balance of funding the teaching of students shifts dramatically away from public funds towards contributions directly from students. At a sector level, the total funding from HEFCE for teaching is expected to be cut from over £5bn in 2010-11 to around £1bn in 2014-15.

The College's fee and financial support proposals for new undergraduate students entering in 2012-13 have been agreed by the Office for Fair Access (OFFA). The College will charge between £7,500 and £9,000 per student, a substantial change from the permitted maximum of £3,375 in 2011-12. In agreeing to increased fees, OFFA also reviewed and approved the College's proposals on the type and level of financial support it will offer to students. On average between 2012 and 2015, 27% of the additional fee income will be made available to students in the form of bursaries and other financial aid. This is in line with the current proportion being made available, although the distribution between individual courses is proposed to change to have regard to course length and employment opportunities on graduation.

The way in which students will pay fees is also changing. There will be no up-front fees payable by students; it will all be deferred until their graduate earnings are above a threshold of £21,000. During their time in higher education this change actually represents a cash flow benefit to new undergraduate students. Students will also continue to have access to loans and grants to support the costs of their education and living expenses.

CONSOLIDATED RESULTS FOR THE YEAR TO 31 JULY

(continued)

The impact on demand for the College's courses resulting from the changes in fee levels and financial support packages is difficult to predict and therefore represents a significant financial risk. Enhanced marketing effort is underway to ensure communications to prospective students highlight the long-term value of a higher education and not simply the cost.

HEFCE have issued draft proposals for funding students in higher-cost subject areas, for which the College qualifies. The majority of the College's students are funded in the highest cost banding. If the current proposals are enacted for 2012-13 the College may benefit from an increase in the total resource per student in this highest band.

HEFCE have also set out proposals which build on the intentions set out in the HE White Paper regarding the creation of a 'core' and 'margin' for taught undergraduate students. The 'margin' refers to student groupings who will sit outside of the strict number controls on recruitment. One of these margin groups is students who attain the equivalent of grade AAB or better at A-level. Historically the College has recruited the majority of its students from this cohort, so this presents a potential opportunity for expansion – however this is also an opportunity for the other four English veterinary schools, which may impact negatively on recruitment levels. The other schools are all part of larger multi-faculty universities and may therefore have the capacity and flexibility to vire student numbers between departments into higher-funded activities.

Whilst it is difficult to assess how these changes will impact on the demand for higher education at undergraduate level, it is even more difficult to predict the impacts on postgraduate students. While undergraduate students will have access to loans, only repayable once they are in employment,

postgraduate students do not have access to such financial support.

One response to these uncertainties has been a drive to increase recruitment from outside the EU. Whilst this has been successful to date, as noted above, there is continued uncertainty generated by the UK Borders Agency in the issuance of student visas.

The outlook for research funding, at least at a macro-level, is more stable. The commitment to maintain funding for health-related research will result in a real-terms fall in funding in other discipline areas. Recently announced 'efficiency' measures by the Research Councils will mean the College will need to work hard to maintain its position in research and must look to opportunities for efficiency in operations.

The College generates over 20% of its annual income from its clinical activities. The College has arguably some of the best equipped and resourced referral hospitals in the UK, yet it is not alone in this marketplace. Increased competitive pressures, coupled with impacts of the general tougher economic conditions facing animal owners, and more prolonged examination by insurance companies of claims made under pet insurance policies, will all be important factors in determining whether the financial targets set for clinical activities will be met.

Although the new student residences at the Hawkshead campus were completed in time for student occupation in September 2011, the project phasing did not allow sufficient time for effective marketing of the accommodation to students. This has resulted in lower occupancy levels than anticipated. Whilst these changes have been reflected in amended budgets and appropriate mitigating actions taken to modify other budgets, it is imperative that occupation levels for 2012-13 are in line with original expectations of near to complete occupancy in order for the repayment

of the loan financing costs to be met. Feedback from the current occupants is very encouraging and more robust marketing plans are in place to assist in achieving this.

The College has invested heavily in capital projects, which have greatly enhanced the College's two campuses. The focus has been on building new facilities, but this will need to switch in future years to addressing a backlog of maintenance required to older parts of the estate. Funding this investment will be challenging, given the large reductions in capital funding from HEFCE and the relatively unattractive nature of the work to other funders.

It is expected that the cost base of the College in its day-to-day operations will remain stable in the medium term. The actions taken in the last year to reduce staffing levels was intended to put the College in a sustainable position for the next four years at least. Increases in staff costs, through cost-of-living pay awards and pension scheme contribution changes, are expected to be minimal in the next two years, with a possible correction and catch-up in 2014-15, particularly if inflation remains above the Bank of England target of 2%.

The College will need to remain vigilant to changes in funding levels and cost pressures, such as a 'catch-up' in pay awards and utilities costs, emerging from the external environment and has in place contingency plans to address changes in the main assumptions it is using for medium-term financial planning.

Summary of Financial Performance over the last five years

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
INCOME & EXPENDITURE ACCOUNT					
INCOME					
Funding body grants	27,839	29,635	29,420	26,614	23,551
Tuition fees and education contracts	8,969	8,257	6,570	5,623	4,903
Research grants and contracts	12,394	8,820	9,998	8,495	8,708
Other income	18,897	18,714	16,357	15,094	13,455
Endowment and investment income	499	406	296	2,524	847
TOTAL INCOME	68,598	65,832	62,641	58,350	51,464

EXPENDITURE					
Staff costs	38,394	38,243	35,335	31,971	27,927
Other operating expenses	24,156	24,276	22,043	22,163	18,486
Depreciation	4,265	4,227	3,930	3,308	3,018
Interest and other finance costs	1,433	898	476	492	505
TOTAL EXPENDITURE	68,248	67,644	61,784	57,934	49,936

Surplus/(Deficit) after depreciation of tangible assets at valuation and after tax	350	(1,812)	857	416	1,528
Profit on Disposal of Assets	-	-	-	-	1,966
Surplus/(Deficit) before transfer to specific endowments	350	(1,812)	857	416	3,494
Transfer from/(to) specific endowments	429	626	154	(1,291)	(693)
SURPLUS/(DEFICIT) RETAINED WITHIN GENERAL RESERVES	779	(1,186)	1,011	(875)	2,801

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
BALANCE SHEET					
Fixed asset and investments	79,614	60,464	54,749	51,707	43,884
Endowment assets investments	12,852	13,050	11,288	11,924	14,409
Cash at bank and in hand and short term deposits	6,367	20,180	7,222	9,780	9,851
Net non cash current liabilities	(9,526)	(6,025)	(7,229)	(7,712)	(7,075)
Long term loans, creditors and provisions	(24,368)	(24,642)	(6,940)	(7,962)	(7,471)
TOTAL NET ASSETS	64,939	63,027	59,090	57,737	53,598

Deferred capital grants	31,403	30,072	26,711	27,692	21,841
Endowment funds	12,852	13,050	11,288	11,924	14,409
Retained earnings	20,684	19,905	21,091	18,121	17,348
TOTAL FUNDS	64,939	63,027	59,090	57,737	53,598

GOVERNANCE

PATRON

His Royal Highness The Duke of Edinburgh
KG KT OM GBE

The Council, under the terms of the Revised Charter and Statutes, approved by The Privy Council, as at 31 July 2011

The Officers of the Council

Chairman

The Rt Hon The Baroness Shephard of Northwold JP DL

Vice-Chairman

Mr P D Orchard-Lisle CBE TD DL LLD(*HC*)
DSc(*HC*) MA FRICS

Hon Treasurer

Mr C J Perrin, CBE

INDEPENDENT MEMBERS

The Rt Hon The Baroness Shephard of Northwold JP DL

Miss E Bill (*Students Union President 2010/11*)

Mr D L G Danson BVSc MRCVS

The Rt Hon Frank Dobson MP

Dr K A Fleming MBChB DPhil FRCPATH
FRCP

Professor J C Milne BVetMed MRCVS

Mr P D Orchard-Lisle CBE TD DL LLD(*HC*)
DSc(*HC*) MA FRICS

Mr C J Perrin, CBE

Professor Dame Lesley Southgate DSc
FRCP FRCPG FMedSci FAcadMedEd

Mr E Stobart – to 31 December 2010

Mr John Walmsley MA VetMB CertEO
DipECVS HonFRCVS

Professor J A Wyke MA VetMB PhD FRSE
HonFRCVS FMedSci

ACADEMIC BOARD OF THE COLLEGE

Professor A N Rycroft PhD FSB FRCPATH

Professor C P D Wheeler-Jones BSc(Hons)
PhD

EX-OFFICIO

Professor Q A McKellar BVMS PhD DVM
DipECVPT CBiol FIBiol FRAGS MRCVS
FRSE (Principal) – to 31 December 2010

Professor SWJ Reid BVMS PhD DVM
DipECVPH FRSE MRCVS (Principal) – from
1 January 2011

Professor DB Church BVSc PhD MACVSc
MRCVS Vice-Principal (Academic and
International Affairs) – from 1 January 2011

Professor J Elliott MA VetMB PhD CertSAC
DipECVPT MRCVS Vice-Principal (Research)

Professor C R Howard BSc MSc PhD DSc
FRCPATH FIBiol Vice-Principal (International
and Strategic Development) – to 31
December 2010

Professor S A May MA VetMB PhD DVR
DEO FRCVS DipECVS Deputy Principal and
Vice-Principal (Teaching)

Secretary to the Council

Mrs E C Acaster

HONORARY GRADUATES OF THE ROYAL VETERINARY COLLEGE

– DVetMed (London: Royal Veterinary College) *Honoris Causa*

Professor Pierre-Louis Toutain DVM PhD
DipECVPT – Professor of Physiology and
Therapeutics, Ecole Nationale Vétérinaire de
Toulouse, France (2009)

Professor W McIlwraith BVSc DVM PhD
FRCVS DSc – Professor of Surgery, Director
of Equine Orthopaedic Research Centre,
Colorado State University, USA (2010)

Professor FA Murphy BS DVM PhD – James
W McLaughlin Professor in Residence,
Department of Pathology, University of Texas
Medical Branch at Galveston, USA (2010)

FELLOWS OF THE ROYAL VETERINARY COLLEGE

Her Royal Highness The Princess Royal
GCVO (1987)

Professor P M Biggs CBE FRS DSc DVM
FRCVS FRCPATH FIBiol (1983)

The Right Hon The Earl Cadogan (1997)

The Right Hon The Lord Prior PC (1999)

Professor L E Lanyon CBE BVSc PhD
DSc MRCVS FMedSci (2005)

The Most Hon The Marquess of Salisbury PC
DL (2007)

Professor Q A McKellar BVMS PhD DVM
DipECVPT CBiol FIBiol FRAGS MRCVS
FRSE (2011)

HONORARY FELLOWS

Mr George H R Ward FCA (1994)

Dame Bridget M Ogilvie ScD FIBiol
FRCPATH (1994)

Mr John K Pool (1994)

Mr Tony Veal (1994)

The Lady Harris DBE DL (1994)

Ms Patsy Bloom (1997)

Professor Leo Jeffcott MA BVetMed PhD
DVSc FRCVS (1997)

Sir Brian Fender CMG (2001)

Professor Ken Goulding BSc PhD HonDSc
CBiol FIBiol (2001)

Mr Christopher Sporborg CBE (2001)

Mr Richard Carden (2003)

Brigadier Andrew Parker Bowles OBE (2003)

The Rt Hon The Lord Ballyedmond of
Mourne (2009)

Mr John Chatfield-Roberts BA (2010)

Mr Roger Eddy BVetMed DipECBHM FRCVS
(2010)

Professor David Noakes BVetMed PhD DSc
FRCVS (2010)

Dr Peter Rosedale OBE PhD FRCVS (2010)

Professor Sir Graeme Davies FRSE FREng
(2011)

Professor Eric Wynn Jones FRCVS PhD
(2011)

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 JULY 2011

1. The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange July 2003 in so far as it applies to Higher Education Institutions. Its purpose is to help readers of the financial statements understand how the principles have been applied.
2. Throughout the year ended 31 July 2011, the College has been in compliance with all the provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to Universities. The College also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairs in 2004 and revised in 2009.
3. The Council of the College is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, that it has been in place for the year ended 31 July 2011 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Council and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.
4. The College is an independent corporation, whose legal status derives from a Royal Charter granted in 1956, although the College can trace its history as a corporate body back to 1791. Its objects, powers and framework of governance are set out in this Charter and its supporting Statutes, which were most recently revised in 2010.
5. The Charter and Statutes require that the governance of the College shall be vested in the Council, which, as the governing body, is collectively responsible for overseeing the institution's activities, determining its future direction and fostering an environment to achieve the institutional mission. The Council has a majority of members from outside the College (known as independent members) from whom the Chairman, Vice-Chairman and Hon Treasurer are elected. None of the independent members receives any payment for the work done for the College, apart from the reimbursement of expenses.
6. The Statutes also require that there shall be an Academic Board, members of which are the Professors of the College and representatives of the teaching staff, and of which the Principal is Chairman. The Board advises the Council on all academic matters.
7. The principal academic and administrative officer of the College is the Principal, who under the Statutes is responsible for the conduct of the College. Under the terms of the formal Financial Memorandum between the College and the Higher Education Funding Council for England, the Principal is the accountable officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
8. Independent Members constitute the majority on Council. Although the Council ordinarily meets three times a year, much of its detailed work is initially discussed in Committees. All Council Committees are formally constituted with terms of reference and specified membership, and report to the Council.
9. The Finance and General Purposes Committee inter alia recommends to Council the College's annual budgets and monitors performance in relation to the approved budgets. The Remuneration Committee determines the remuneration of the most senior staff, including the Principal.
10. The Audit Committee normally meets three times a year, with the College's external and internal auditors in attendance as appropriate. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses. It also receives and considers reports from the Higher Education Funding Council for England as they affect the College's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.
11. As Chief Executive of the College the Principal exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of institutional ethos. Senior academic and administrative officers all contribute in various ways to these aspects of the College's work.
12. The Principal and the College's senior managers receive reports setting out key risk indicators and consider possible control issues. The Risk Register is regularly reviewed and amended as appropriate. Good progress has been made in implementing the risk management process at the College, however, it is recognised that there is still further work needed to ensure that the process is fully embedded at all levels within the organisation. The Audit Committee and Council also receive regular reports from internal audit and from the Safety Committee which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Council receives reports on risk and control from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.
13. The College maintains a register of interests of members of the Council. Any enquiries about the constitution and governance of the College should be addressed to the Secretary to the Council.
14. After making appropriate enquiries the Council has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the accounts.
15. The Council has reviewed the College's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute assurance against material misstatement or loss.

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To view this publication on the web please go to
www.rvc.ac.uk/annualreview.

Whilst all reasonable care has been taken in the compilation of this publication, the College can accept no liability which might arise from an unintentional inaccuracy. Readers are recommended to verify current circumstances for themselves whenever they need to do so.

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The College has charitable status.



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