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**The University of
Nottingham**

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Financial Statements

For the year to 31 July 2015



A truly global university

Contents

Vice-Chancellor's welcome	2
Treasurer's report	4
Strategy and risk	14
Public benefit statement	16
Governance	22
Report of the independent auditor	27
Statement of principal accounting policies	28
Consolidated income and expenditure account	32
Statement of consolidated total recognised gains and losses	33
Consolidated and University balance sheets	34
Consolidated cash flow statement	35
Reconciliation of net cash flow to movement in net debt	35
Notes to the accounts	36

Vice-Chancellor's welcome

When we launched our biggest-ever fundraising campaign in 2011 we had high hopes. We were ambitious. With colleagues across the University working together, I was confident that **Impact: The Nottingham Campaign** could reach its goal of raising £150m over five years. But I would never have predicted we would reach that goal a year early.





Ours is an institution with unmatched campuses, a truly international footprint and a global reputation

The success of the Campaign is a wonderful testament to the University and to what makes it great: its people, its alumni, its life-changing teaching and world-changing research. Ours is an institution with unmatched campuses, a truly international footprint and a global reputation. It has a long and distinguished history, and the success of this Campaign means it has a brighter future.

That success also means we can push on, reach higher and go further, in line with the aspirations laid down in our **Global Strategy 2020**. And that is why we've extended the target to £200m. I know that we can achieve that and look forward to working with colleagues – not to mention getting back in the saddle with my fellow Life Cycle riders – as we work towards realising this target over the next two years.

The year 2015 saw other notable milestones. Following the 10th anniversary celebrations for The University of Nottingham Ningbo China (UNNC) last year, this year we marked the 15th anniversary of The University of Nottingham Malaysia Campus (UNMC). As the first international campus of a British university it has been a trailblazer in the truest sense, and it has been wonderful to see UNMC growing and maturing over the last 15 years. Today it is recognised as one of Malaysia's elite higher education providers, with pioneering research centres like Crops for the Future benefitting from UNMC's international profile.

Milestones are as much about people as about campuses, and this year I was delighted to meet a unique individual at summer graduation. When Victoria Rowley walked across the stage to receive her certificate she not only received a first-class degree in Law, she also became our 250,000th graduate – a fantastic achievement for her, and a proud moment for all who belong to the University's global family of alumni.

In common with her peers and future cohorts to come, Victoria will be in demand among employers. The year 2015 saw Nottingham placed second in the High Fliers Research survey, which ranks UK universities according to how often they are targeted by top graduate employers such as BP, GSK, Google, PwC, the Civil Service and Teach First. This marks a third consecutive year in which Nottingham has been ranked either first or second on this key indicator, and reflects the first-class experience we offer to our students, and the personal development that takes place whilst they are here.

We continue to invest in the student experience. This year, with the help of one of our most generous alumni, we began work on the David Ross Sports Village on University Park. This £40m sporting complex will help us increase participation in sport at all levels – from halls of residence football teams to our elite student athletes nurturing medal hopes at Rio 2016 and beyond.

Students are also benefiting from our investment in learning – the expansion of the George Green Library into the new Engineering and Science Library has doubled the facility in size and provided a major increase in student study spaces and workrooms. The first phase of a major project in Portland Building – the home of our Students' Union – saw the ground floor remodelled and refurbished to offer better, newer facilities to the student body. We also opened The Barn, a brand new building that offers a step-change in facilities for students at our Sutton Bonington Campus.

In research, too, we continue to excel. The Research Excellence Framework (REF), published in December 2014, found that more than 97% of our research was recognised internationally, with wide-ranging impacts on society, the economy, health and wellbeing, culture, public policy and the environment. The results of the Research Excellence Framework placed us 8th in the UK by research power, a measure which takes into account both the quality of research and number of research-active staff. This was a huge achievement and a powerful confirmation of Nottingham as a leading global research-intensive university.

Underpinning this excellence is investment, and 2015 saw us reach new record funding levels with research awards of £186m – the highest level we have ever received. Excellence was recognised at the Times Higher Awards 2014, where Nottingham won 'Research Project of the Year' for Professor Harminder Dua's ground-breaking work to discover a new layer of the human eye.

Of course to continue to achieve excellence we must, from time to time, look at our structures and how we operate. This is why we undertook a comprehensive review of senior management arrangements in 2015, to ensure we have appropriate resource in place to meet the University's needs, to ensure we have accountability, and to improve the connectivity between 'the centre' and schools/professional services.

The review was focused on our requirements in delivering **Global Strategy 2020**. We now have a larger University Executive Board, but I believe this is what we need to ensure we have the appropriate scale and scope of academic leadership, and appropriate accountabilities for delivery of professional services.

I am confident we have a team which can help deliver the ambition set out in our Strategy for the next five years, and am invigorated by the prospect of working with such a talented group, dedicated to supporting the University's continued development and growth.

Professor Sir David Greenaway
Vice-Chancellor
The University of Nottingham



Treasurer's report

24,454

undergraduate students in the UK

8,743

postgraduate students in the UK

£593m

of total income in 2014/15

£119m

of research income in 2014/15

The University of Nottingham continues to be one of the leading research and teaching institutions in the world.

The University of Nottingham was described by The Times and Sunday Times Good University Guide 2015 as 'the nearest Britain has to a truly global university'.

The University of Nottingham is a large Russell Group University and one of the largest universities in the country – with:

- 24,454 undergraduate students in the UK
- 8,743 postgraduate students in the UK
- total income of £593m in 2014/15
- £119m of research income in 2014/15

Almost unique amongst UK Higher Education Institutions, The University of Nottingham also has two international campuses in addition to the UK Campuses. The overseas campuses are run as joint ventures with local partners located in:

- Ningbo, China with 6,031 students
- Semenyih, Malaysia with 4,665 students.

The University of Nottingham has retained its position among the best in the world – appearing 70th in the most recent 2015 QS World University Rankings – the 14th highest placed UK University.

The year 2012 saw the introduction of increased HEU undergraduate tuition fees of up to £9,000 per annum. This created considerable uncertainty across the Higher Education sector. Encouragingly, the number of applications to The University of Nottingham remains robust and targeted intake for the core home/EU undergraduate student group was achieved. The increase in the fees that institutions can charge is offset by a reduction in the grants from the government backed Higher Education Funding Council for England (HEFCE). Extra pressure is placed on University finances by the way fees are paid to universities by the Student Loans Company. Fees are paid in three tranches, October, February and May as opposed to historic monthly grant receipts which creates peaks and troughs in cash flow. Despite these challenges the University delivered a strong surplus, generated significant cash and made substantial investments in its infrastructure.

The year 2014/15 saw a continuation of the University's recent strong financial performance with a surplus for the year of £25m, in line with the 2014/15 budget and the University's performance for the last three years. Core undergraduate student demand remained buoyant and research awards were at record levels once again with underlying research income, before Research and Development Expenditure Credits (RDECs), slightly ahead of 2013/14 at £108m. However, one-off receipts from RDECs offset the impact on income of a lower than planned recruitment of international postgraduate students.

For 2015/16, the University has intentionally recruited higher than originally planned numbers of undergraduates, whilst maintaining planned entry tariff levels. This will provide greater financial stability and mitigate the risk of challenges in the overseas and postgraduate market.

Cash generation remains strong – with operating cashflows of £35m, compared to £51m in 2013/4 – supporting the University's investment plans.

Cash balances continue to be tightly managed with balances (cash at bank and short term investments) of £6m at 31 July 2015 compared to £4m at 31 July 2014. The University has also continued to make minimal use of the credit facilities available to it despite an increase in capital investment to £61m in the year. At the year-end the University had £13.4m outstanding bank borrowing, resulting in a net borrowing position (excluding cash held by the endowment fund) of £7.4m.

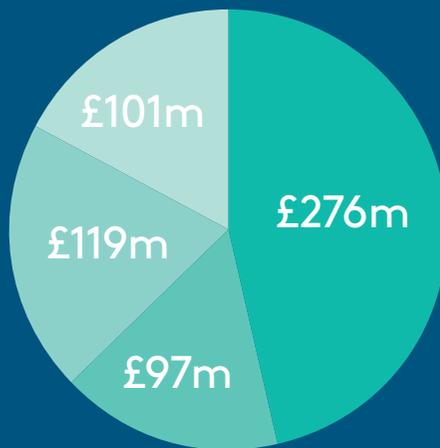
The University also embarked on an ambitious programme to transform the student administration systems, processes and organisational structures to provide a step change improvement in both the efficiency and quality of a wide range of processes. 'Project Transform' will implement a new student administration system across the University, both in Nottingham and in our campuses in China and Malaysia, ensuring a consistent experience for Nottingham students wherever they are.

Key highlights

2015

£593m

Total income



+£25m

Surplus

£596m

Total net assets



2014

£572m

Total income



+£25m

Surplus

£588m

Total net assets



Treasurer's report

EBITDA (£m/% of adjusted income)

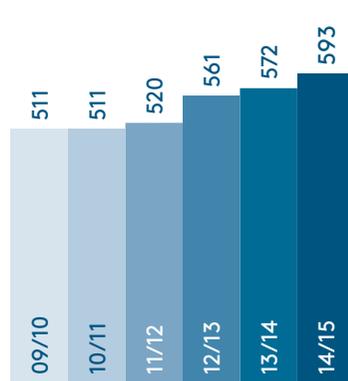


Earnings before interest, tax, depreciation and amortisation

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is now a widely used measure of underlying financial performance within the Higher Education sector. It measures operating performance and as such provides a high degree of comparability between universities. For the purpose of calculating EBITDA as a percentage of income, the impact of deferred capital grant releases is deducted from the headline income figure.

The University's performance against this measure remains strong at 6.1% of income – in line with last year. The University has a medium term target for EBITDA of 7% of income. This is slightly higher than most recent years and will generate additional resources to support increased future investment levels.

Total income (£m)



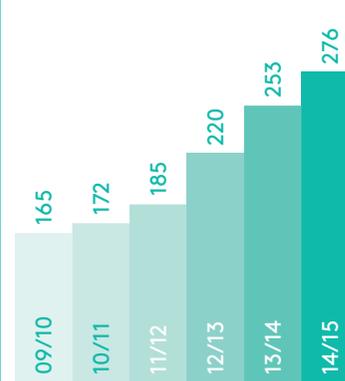
Income

Income increased by £21m (3.7%) compared to the prior year. The increase results from two sources – the continuing effect of the 2012/13 change in the tuition fee regime and £11.6m one-off income relating to RDECs. The increase in tuition fee income will slow in 2015/16 now that all students on 3 year undergraduate courses have moved on to the new regime.

Underlying research income (excluding RDECs) is slightly higher than last year as higher recent research awards feed into the Financial Statements.

The Orchard Hotel, opened by the University in November 2012 to complement the East Midlands Conference Centre on campus continues to perform strongly, contributing £10.1m to total income and a £2.4m surplus in 2014/15.

Tuition fees (£m)

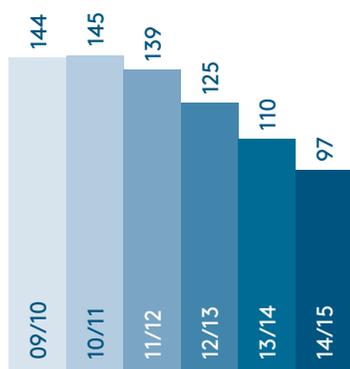


Tuition fees

The University maintained its high levels of demand for places and achieved its targeted undergraduate student intake for September 2014. Demand for postgraduate places was more volatile, with the University achieving lower than planned levels of recruitment for international students in this category. Despite this, overall tuition fee growth continues to be strong and the University has materially exceeded the September 2015 target for undergraduate recruitment. In line with 2014/15, the University expects a challenging recruitment cycle for international postgraduate students as a result of continued government visa policies and increasing international competition. Taken together, the increase in undergraduate numbers and the expected challenges in the overseas markets are expected to be broadly financially neutral to the University in 2015/16.

Tuition fees are £23m (9.1%) up on 2014/15 and now represent 46% of total University income compared to around a third historically. The increases in tuition fee income in recent years result mainly from the changes to the home/EU undergraduate funding regime from September 2012. These increases are partially offset by reductions in funding body grants.

Funding body grants (£m)



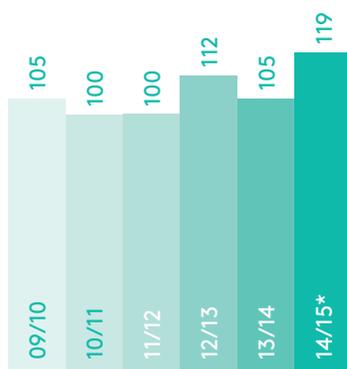
Funding body grants

Funding body grants – which consist mainly of support for home/EU undergraduates and support for research continue – to fall as expected. Funding body grants were down £13m on 2013/14 to £97m and now make up 16% of total University income

The fall in the proportion of income that is generated through grants is almost entirely attributed to the fall in support for home/EU undergraduates resulting from the 2012 changes to the way higher education is funded. This change in funding effectively switches the majority of funding from grants to tuition fees over time.

Research grants and contracts income (£m)

*includes £11.6m research and development expenditure credit income



Research grants and contracts income

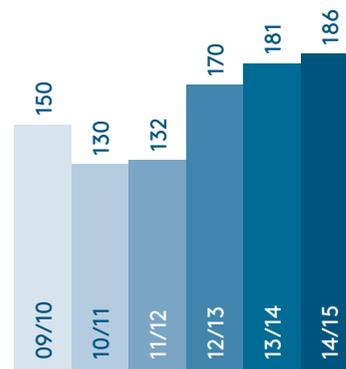
Income from research grants and contracts continues to be strong at £119m for the year. The order book remains strong for the years ahead as evidenced by the level of research awards achieved in recent years which will result in income recognised over a number of years.

Research income for the year includes £11.6m of one-off income from RDECs which is reported before tax within Research Income. The £11.6m income is subject to Corporation Tax of £2.6m giving net income to the University of £9m. On a comparable basis to prior years, excluding the impact of RDECs, underlying research income was £108m.

Research awards are the order book which sustains the University's research base. The year 2014/15 is another record year, winning £186m of new grants and improving the success of The University of Nottingham's Strategic Plan 2010-2015. This provides a robust platform for the replacement 2016-2020 Research Strategy with many of these secured awards generating research income for three to five years.

The University has a large and complex research portfolio with 1,035 awards won from multiple funders during the year. The 3 largest grants are: £13.3m from the Biotechnology and Biological Sciences Research Council (BBSRC) for a Doctoral Training Partnership to train 250 PhD students to tackle global challenges in agriculture and food security, industrial biotechnology, bioenergy and health; £7.7m from the Medical Research Council (MRC) to further develop the Sir Peter Mansfield Imaging Centre and £5.8m from the Engineering and Physical Sciences Research Council (EPSRC) to create and develop a quantum technology hub in collaboration with other UK higher education institutions.

Research awards (£m)

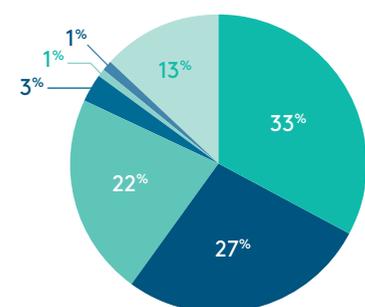


There are also a further 28 financial awards in excess of £1m totalling more than £52m.

While all these successes have been achieved through intense competition from other universities a growing feature of many large awards is a requirement to collaborate both within the University but also externally with other universities, industry partners and users of research such as the NHS, and international leading researchers.

The distribution of awards by faculty and by sponsor category is shown below.

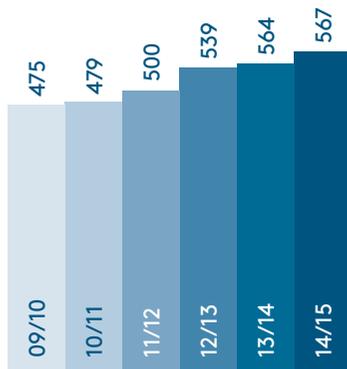
2014/15 Research awards: £186m



- Science £61m
- Medicine Health Sciences £50m
- Engineering £41m
- Social Sciences £6m
- Arts £2m
- Other £2m
- Research related (including CDTs and DTPs) £24m

Treasurer's report

Total expenditure (£m)



Expenditure

Total expenditure rose by £21m (3.8%) in 2014/15 to £567m. The overall increase in costs results principally from a £13.9m increase in staff costs.

Included within the University's costs are £50m (£47m in 2013/14) of scholarships and bursaries to a wide range of students, including:

- £14m to students from low income backgrounds to support their studies
- £13m to international students to encourage the most talented students to come to Nottingham
- £23m to postgraduate students to help those with the ability to further their studies at Nottingham; postgraduate scholarships and bursaries are often supported by external funding

Staff costs (£m/% of total expenditure)



Staff costs

Staff costs rose by £13.9m (4.6%) from 2013/14 to £315.5m and represent the largest element of total costs at 55.7% of total expenditure. This is up from 55.2% last year but broadly in line with the longer term average.

In addition to normal cost inflation, the increases in staff costs in 2014/15 are partly attributable to Project Transform – the programme to transform the University's student administration systems and is part of a major transformation of the University's Information Services function, and partly attributable to increased research activity, as evidenced by higher income recognised in the accounts. Staff costs are expected to rise further in the coming year as the impact of increases in employer's pension contribution and higher National Insurance costs take effect from April 2016.

Net assets (£m)

*includes the impact of the land valuation undertaken in 2012/13



Balance sheet

The University's net assets rose significantly in 2012/13 as a result of the revaluation of the University's land. The vast majority of the land owned by the University was donated and had therefore previously been included at no cost. This significantly underestimated the value of the University's assets.

Net assets remained stable, increasing slightly by £8m in the year to £596m.

Consolidated reserves (£m)

* reflects the land valuation undertaken in 2012/13



Reserves

Consolidated reserves (which excludes deferred capital grants) rose sharply in 2012/13 as a result of the revaluation of University-owned land.

This year saw an increase in consolidated reserves to £430m, with increases in both endowments and in the income and expenditure reserve partially offset by an increase in the FRS 17 deficit on the CPAS pension scheme.

Total endowments (£m)

**Endowments and donations**

The University continues to build a strong endowment portfolio, building on the successes of recent years. The University received a total of £7.4m (£6.5m: 2013/14) in cash gifts for the year split between £5.4m cash donations and £2m new permanent and expendable endowments.

The University's endowment fund increased by £3.6m in the year to £43.8m as a result of new endowments, capital growth of the assets and investment income retained within the fund.

The portfolio generated investment income of £1.2m in the year, of which £1m was expended by the University in line with the endowment restriction and £0.2m was retained in the fund.

Of the £7.4m received during the year, £3m (41% of the total) came from legacy bequests and £1.8m (24% of the total) came from 22 gifts of £25k or over. A further £1.2m (16% of the total) came from some 273 donations of between £1k and £25k. The remaining £1.4m (19%) came from a large number of donations of less than £1k – with a significant number of people and organisations donating for the first time.

Pensions

The last complete triennial actuarial valuation for the Nottingham Contributory Pension and Assurance Scheme (CPAS) was as at 31 July 2011 and saw the deficit increase from £50.5m to £80.1m. The 31 July 2014 valuation was almost complete at the balance sheet date and has resulted in a further increase in the deficit to £95.4m. The increase results mainly from the effect that low bond yields are having on the way the scheme's liabilities are calculated. A low expected bond yield means that more money has to be put aside now to cover the expected future costs of paying out pensions when they fall due.

On an FRS 17 basis at 31 July 2015, the CPAS deficit (as included in these Financial Statements) has increased to £105m (2014: £91m). During the year, the value of the scheme's assets rose by £16.1m (10.8%), but a reduction in the discount rate applied to the liability (linked to lower expected future investment returns) increased the value of the liability by £30.6m (12.8%).

The latest triennial actuarial valuation for the Universities Superannuation Scheme (USS) was carried out as at 31 March 2014. As part of the valuation process, significant changes to the structure and benefits of the scheme have been agreed and will be implemented from April 2016.

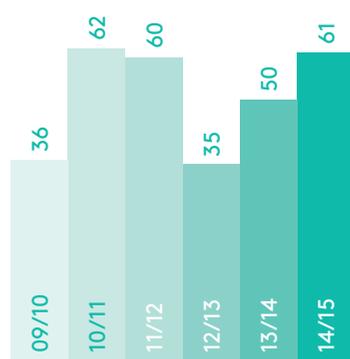
The final salary section of the USS scheme will close on 31 March 2016 with accrued benefits at that date revalued in line with CPI. All future accruals will be in the form of Career Revalued Benefits (CRB) which are intended to provide pension benefits in line with an employee's average salary over their career. A key further change is the capping of CRB benefits at a pensionable salary level of £55,000. Benefits above this salary level will be provided through a new defined contribution section of the USS Scheme.

The changes to the scheme are accompanied by a 2% increase in employer's contributions to 18% of pensionable pay and an increase in employee's contributions to 8% of pensionable pay from current rates of 7.5% for members of the final salary section and 6.5% for members of the CRB section.

The University's share of the USS deficit does not appear on the University balance sheet as the University's share of the assets and liabilities are not separately identified by USS.

Treasurer's report

Capital expenditure (£m)



Capital expenditure and financing

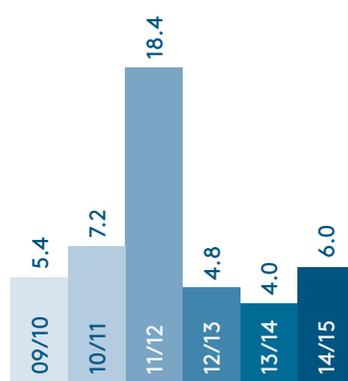
Capital expenditure in the year was £61m compared to an average expenditure of £49m over the previous 5 years.

Significant projects include:

- The David Ross Sports Village (£40m) is under construction and due for completion in summer 2016.
- The Science and Engineering Library on University Park (£19m) is nearing completion.
- The Barn, a new £9m amenities building was completed on the University's Sutton Bonington Campus.
- The GlaxoSmithKline Carbon Neutral Laboratory for Sustainable Chemistry on Jubilee Campus (£20m). The building was destroyed by fire in September 2014 prior to the handover of the building to the University by the contractor. The re-build is now well underway with the associated costs covered by the insurance provided as part of the construction contract. The building is now expected to open in summer 2016.

In addition to the projects under construction, the University has a significant pipeline of projects that will continue to maintain and enhance the estate into the future.

Cash balances (£m)



Financing

At 31 July 2015 the University had £6m of cash and short-term deposits (31 July 2014 £4m).

The University has continued its policy of holding minimal cash balances whilst retaining a significant and flexible borrowing facility available to support both short and long term financing requirements. As at 31 July 2015, the University had £13.4m of outstanding borrowings resulting in overall net borrowing (excluding £6.5m of cash held within the endowment fund) of £7.4m.

At the balance sheet date, the University has a committed facility to borrow up to £109m. This consists of a £94m revolving credit facility and a £15m multi-option facility. Interest on the University's loans from the Royal Bank of Scotland is at a rate linked to LIBOR. The available revolving credit facility reduces to nil on a straight-line basis, over 25 years, from October 2010.

The University has the ability to drawdown and repay its borrowings as required to manage its cash requirements. The University's approach is to minimise its borrowings thereby carrying limited cash reserves. Surplus cash is only invested with counterparties for short periods. All counterparties are approved by the University's Finance Committee, with a maximum of £15m being deposited with any counterparty.

Net cash inflow from operating activities (£m)



Cash and liquidity

Net cash inflow from operating activities in the year was strong at £35m (2013/14: £51m).

The decrease in net cash inflow from 2013/14 and 2014/15 is detailed in Note 26 and results primarily from an increase in debtors which is only partially offset by an increase in creditors.

The cash generation figure of £35m is in line with the £36m EBITDA figure for the year.

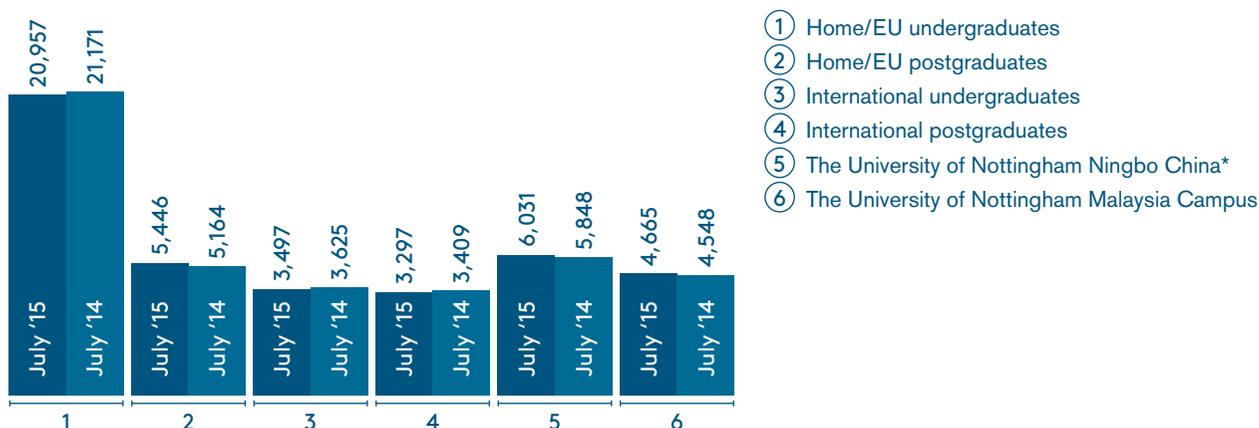
Continued high levels of cash generation will be required in future years to support increased investment in University infrastructure.

Credit Rating

In July 2015 the University maintained its "AA- Outlook Stable" credit rating from Standard & Poor's – a rating the University has held consistently for over ten years.

Student analysis

*excludes students who are undertaking part of their studies in Nottingham.



Student analysis

The total number of students enrolled across all campuses in 2015 increased by around 130 to 43,893. Numbers across all areas have remained relatively stable with a small reduction in the number of UK based students more than offset by an increase in students at the University's Malaysia and China campuses. The reduction in the number of UK based students results from a combination of a shortfall in overseas postgraduates recruitment and undergraduate cohorts from high intake years completing their studies and being replaced by slightly lower intake cohorts.

Looking forward

The University has demonstrated strong financial performance in recent years and has sound, credible plans in place to continue to deliver sustainable financial performance into the future.

There are significant challenges ahead:

- The planned 2015 Comprehensive Spending Review (CSR) creates significant uncertainty and the potential for further HEFCE funding cuts – both revenue and capital – as the Funding Council seeks to balance its own books and respond to any changes in the budgets available to the Government department.
- Implementing Project Transform to transform the student administration systems, processes and organisational structures across the University's three campuses in Nottingham, China and Malaysia.
- The challenge of maintaining and increasing international student demand in the context of increasing competition for students from other universities across the world.

- Growing research income and margin in the context of increasing competition and potentially lower margins, with an increasing proportion of awards relating to equipment which have little or no margin.
- Delivering an ambitious investment programme including both capital expenditure and significant back-office transformation programmes.
- The cost of pensions, both the University's own CPAS scheme and the University's share of the USS scheme will rise in the coming years which will result in the University's cost base rising, with 56% of overall costs now relating to staff.
- Implementing the changes to accounting practices and process that will be required by the new FRS 102 compliant Statement of Recommended Practice for Higher and Further Education. These changes will fundamentally alter the presentation of the University's financial statements and will introduce greater volatility to the income and expenditure account and therefore less comparability over time.

The University is working hard to deal with these challenges.

- Our international reputation, as evidenced by the University's world ranking, makes The University of Nottingham Ningbo China and The University of Nottingham Malaysia Campus attractive to students across the world.
- Student recruitment remains strong. Early indications for 2015/16 are that recruitment targets will be materially exceeded for undergraduates which is expected to offset lower than planned recruitment of international postgraduate students

- The University has completed the process of developing Global Strategy 2020 which sets the University's priorities for the next five years and is now in the process of defining the work that will be required to achieve the strategy's objectives.
- The University has built the capacity for major investment in support of teaching and learning, student experience and research facilities into its forward financial plans.

Conclusion

The University continues to report strong financial performance whilst investing in core student services and infrastructure. Income levels are being maintained, although there are significant challenges for all universities in developing international markets where the UK Government's visa policy and international competition are significant threats. Cost pressures in all areas continue to build, most significantly staff cost pressure. In response, the University is focussing on increasing the efficiency of its operations, through initiatives such as Project Transform, which will ensure that we can continue to invest in core teaching, research and the student experience, and deliver our ambitious Global Strategy 2020.

Steve Walton,
Treasurer and Chair of Finance Committee
November 2015

43,893
students worldwide





24,454

undergraduate students in the UK

8,743

postgraduate students in the UK

6,031

students in The University of Nottingham Ningbo China

4,665

students in The University of Nottingham Malaysia Campus



Strategy and risk

Strategic plan

The University's Council approved the University's Global Strategy 2020 in July 2014. The University community at all campuses had been actively engaged in the process.

The year 2014/15 has been regarded as a transition year from the previous University Strategic Plan 2010-2015 to the Global Strategy 2020.

As part of this transition, work was undertaken to articulate the top-level initiatives needed to achieve the goals in each strategic theme, including broadly when and how they would impact on academic schools and professional services. In parallel all academic schools and professional services articulated how they would contribute to the success of the University strategy. The resourcing framework was reviewed to challenge and support both approaches.

Risk management

To facilitate risk management in a complex, international university, the University's Risk Management Framework includes:

- an enterprise-level University Risk Register articulating risks which affect the international, tri campus university
- entity-level risk registers articulating risks affecting each country campus
- unit-level risk registers articulating risks affecting each school or professional service and each major initiative

This structure is designed to provide clarity, transparency and direct accountability of risk management activities, and to encourage escalation of risks when appropriate.

The Global Strategy 2020 identifies seven key risks to its achievement. Both the Council and the University Executive Board engaged in discussions and workshops to identify the main underlying risks. The outcome was then agreed.

A University Executive Board member has responsibility for managing each of the enterprise-level risks. There is an emphasis on using objective measures to indicate assurance or concern wherever possible. This will provide objective, risk-based analysis to support decision-making across the University.

The University Risk Register is updated regularly by the University Executive Board and reviewed by the Audit and Risk Committee.

Principal risks and uncertainties

The University's managed risk appetite is shown through its initiatives and ventures.

The University's presence in the UK, Malaysia and China offers significant opportunities to our staff and students. Being a partner in two internationally-based joint ventures carries risks and uncertainties. These are managed by working closely with our joint venture and other local partners. Staff mobility between the campuses is encouraged and leads to better understanding and strengthens relationships.

Across higher education, funding availability – whether in the market for student recruitment or research awards – continues to be increasingly competitive and unpredictable. Combined with uncertainty about funding availability resulting from government cuts to HEFCE funding and the forthcoming Comprehensive Spending Review, our income sources are increasingly unpredictable.

The University's Global Strategy 2020 is part of its response to this with its focus on long-term sustainability, income diversification, and prioritising excellence in our core teaching, learning and research activities. New governance arrangements have been introduced to support this, and a number of Pro-Vice-Chancellor roles have recently been recruited through external competition for the first time in the University's history.

Both the Universities Superannuation Scheme (USS) and Nottingham Contributory Pension and Assurance Scheme (CPAS) were undergoing their triennial valuation at 31 July 2015 with the results in the process of being finalised at that time. The University will face increased future costs in the form of higher employer's contributions for both schemes. Increases have been planned into the University's financial projections as far as

possible when the projections were completed in June 2015. The actual cost is not expected to be materially different from that assumed in the projections. Changes are also being implemented to the benefits structure of the USS scheme. These changes have been accepted by all sides and will be implemented from April 2016. No changes to the structure of the CPAS scheme are planned as a result of the valuation.

Other principal risks to achieving Global Strategy 2020 are that we are unable to sustain and improve the required academic quality and profile to achieve our ambitions in the increasingly competitive international HE environment; and that we are unable to deliver a responsive student experience relative to our students' expectations, our own ambitions, and our competitors' performance. A number of global transformation programmes – including a major transformation programme covering core student administration systems – and other targeted investments are being developed to mitigate these risks and the Risk Management Framework is structured to enhance our ability to monitor the risks and respond to any issues that arise.



The University's presence in the UK, Malaysia and China offers significant opportunities to our staff and students. Staff mobility between the campuses is encouraged and leads to better understanding and strengthens relationships



Public benefit statement

The University of Nottingham is an exempt charity. The University and the Council have had regard to the Charity Commission's guidance on public benefit, and the Council has noted the number of ways in which the University has delivered its charitable purposes for the public benefit.

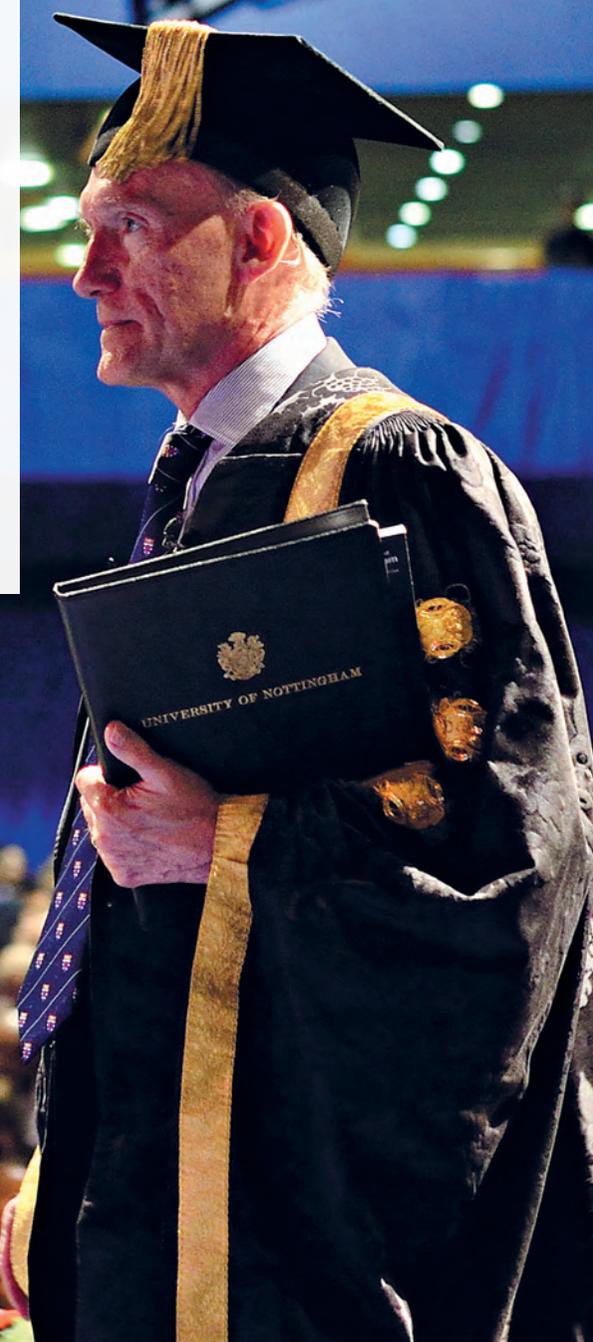
During the year, the University completed the development of Global Strategy 2020. The vision for the University set out in Global Strategy 2020 builds on the words of Sir Jesse Boot in 1928 at the opening of the University:

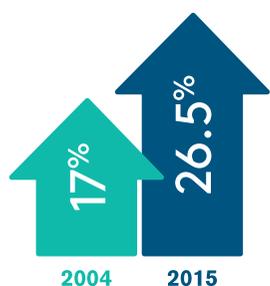
"At the moment of the opening by His Majesty the King, when the stones of the coming University are still unweathered by time, it is difficult to appreciate the full significance of this educational development. Thousands of students as yet unborn will pass along the corridors and learn in the lecture rooms, and wrest the secrets from nature in the laboratories. Their work will link still more closely industry with science, add to the honour of our city and help to increase the well-being of our nation."

The University's core values remain, however, almost 90 years of globalisation and technological developments make the world a very different place and our vision for 2020 needs to reflect these changes. The University's vision for 2020, as set out in the strategy is as follows:

'The University of Nottingham is an inspiring place of learning and scholarship that transforms lives through.'

- offering an outstanding, broad-based, international education to talented students
- developing skilled, reflective global citizens and leaders
- undertaking fundamental and transformative discovery
- being committed to excellence, enterprise and social responsibility
- sustaining and improving the places and communities in which we are located
- being engaged internationally to enhance industry, health and wellbeing, policy formation, culture and purposeful citizenship'





Over 26.5% of UK students entering the University in September 2014 were from low-income backgrounds, up from 17% in 2004.

Widening participation

The University has two aims in widening participation: first, to enrol and retain, on all UK-based courses, UK students who are currently under-represented at the University; secondly, to contribute to regional efforts to raise aspirations, attainment and progression to higher education.

For home students from less advantaged backgrounds there are a wide range of means-tested bursary and scholarship schemes. These funds provide an additional source of non-repayable financial help. They are paid direct to the student on top of any other student loans or grants received.

In 2014/15 the University provided means-tested financial support to nearly 40% of home undergraduate students. Additional funds were also provided to international students. We surveyed our first-year core bursary recipients in March 2015; respondents indicated that the prospect of receiving a bursary influenced 35% of them to go to university. Amongst students on the lowest incomes (up to £15,000), 42% said that the level of bursary was important in their accepting an offer. The survey has also provided clear evidence of the value of financial support in enabling students to benefit from their university education: 87% reported that our bursaries reduced the need for them to work part-time during study, while for 94% bursaries reduce their worry over the cost of going to university.

The University has the ongoing aim of maintaining continuation rates for students from low participation neighbourhoods at over 94%. The University usually exceeds this target, with figures over the past four years ranging from 94.6% to 97%.

Since 2010 our widening participation outreach activity has trebled its outputs. Nottingham Potential is a £6m expansion of the University's widening participation outreach for learners from less advantaged backgrounds. In 2013/14, these learners benefitted from nearly 72,000 places on our activities, with even more places delivered in 2014/15. Our own students assist on many activities, acting as role models and gaining valuable skills in the process. Highlights over the past four years include the following:

- We have established three Nottingham Potential Learning Centres, in partnership with IntoUniversity, in less advantaged communities across the city, providing after-school homework support and other activities.
- Places on our July summer schools for higher achieving students have doubled from 200 to 400.
- Our Ambition Nottingham support programme for higher achieving students now runs from the first year of secondary school through to sixth form.
- We run the Pathways to Law and Pathways to STEM programmes, in partnership with the Sutton Trust.
- Our primary schools' programme has grown in both scale and reach, with a focus on discovering university through curriculum-linked activities.
- Our long-standing work with mature students now includes more measures to aid successful transition to The University of Nottingham.

Our comprehensive evaluation strategy for Nottingham Potential, developed in partnership with the Sutton Trust and the Centre for Evaluation and Monitoring at Durham University, measures the impact of our work on young people's attainment, attitudes and progression to further and higher education. We can see that our outreach work is yielding results. Students from local widening participation schools and colleges comprise 10-11% of our intake, up from 4% in 2002. Of those who participate in our summer schools, over 20% successfully take up places at The University of Nottingham, and 30% at other selective universities (including Russell Group universities).

Special entry pathways ('gateway' Year 0 courses) facilitate the entry of students from widening participation backgrounds to Medicine and Veterinary Medicine.

In terms of our own intake, the University has made excellent progress in widening participation over the last ten years. Over 26.5% of UK students entering the University in September 2014 were from low-income backgrounds, up from 17% in 2004. The target for 2019/20 is 28.25%.

Widening participation is supported by funds from a range of sources: additional fees income, philanthropic support and the HEFCE Student Opportunity funding. Philanthropic support generally provides about one-third of the budget for outreach, thus helping even more local learners to reach their potential. It also allows us to enhance the financial support we provide our own students, ensuring that a University of Nottingham education provides all our students with fair and equal opportunity to succeed, both as undergraduates and subsequently within society.

The Office for Fair Access (OFFA) expects that universities recruiting low proportions of low-income students should spend between 30% and 35% of higher fees income on widening participation. The University of Nottingham's total OFFA-countable expenditure on access and widening participation in 2013/14 was £12.6m, or 25.4% of higher fees income:

- £1.6m on outreach and student success
- £10.1m on fee waivers, bursaries and scholarships for new and continuing students

The figure for 2014/15 will rise to approximately £14m and closer to 30% of higher fees income, due to the addition of another cohort paying £9,000 fees and receiving higher bursaries. Total expenditure will rise further to £16.7m by 2015-16, then (due to a reduction in bursary arrangements) fall to £15.6m in subsequent years.

Public benefit statement

Academy relationships

The Nottingham University Samworth Academy (NUSA) provides a high-quality educational facility for pupils from one of the country's most deprived inner-city areas. NUSA is co-sponsored by Sir David Samworth CBE, his family and The Samworth Foundation, together with The University of Nottingham. The Torch Academy Group is the educational partner for NUSA and provides assistance and support to the school through a partnership agreement. Admissions criteria are set so that pupils living in the catchment are given priority, ensuring that overall improvement in the performance of the academy is not achieved at the expense of a fall in the number of pupils entitled to free school meals. The academy also provides out-of-hours facilities for pupils, including summer schools, and an expanding range of activities for the local community. University staff and students work alongside NUSA staff to develop an innovative curriculum, designed to raise attainment and aspiration in an area with little previous exposure to the world of Higher Education. In 2013 the NUSA Trust took on the sponsorship of Firbeck Primary School, one of NUSA's 'feeder' primary schools, as a step towards encouraging an all-through approach to education in the locality, and to resolving the problems caused at secondary level by poor achievement at age 11.

Nottingham University Academy for Science and Technology (NUAST) is co-sponsored by the University and the Djanogly Learning Trust. The Torch Academy Group is the academic partner for NUAST and manages the school on a day-to-day basis with the Head of the institution reporting through to the Chief Executive of Torch. NUAST received its first cohort of students in September 2014 and opened fully in January 2015 on a site in Dunkirk, near to University Park Campus in Nottingham. Its aim is to provide an inspiring and business-focused educational choice for around 650 students aged 14-18.

With a focus on overcoming local and regional skills shortages and employment needs, the core specialist areas for NUAST are Engineering, Science and Information Technology. The NUAST curriculum offers a range of experiences that provides innovative opportunities for learning. It aims to develop young people so that they become entrepreneurial, independent, interdependent and confident learners. Working with employer partners, the curriculum model blends real work-based learning and academic rigour.

Internationalisation

The University encourages and supports its students to undertake some form of international mobility – whether via exchanges with other universities, completing part of their courses at the campuses in Asia, or by study or work placements abroad. As a result, over 20% of students have some form of international experience while studying at Nottingham, which is among the highest in the UK.

International students can take advantage of one of the UK's largest scholarship portfolios. As well as scholarships run by the International Office, many of the University's schools and departments also have their own scholarships that can be applied for.

Volunteering and Fundraising

Engagement initiated by the University's academic schools continues to grow, increasingly in the form of formal projects, some with external funding and curriculum links. These include, for example, Open Air Laboratories (OPAL), Routes into Languages and the Further Maths Centre. Staff also volunteer to contribute to outreach organised by the Widening Participation team: well over 130 (mostly academics) provide masterclasses, academic sessions for summer schools and other activities. The input by staff in academic schools is estimated to be worth over £600k per year.

Engagement by students also continues strongly, with approximately 80 students participating in formal schemes such as Undergraduate Ambassadors and in the Teacher Associates and Inspire Mentors schemes, the latter two run in collaboration with Nottingham Trent University. A further 200 students support the Widening Participation team's activities as Student Ambassadors and/or Summer School Ambassadors, 110 volunteer to work in our IntoUniversity centres and 250 volunteer to lead enrichment activities for primary school pupils.

The University of Nottingham Students' Union charity organisation, Karnival, is now the largest student-led fundraising group in Europe, after raising a record £1.8m during 2014 for good causes.

The total was achieved after students organised a series of fundraising events throughout the year. These included summer challenges to Mount Kilimanjaro and South America, cycle trips across countries as well as large-scale fundraising events in Nottingham and rag-raids across the UK.



Over 130 (mostly academic) volunteers provide masterclasses, academic sessions for summer schools and other activities, estimated to be worth over £600k per year.



£1.8m

The University of Nottingham Students' Union charity organisation, Karnival, is now the largest student-led fundraising group in Europe, after raising a record £1.8m during 2014 for good causes.

November 2014 saw the launch of the Nottingham City Stemworks initiative. As part of this, The University of Nottingham led on the pilot year of The Nottingham Festival of Science and Curiosity, taking place in March 2015. The Festival successfully engaged with around 5,000 citizens in STEM (Science, Technology, Engineering and Mathematics) learning activities both in the classroom and in the community. Over 30 academics from across the STEM subjects at the University volunteered to lead public engagement activities in schools, shopping centres and libraries.

A wide range of small and medium businesses have benefited from the skills and facilities at The University of Nottingham. The University's Business Engagement and Innovation Services team works closely with SMEs as part of a knowledge transfer partnership or through their employment of our consultants on research projects to increase their competitive edge. The Careers and Employability Service offers a free vacancy advertising service for businesses. It proactively develops relationships with organisations across all sectors to enable them to benefit from student and graduate talent.

The University is committed to the city of Nottingham and the local communities and believes it is essential that staff and students see themselves as part of the larger global community.

Many alumni and members of the community are already giving their time to help inspire our students and support our research. In autumn 2015, the University launched a volunteer programme to provide more volunteer opportunities.

During 2014/15, the University has reached its ambitious target of raising £150m in charitable donations through Impact: The Nottingham Campaign. Overall donor numbers have increased significantly to 6,360, compared with 4,939 in 2013/14. Significant pledges secured this year include £7.5m from Nottingham alumnus and Carphone Warehouse founder, David Ross (Law, 1987) towards the University's new state-of-the-art £40m David Ross Sports Village and £960k from The Stoneygate Trust to support research towards understanding the causes, treatment and outcomes of childhood brain tumours. The David Ross donation will be the biggest single gift that the University has received from one of its graduates.

This year has been the University's most successful to date in terms of legacy fundraising. Significant legacy bequests received include £1.278m from Miss Joan Browne to establish The Joan Browne Scholarship Fund to support University medical students, £974k from Dr Ron Haylock to establish the Ron Haylock Memorial Fund and £519k from Mrs Mabel Harrison to the Hallward Library to establish The Lloyd Harrison Fund, named in her husband's memory.

The University's Cascade Fund is maintained through charitable donations and awards up to £25k to student projects that will enrich the lives of our students and people across the world. This year, Cascade has disbursed £204k to fund 41 student projects that have had a significant impact on communities, both locally and globally.

After three successful Life Cycles, the Vice-Chancellor and his team were back in the saddle again in August 2014 for the charity cycling challenge Life Cycle 4. They covered over 1,400 miles in two weeks of cycling taking in all four corners of Great Britain in aid of Children's Brain Tumour Research. Each rider completed the challenge in honour of a child who has battled this life-threatening disease. With the backing of the families of those affected and the support of the community, the total reached in excess of £750k.

The Life Cycle 5 challenge was a series of rides taking in some of the hilliest parts of England and Scotland, including the 'Way of the Roses', 'Lochs and Glens North' and four sponsored rides for the community. Life Cycle 5 raised funds to apply the University's world-leading expertise in MRI scanning to the study of dementia and other degenerative conditions of the brain. To date Life Cycle 5 raised £345k, bringing the total for all five Life Cycle events to over £1.7m.

In October 2015, the University announced plans to extend the Campaign for another two years, raising our target to £200m in charitable donations and introducing a target of 1000 volunteers to support students to fulfil their potential and to fund world-changing research.

Arts and culture

The University continues to support and promote the arts and culture both within our local area and across the University's international campuses. Nottingham Lakeside Arts is now a well-established venue and continues to use its unique position within the University to stage events that bring all our stakeholder communities together.

This year saw the first tri campus arts programme with 15 students from each international campus coming to Nottingham in June for a 10 day event including intensive workshop programmes and masterclasses in drama; sectional coaching, conducting coaching and performance development in the orchestra and choir.

Lakeside was also a partner in the first public Diwali event on campus in November 2014 and hosted the second Afrovibes Festival in partnership with UK Arts International, as one of 12 venues nationwide platforming extraordinary theatre and dance from South Africa.

Inside Out of Mind – a theatre experience which explores the reality of living and working with dementia – was one of seven projects to be shortlisted for the National Lottery's award for Best Arts Project. Alongside the University's financial support, the production was also funded by Arts Council England, The Royal College of Nursing and a range of East Midlands health care training trusts – a strong example of partnership working to deliver a powerful and effective platform for the outcomes of academic research.



Public benefit statement

Sustainability

The University of Nottingham continues to be recognised as a leader in the field of sustainability and through 2014/15 was ranked as the most sustainable university in the world by coming top in the UI GreenMetric World University Ranking.

We have a longstanding commitment to institution-wide environmental excellence. We have significant internationally recognised research strengths and teaching and learning in the field of sustainability and our estates operations are built on a strong environmental ethos and by adopting progressive environmental strategies in our capital projects we have embedded sustainability at the heart of our operations.

We recognise that we have a responsibility to the environment and, as an educator of future generations, many of whom will be at the cutting-edge of research and captains of industry, we influence our students through our curriculum, teaching and research and also by their surroundings, the campus experience and through the leadership of the University. Alongside the GreenMetric ranking we have received further recognition, including:

- Winning a prestigious Green Flag award for the third year in a row on Jubilee Campus and for the 12th year on University Park Campus.
 - Ranking 9th in the world according to the DesignCurial survey which covers thousands of universities across the globe. The survey takes factors such as green architecture, innovative green technologies and other green initiatives into account.
 - Winning the award for Best Sustainability Project at the Guardian University Awards 2015 – the Helium Recovery and Recycling Initiative won the Sustainability Project award for increasing the efficiency of energy consumption at the University.
 - Four nominations for the 2015 Green Gown Awards for our work on carbon management; Creative Energy Homes; Helium Recycling and the social enterprise activity of Enactus Nottingham.
- In 2014/15 the University continued to invest in its infrastructure to reduce its environmental impact and maximise its positive contribution to the local, national and international community. In particular:
- Retendering the waste management contract to reduce waste to landfill, minimise waste generation and increase recycling with the award to Wastecycle across the UK campuses.
 - Investment in a cleaner, more efficient fleet of operations vehicles including nine electric vehicles as part of the University's sustainability strategy and in line with the City of Nottingham's wider commitment to electric vehicles. Benefits include zero CO₂ emissions at source, resulting in cleaner air and cutting the University's carbon footprint, reduced running costs (at around three pence per mile); quiet running and reduced noise pollution.
 - Investment at Sutton Bonington Campus to reduce carbon emissions, costs and improve reliability with the installation of a combined heat and power (CHP) unit to simultaneously produce heat and electricity for use in our buildings. The CHP can deliver approximately 40% of the site's electrical and heating needs. The unit is expected to produce annual savings of £260k and reduce CO₂ by 1,150 tonnes for a total installed cost of £1.35m and is expected to be operational by November 2015 in time for the winter heating season.
 - Investment in the Medical School where energy costs are significant and resilience is important to support teaching and research activity. Capital investment was committed in 2014/15 to install 2 high efficiency cooling units to provide chilled water to meet approximately 75% of the building's needs. The chillers are expected to provide annual energy cost savings of £220k and reduce CO₂ by 790 tonnes. Further investments in the Medical School are also planned including investment in the building's fabric and lighting schemes.



Jubilee Campus has won the prestigious Green Flag award for the third year in a row.

Governance

Responsibilities of the University's council and structure of corporate governance

The University is a corporation formed by Royal Charter and is an educational charity, with exempt status, regulated by the Higher Education Funding Council for England (HEFCE) in its capacity as Principal Regulator. The Council, as the University's governing body, is responsible for overseeing the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The University is committed to best practice in corporate governance. The Council notes the Combined Code on Corporate Governance and the HEFCE Accounts Direction requirements. In addition the University has had regard to the Higher Education Code of Governance (the Code) published by the Committee of University Chairs (CUC). In response to the Code and in accordance with overall good governance the Council periodically reviews the role of the Council and its effectiveness. The most recent review of the Council's effectiveness concluded in 2010 and confirmed that governance arrangements were well aligned with the Code. A number of enhancements were introduced following the review and a reduction in the size of the Council, to 25 members, took effect from the start of the 2011-12 session. Further changes to the Council's operations have since been introduced arising from the Effectiveness Review and as a result of changes to the University's Charter and Statutes as approved by Privy Council in 2010. Another effectiveness review of the Council has taken place with the process to be completed in 2015-16.

In order to comply with the Code the Council approved the following Statement of Primary Responsibilities in March 2010 (subsequently modified following changes to the Charter and Statutes in July 2010).

Statement of the role and primary powers and responsibilities of University Council:

Role

The University Council is the governing body of the University. It is responsible for overseeing the University's activities, determining its future direction and developing and sustaining an environment in which its mission is achieved and learning is fostered.

The Council is responsible for ensuring compliance with the Charter, Statutes and Ordinances regulating the University and its governance framework. Subject to these it makes all final decisions on matters of fundamental concern to the University.

Membership and meetings

The Council has a clear majority of external members who are independent of the University. Its membership also includes the Vice-Chancellor and members drawn from the Pro-Vice-Chancellors. Recognising the distinctive characteristics and requirements of a university, the Council also includes members elected by and from the Senate and student members, the President of the Students' Union and one other student. Council meetings are also attended by the Registrar and Chief Financial Officer.

Members of the Council must conduct themselves in accordance with accepted standards of behaviour in public life – including those relating to conflicts of interest. These require selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

All members of the Council, including Senate and student members, are under an obligation to make decisions solely in accordance with the best interests of the University and should not act in accordance with the interests or delegations of the constituencies by which they are elected. Student members are not present when specific matters relating to individual members of staff and their remuneration or individual students are discussed.

The Council normally meets six times a year. The Registrar is the Secretary to the Council.

External members are elected for terms of four years and may serve for two terms, although if elected as an Officer of the University their previous service is disregarded for the purpose of calculating terms.

Primary powers and responsibilities: Overall powers and responsibilities

1. To approve the mission and strategy of the University and its academic and business plans;
2. To ensure that processes are in place to monitor the performance and effectiveness of the University against plans and agreed performance indicators and benchmarking against comparable universities;
3. To appoint the Vice-Chancellor, after considering a report from a Joint Committee of Council and Senate (which is chaired by the President of Council) and to put in place arrangements for monitoring the Vice-Chancellor's performance and providing feedback;
4. To delegate authority to manage the University to the Vice-Chancellor, who is the Chief Executive of the University. This includes its corporate, financial, estate and personnel management. The Council will regularly review the policies, procedures and limits for delegated authorities;
5. To act as the principal financial and business authority of the University; including approving annual audited financial statements, appointing external auditors, approving budgets and financial plans, approving transactions, contracts, leases, investments and banking arrangements (subject to approved delegated limits), ensuring the maintenance of proper accounting records, having overall responsibility for the University's assets, property and estate, having overall responsibilities for the University's liabilities, including pension liabilities (subject to approved delegated limits) and acting as trustee for legacies, endowments, bequests or gifts;

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6. To ensure the establishment and monitoring of effective systems of internal control and accountability, including financial and operational controls and the management of conflicts of interest. To establish appropriate procedures for internal audit and monitor the results of internal audit work;
7. To ensure procedures for assessing risk and risk mitigations and controls, consider the assessments arising and ensure that appropriate actions are taken to respond to risk;
8. To receive reports on and consider teaching and research and pastoral care and student development;
9. To be the employing authority for all of the staff employed by the University and to approve and monitor its human resources strategy and practices;
10. To establish and receive reports from a Remuneration Committee, comprising external members, which determines the remuneration of the Vice-Chancellor, approves proposals from the Vice-Chancellor for the remuneration of senior management and professorial staff and reviews overall remuneration and remuneration policies;
11. To establish delegated procedures for the appointment of staff and the approval of contracts with staff and to appoint external members of the Council to Appointment Committees dealing with senior appointments or appointments when the involvement of external members of the Council would be appropriate;
12. To appoint Committees for hearing grievances and to consider redundancies and appeals in relation to employment matters and to receive reports from the Committees and, where relevant, approve the recommendations of the Committees;
13. To ensure that non-discriminatory systems are in place to provide Equality and Diversity of opportunity for staff and students and to monitor their effectiveness;
14. To have ultimate responsibility for the Health and Safety of employees, students and others affected by its operations. This responsibility includes ensuring that there is a written statement of policy, arrangements for the implementation of the policy and appropriate monitoring;
15. To be the University's legal authority, ensuring that processes are in place for managing legal obligations arising from contract and legal commitments and ensuring they are complied with;
- Other powers and responsibilities**
16. To propose amendments to the Charter and to draft and enact Statutes, provided that Senate is given the opportunity to submit reports on any proposals for change to the Charter or Statutes, and to approve Ordinances and Regulations;
17. If necessary to appoint an Acting Vice-Chancellor;
18. To appoint a Chancellor;
19. To elect the President of Council to act as its chair and to elect Pro-Chancellors, the Treasurer and the Vice-President of Council;
20. To appoint external members of the Council on the recommendation of the Nominations Committee. The Nominations Committee is responsible for the recruitment and assessment of possible candidates and for considering and making recommendations on the appropriate balance and diversity of skills, expertise, attributes and backgrounds within the Council;
21. To establish appropriate procedures for rotation and induction of members;
22. To appoint annually the Chairs and the external members of Council Committees and to approve the terms of reference of Council Committees;
23. To delegate in accordance with Ordinances the appointment of Emeritus Professors and Honorary Professors, Readers, Lecturers or Fellows, to regulate the conferment of Honorary Degrees and to establish delegated procedures for appointing external examiners;
24. To approve the expulsion of students;
25. To establish processes to monitor and evaluate the effectiveness of the Council; including a formal review to be conducted at least every four years;
26. To exercise all such powers as are or may be conferred on the Council by the Charter, Statutes, Ordinances and Regulations and to ensure compliance with the University's Charter, Statutes, Ordinances and Regulations;
27. To appoint a Secretary in accordance with Statutes and Ordinances and ensure that there is a direct and effective line of accountability to the President of Council in relation to Council business;
28. To oversee the Students' Union;
29. To select a Seal Arms and a Mace for the University and have the sole custody and use of the Seal.

Governance

In 2014/15 the Council of the University comprised the Vice-Chancellor, up to 14 external, two student and eight academic persons appointed under the University's Statutes, the majority of whom are non-executive. The role of President of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the University's Statutes. By custom and under the Higher Education Funding Council for England (HEFCE) Financial Memorandum, the Council is responsible for the University's ongoing strategic direction, approval of major developments and receiving regular reports from Executive Officers on the day-to-day operations of its business and its subsidiaries. The Council meets six times a year and has several Committees, all of which are formally constituted with terms of reference. The key Committees are noted below.

The Finance Committee, which includes in its membership a majority of external members, inter alia recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The Committee also reviews major investment decisions prior to final approval by the Council.

The Council Nominations Committee considers nominations for vacancies in the Council membership in accordance with Statute 6.

The Audit and Risk Committee comprises only external members and meets at least four times annually, with the External Auditor, to discuss audit findings, and with the Internal Auditors, to consider internal audit reports and recommendations for the improvement of the University's systems of risk management, internal control and governance, together with management's response and implementation plans and with the Senior Strategy and Risk Analyst to consider the University Risk Register and the effectiveness of the mitigations to the main risks affecting the activities of the University. It also receives and considers reports from HEFCE as they affect the University's business. It considers the form of the annual report on Corporate Governance together with the accounting policies and reviews the implementation of risk management within the University. Whilst senior executives attend meetings of the Audit and Risk Committee as necessary, with the Vice-Chancellor attending at least once per annum, they are not members of the Committee, and the Committee meets with the External and Internal Auditors on their own for independent discussions.

The Remuneration Committee, which comprises five senior external members and the Vice-Chancellor, determines the salaries of senior staff of the University. The salary of the Vice-Chancellor is determined by the external members of the Committee.

The Safety Committee comprises 15 representatives from academic schools and central support service departments and two members from the Students' Union. Its terms of reference are to formulate safety and environmental policies in order to ensure that the University meets all legislative requirements and best practice standards, and to promote and monitor effective implementation of those policies.

Day to day management of the University is via the University Executive Board, comprising the Vice-Chancellor, the Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Chief Financial Officer, the Registrar and the Chief Estates and Facilities Officer. The Board has since expanded and additional members were appointed to the University Executive Board with effect from 1 August 2015. University Executive Board acts as an executive committee and normally meets weekly to consider the strategic and financial direction of the University. The Vice-Chancellor is the principal academic and administrative officer of the University. The Deputy Vice-Chancellor and the Pro-Vice-Chancellors have specific responsibilities for major policy areas, whilst responsibility for professional services is largely shared between the Registrar and the Chief Financial Officer. The Council is kept informed of the key decisions and discussions of the University Executive Board including via formal statements presented by the Vice-Chancellor statement, which is also delivered at the University's Senate meetings.

Senate, membership of which includes senior academics from across the University (in the UK, Malaysia and China) as well as student members, meets three times a year. Inter alia, it has the power, subject to the Statutes and Ordinances, to oversee teaching, education and research and is responsible for the academic quality and standards of the University.

Statement of internal control

The Council as the governing body of The University of Nottingham has responsibility for ensuring that a sound system of internal control is maintained which supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and HEFCE's Memorandum of Assurance and Accountability.

The system of internal control and risk management 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.

The system of internal control and risk management is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

As noted above, the Council has responsibility for reviewing the effectiveness of the system of internal control and risk management and in undertaking that responsibility the following processes have been established:

- The Council considers the plans and strategic direction for the University on a regular basis, advised by its key Committees.
- The Audit and Risk Committee has been requested to provide oversight of risk management. This provides a formalised reporting and appraisal mechanism in addition to management reports noted above.
- The Audit and Risk Committee receives regular reports from the Head of Internal Audit, together with recommendations for improvement. This includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's systems of risk management, internal control and governance. Reports are also received from the External Auditors as part of their year-end work.
- An organisation-wide risk management framework, which implements the University's Risk Management Policy, is maintained and considered regularly by the University Executive Board. The Audit and Risk Committee considers the effectiveness of the mitigations of the main risks to achieving the University's activities, including those reported through the University Risk Register. Risk considerations form part of

the annual budgeting and planning cycle and inform the work undertaken by Internal Audit.

- Key financial performance indicators and monthly management accounts are presented at each meeting of the Finance Committee.
- The annual budget, forward estimates and major investment proposals are approved by both Finance Committee and the Council, following detailed review, challenge and assessment by the University Executive Board.

The review of the effectiveness of the system of internal control is informed by the Internal Audit Service, which operates to professional standards of the Institute of Internal Auditors and meets the requirements of the HEFCE Audit Code of Practice within the Memorandum of Assurance and Accountability. The Internal Audit Service was last subject to an external review in July 2012.

The review of the effectiveness of the system of internal control is also informed by the work of 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 auditor in their management letter and other reports.

Preparation of the Financial Statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the HEFCE and the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The 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;
- Safeguard the assets of the University and prevent and detect fraud;
- Secure the economical, efficient and effective management of the University's resources and expenditure.

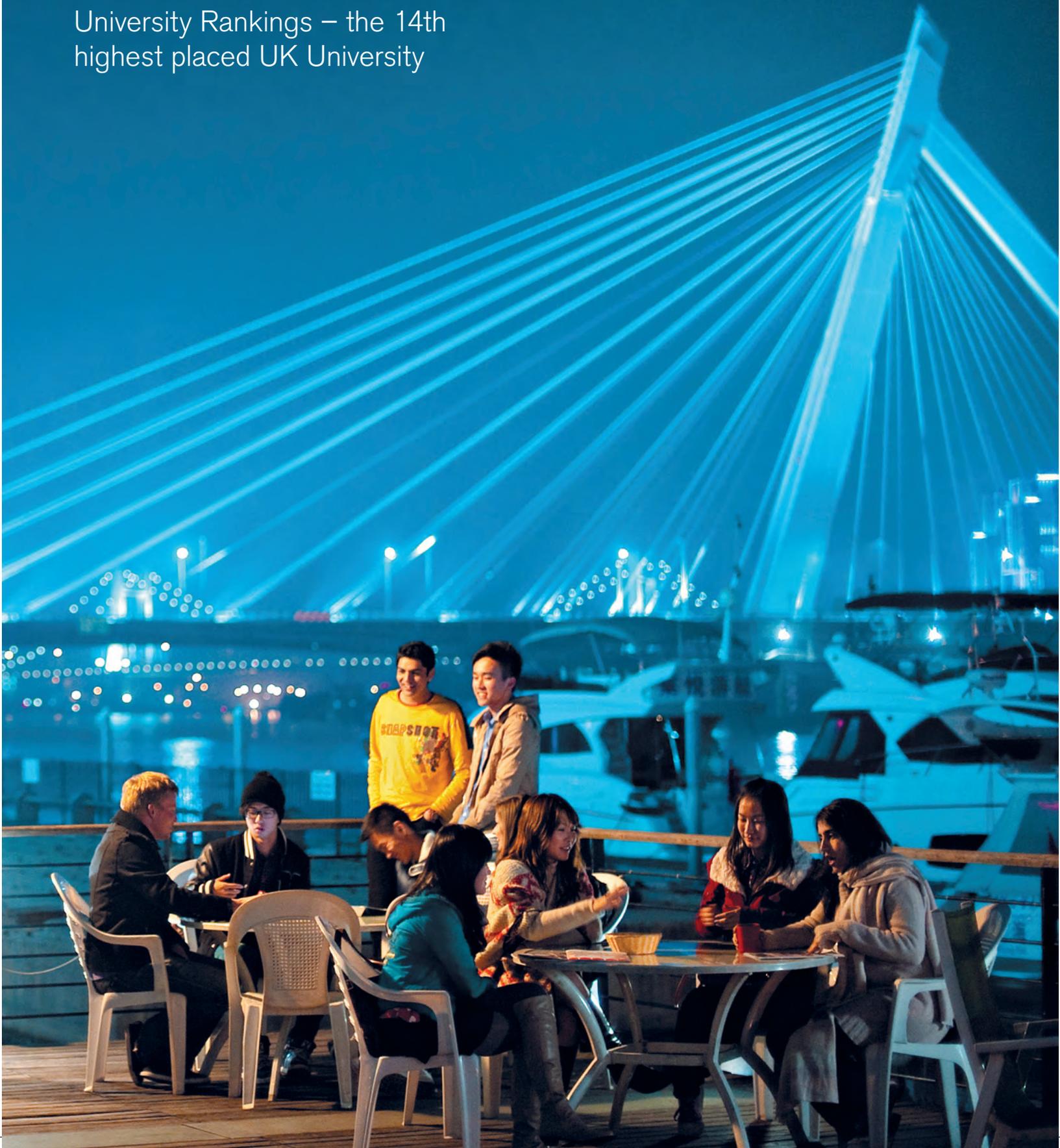
The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets; regular reviews of performance and monthly reviews of financial results involving variance reporting and updates of forecast outturn;
- Comprehensive Financial Regulations, approved by the Audit and Risk Committee, Finance Committee and the Council;
- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments, supported by clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- A professional Internal Audit Service whose annual programme is approved by the Audit and Risk Committee;
- Self-assessment Controls Assurance certification completed by managers responsible for key systems of financial control, reviewed by the Internal Audit Service and the results reported to the Audit and Risk Committee.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.



The University of Nottingham has retained its position among the best in the world – appearing 70th in the most recent 2015 QS World University Rankings – the 14th highest placed UK University



Independent auditor's report to the members of the Council of The University of Nottingham

We have audited the financial statements of The University of Nottingham for the year ended 31 July 2015 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the statement of total recognised gains and losses, the consolidated and University balance sheets, the consolidated cash flow statement, the reconciliation of net debt and the related notes one to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the financial memorandum effective August 2014. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the Council's Responsibilities Statement, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Members of the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report on pages four to 13 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2015 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- income from the Funding Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2015 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2015 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the Funding Council; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP

Chartered Accountants and
Statutory Auditor Nottingham

Statement of principal accounting policies

1. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments and Land, and in accordance with both the Statement of Recommended Practice on Accounting for Further and Higher Education 2007 (SORP) and applicable Accounting Standards. They conform to the guidance published by the Higher Education Funding Council for England.

In accordance with FRS 18, Accounting Policies, these accounting policies have been reviewed by the Audit Committee and are considered appropriate to the University's activities.

Having made appropriate enquiries, the Council considers that the University and Group has adequate financial resources to continue in operational existence for the foreseeable future, being not less than 12 months from the date of signing the financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July.

The consolidated income and expenditure account includes the Group's share of the profits or losses and tax of associated undertakings and the consolidated balance sheet includes the investment in associated undertakings at the Group's share of their underlying net tangible assets. Associated undertakings are those in which the Group has a significant, but not dominant, influence over their commercial and financial policy decisions.

The consolidated financial statements do not include those of The University of Nottingham Students' Union as it is a separate unincorporated body in which the University has no financial interest and no control or significant influence over policy decisions.

3. Recognition of income

Funding Council block grants are accounted for in the period to which they relate. Fee income is stated gross and credited to income over the period in which students are studying. University funded bursaries and scholarships are accounted for gross as both income and operating expenses.

Income from research grants and contracts is included on an accruals basis to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

Donations with restrictions are recognised when the relevant conditions have been met.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from endowments not expended in accordance with restrictions of the endowment is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

All income from other sources is credited to the income and expenditure account on a receivable basis.

4. Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and The University of Nottingham Contributory Pension and Assurance Scheme (CPAS). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension. The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes.

A small number of staff remain in other pension schemes.

The USS scheme is a multi employer scheme and is accounted for on a defined contribution basis as it is not possible to identify the assets and liabilities of the scheme which are attributable to the group. CPAS is accounted for as a defined benefit scheme.

For the defined benefit scheme the amounts charged to staff costs are the current service costs and gains and losses on settlements and curtailments. The interest cost and the expected return on assets are shown within interest and other finance costs. Actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses. Pension scheme assets are measured at fair value and liabilities are

measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to staff costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

5. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

7. Carbon reduction commitment allowances

Carbon Reduction Commitment Allowances are recognised as an asset at cost until such time as prescribed by Government policy that the allowances are offset against carbon emitted or sold. Liabilities are accrued during the year as energy is consumed.

8. Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight-line basis over its useful economic life. Useful economic life is assessed separately for each business acquired, depending on the nature of that business. Provision is made for any impairment.

9. Land and buildings

For the year ended 31 July 2013 the policy was changed to state land at valuation, rather than cost. The valuation of land was undertaken during the prior year by Fisher Hargreaves Proctor Ltd, property consultants. The basis of valuation being open market value on an existing use basis. Land values will be reviewed every three years with a full revaluation every five years. Land, with the exception of Nottingham Lakeside Arts and DH Lawrence Pavilion land, which are held on a long lease, is held freehold and is not depreciated as it is considered to have an indefinite useful life. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over cost relating to the land, or the reversal of such a deficit, is charged or credited to the income and expenditure account. A deficit which represents clear consumption of economic benefits is charged to the income and expenditure account regardless of any such previous surplus.

Buildings are stated at cost, other than those held as investments. Buildings are depreciated over their expected useful lives generally between 50 and 100 years, with certain specific buildings depreciated over a longer period where appropriate. Major refurbishments are depreciated over their estimated life, normally 15 years. Leasehold land is depreciated over the life of the lease.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Assets in the Course of Construction are not depreciated.

10. Equipment and other assets

Equipment, including computers and software, costing less than £30,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

- IT Equipment – three to five years
- IT Software – three years
- Configured IT systems – useful economic life up to a maximum of 10 years
- Telephone equipment – seven years
- Motor vehicles and other general equipment – three to 10 years
- Equipment acquired for specific research projects – project life (generally three years)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

Heritage Assets are recorded at cost and not depreciated.

11. Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date on the basis of an annual professional valuation. Changes in the market value of investment properties are taken to the Statement of Total Recognised Gains and Losses, being a movement on revaluation reserve.

12. Investments and endowments

Fixed asset investments are shown at historical cost less any provision for impairment in their value.

Endowment asset investments are included in the balance sheet at market value, with changes taken to the Statement of Total Recognised Gains and Losses. Current asset investments are included at the lower of cost and net realisable value. Receipts classed as restricted expendable endowments are credited to endowment reserves and transferred to revenue reserves as the related expenditure is incurred.

Receipts where the capital amount cannot be spent are credited to restricted permanent endowments and only accumulated income is available to be transferred to revenue reserves as the related expenditure is incurred.

13. Stocks

The stocks are stores, coal and oil held by the Estates Office, stores held centrally for some academic schools, stationery, and farm livestock, produce and consumables. They are valued at the lower of cost and net realisable value.

14. Short term investments

Short term investments comprise money on short-term deposit with a maturity date less than 90 days as at the balance sheet date.

15. Maintenance of premises

The University has a five year rolling maintenance plan, which is reviewed on an annual basis. The costs of maintenance are charged to the income and expenditure account as incurred. Expenditure that extends the useful life of an asset or enhances an asset is capitalised.

16. Taxation status

The Institution is an exempt charity within the meaning of schedule three of the Charities Act 2011 (formerly schedule two of the Charities Act 1993) and is considered to pass the tests set out in paragraph one schedule six of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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.

Certain activities undertaken by the Institution are subject to Corporation Tax. These are primarily handled through subsidiary companies with taxable profits gift aided to the University or off-set against taxation losses.

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

£186m

in research awards





97%

of our research was
recognised internationally

8th

in the UK for research power

1st

prize in the Times Higher Awards
for 'Research Project of the Year'



Consolidated income and expenditure account

	Note	2015 £m	2014 £m
Income			
Funding body grants	1	96.7	110.0
Tuition fees and education contracts	2	276.0	253.4
Research grants and contracts	3	119.4	105.2
Other operating income	4	99.6	102.0
Endowment and investment income	5	1.3	1.3
Total income		593.0	571.9
Expenditure			
Staff costs	6	315.5	301.6
Other operating expenses	7	223.2	217.4
Depreciation	12	26.6	25.4
Interest and other finance costs	8	1.6	1.6
Total expenditure	9	566.9	545.9
Surplus for the year before associates		26.1	26.0
Share of (losses) / profits in associated companies	13	(0.9)	(0.8)
Surplus for the year after associates		25.2	25.2
Surplus for the year transferred from accumulated income in endowment funds		(0.1)	0.0
Net Surplus for year retained within general reserves	22	25.1	25.2

The consolidated income and expenditure of the University and its subsidiaries materially relate to continuing operations.

Note of Historical Cost Surpluses

Surplus for the year	25.1	25.2
Realisation of investment property revaluation gains of previous years	0.0	0.0
Historical cost surplus for the year	25.1	25.2

Statement of consolidated total recognised gains and losses

		2015	2014
	Note	£m	£m
Surplus for the year after associates		25.1	25.2
Appreciation / (depreciation) of endowment asset investments	20	1.4	0.2
New endowments	20	2.0	1.4
Unrealised surplus on revaluation of investment properties	21	0.2	0.5
Unrealised surplus on revaluation of listed investments	21	0.2	0.4
Unrealised surplus on revaluation of land	21	0.0	0.0
Exchange movements on share of associates		(1.8)	1.9
Wanli Education Group funds for capital programme	22	0.1	0.3
Actuarial gain / (loss) on pension scheme	31	(18.0)	(17.1)
Total recognised gains relating to the year		9.2	12.8
Reconciliation			
Opening reserves and endowments		420.8	
Total recognised gains for the year		9.2	
Closing reserves and endowments		430.0	

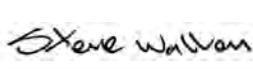
Balance sheets

	Note	Consolidated		University	
		2015 £m	2014 £m	2015 £m	2014 £m
Fixed assets					
Carbon reduction commitment	10	1.7	1.5	1.7	1.5
Goodwill	11	0.1	0.2	0.0	0.0
Tangible assets	12	737.6	703.4	735.9	701.8
Investments	13	34.3	36.5	11.0	11.6
		773.7	741.6	748.6	714.9
Investment properties	14	4.2	4.0	4.2	4.0
Endowment assets	15	43.8	40.2	43.8	40.2
Current assets					
Stocks		1.8	1.7	1.5	1.4
Debtors	16	80.6	59.8	85.1	63.2
Short term investments		2.0	1.7	0.2	0.2
Cash at bank and in hand		4.0	2.3	0.6	0.0
		88.4	65.5	87.4	64.8
Creditors: amounts falling due					
Within one year	17	(199.2)	(171.9)	(197.4)	(170.6)
Net current liabilities		(110.8)	(106.4)	(110.1)	(105.8)
Total assets less current liabilities		710.9	679.4	686.5	653.3
Creditors: amounts falling after					
More than one year	18	(10.1)	(0.5)	(10.1)	(0.5)
Net assets excluding pensions liability		700.8	678.9	676.4	652.8
Pensions liability	31	(105.3)	(90.7)	(105.3)	(90.7)
Total net assets including pensions liability		595.5	588.2	571.1	562.1
Deferred capital grants	19	165.3	167.5	165.3	167.3
Endowments					
Expendable	20	2.3	1.0	2.3	1.0
Permanent	20	41.5	39.2	41.5	39.2
		43.8	40.2	43.8	40.2
Reserves					
Income and expenditure account excluding pension reserve	22	294.7	274.7	270.4	248.8
Pension reserve	31	(105.2)	(90.7)	(105.3)	(90.7)
Income and expenditure account including pension reserve		189.5	184.0	165.1	158.1
Revaluation reserve	21	196.9	196.5	196.9	196.5
		386.3	380.5	362.0	354.6
Total funds		595.5	588.2	571.1	562.1

The financial statements on pages 32 to 56 were approved by Council on 10 November 2015 and signed on its behalf by:



Professor Sir David Greenaway
Vice Chancellor



Steve Walton
Treasurer and Chairman of Finance Committee



Andrew Unitt
Chief Financial Officer

Consolidated cash flow statement

		2015	2014
	Note	£m	£m
Net cash inflow from operating activities	26	35.2	51.1
Returns on investments and servicing of finance	27	(0.2)	(0.3)
Capital expenditure and financial investment	28	(44.8)	(39.3)
Cash inflow / (outflow) before use of liquid resources and short-term investments		(9.8)	11.5
Management of liquid resources	30	(0.4)	(0.6)
Financing	29	12.9	(11.2)
(Decrease) / increase in cash	30	2.7	(0.3)
Reconciliation of net debt			
(Decrease) / increase in cash in the year		2.7	(0.3)
(Decrease) / increase in short term investments		0.4	0.6
Repayment of debt	29	38.0	55.0
New loans	29	(50.9)	(43.8)
Change in Net Debt		(9.8)	11.5
Net Debt at 1 August		9.0	(2.5)
Net Debt at 31 July	30	(0.8)	9.0

Notes to the accounts

	2015	2014
	£m	£m
1. Funding body grants		
Recurrent grants from HEFCE	85.9	97.4
Specific grants from HEFCE	1.9	2.5
Grants from TA	0.5	1.0
Deferred capital grants released in year		
Buildings (Note 19)	3.2	3.2
Equipment (Note 19)	5.2	5.9
	96.7	110.0
2. Tuition fees and education contracts		
Full-time credit bearing courses – home fees	149.4	126.5
Full-time credit bearing courses – international fees	89.1	88.5
Part-time credit bearing courses	4.4	3.9
Other teaching contracts	19.8	22.8
Non credit bearing courses and other fees	13.3	11.7
	276.0	253.4
3. Research grants and contracts		
Research councils	43.5	43.3
UK based charities	11.3	10.4
UK central/local government, health and health authorities	20.4	17.8
UK industry, commerce and public corporations	8.6	9.0
EU government and other sources	17.0	17.0
Other grants and contracts	7.0	7.7
RDEC income	11.6	0.0
	119.4	105.2
4. Other operating income		
Residences, catering and conferences	39.7	38.4
Other services rendered	20.8	23.4
Health authorities	10.5	10.8
Released from deferred capital grants	0.7	0.7
Other income	27.9	28.7
	99.6	102.0
5. Endowment and investment income		
Income from permanent endowments (Note 20)	1.2	1.1
Income from general endowment asset investments	0.0	0.0
Other interest receivable	0.1	0.2
Finance income for pension scheme (Note 31)	0.0	0.0
	1.3	1.3
6. Staff		
Staff costs:		
Gross pay	259.5	248.3
Social security costs	20.7	19.8
Other pension costs (Note 31)	35.3	33.5
	315.5	301.6

	2015	2014
	£000	£000
6. Staff continued		
Emoluments of the Vice-Chancellor:		
Basic salary	295.0	289.0
Accommodation allowance	42.0	42.0
Taxable expenses and private health policy	3.0	2.0
	340.0	333.0
In lieu of pension contributions	41.0	41.0
Total cost	381.0	374.0

University pension contributions to USS are paid at the same rate as for other academic staff.

Pension contributions have reduced due to lifetime tax allowance issues. A specific contractual clause means that additional emoluments equivalent to the pension contributions foregone is included within remuneration.

	£000	£000
Compensation for loss of office paid (or payable) to employees earning in excess of £100,000 per annum, this value principally represents the early retirement funding charge paid to the USS pension scheme.	0.0	0.0

	Number	Number
Average staff numbers by major category:		
Teaching and research	3,145	3,128
Technical	596	597
Administrative	1,943	2,052
Other, including clerical and manual	768	772
	6,452	6,549

Remuneration of other higher paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are excluded from the University's income and expenditure account:

	2015	2014
	Number	Number
£100,000 - £109,999	33	31
£110,000 - £119,999	24	26
£120,000 - £129,999	14	20
£130,000 - £139,999	10	15
£140,000 - £149,999	11	8
£150,000 - £159,999	12	7
£160,000 - £169,999	6	7
£170,000 - £179,999	10	7
£180,000 - £189,999	7	6
£190,000 - £199,999	7	5
£200,000 - £209,999	1	1
£210,000 - £219,999	0	0
£220,000 - £229,999	0	0
£230,000 - £239,999	0	0

Notes to the Accounts continued

	2015	2014
	Number	Number
6. Staff continued		
£240,000 - £249,999	0	0
£250,000 - £259,999	0	0
£260,000 - £269,999	0	0
£270,000 - £279,999	0	0
£280,000 - £289,999	0	1
£290,000 - £299,999	1	0

Expenses paid to Council members who are not staff or students (as listed within these financial statements) totalled £6,170 (2014 £10,381).

Members of the University's Council are the University's Trustees. The University does not remunerate its external lay members of the University Council. Reasonable travel and subsistence expenses incurred in attending meetings relating to the work of the Council and associated charitable events in members' official capacity are reimbursed upon request, as supported by appropriate evidence of expenditure. The salaries of members of the staff of the University who serve on the Council do not include any element specific to their trusteeship, but are determined following an agreed process.

	2015	2014
	£m	£m
7. Other operating expenses		
Amortisation of goodwill (Note 11)	0.1	0.1
Purchase, hire and repair of equipment	26.7	22.5
Consumables and laboratory expenditure	18.3	19.5
Published materials	7.2	7.3
Travel and subsistence	13.2	14.4
Professional and other fees	43.4	41.6
Fellowships, scholarships and prizes	49.7	47.4
Catering supplies	7.1	7.1
Repairs and general maintenance	13.8	13.2
Heat, light, water and power	13.9	15.1
Rent, rates and insurance	5.1	8.3
Grants to University of Nottingham Students' Union	2.8	2.7
Auditor's remuneration	0.2	0.1
Training	2.2	1.6
Advertising	1.5	1.6
Impairment of investments	0.3	0.8
Other expenses	15.1	14.0
Tax relating to RDECs claim	2.6	0.0
	223.2	217.3

Auditor's remuneration includes £107,700 in respect of audit services for the group, of which £67,200 relates to the University, £40,500 to the subsidiary companies, £20,400 relating to other assurance services, £91,000 in respect of non audit services comprising specialist tax advice and £30,000 for risk related workshops. The 2014 expenditure was £65,600 for the University, £40,700 for the subsidiary companies, £19,900 for assurance services and £114,000 for non audit services comprising predominantly of enterprise architecture consultancy.

Impairment of investments contains both the direct impairment of investment holdings £0.1m (2014 £0.5m) and the impairment of loan balances to those companies £0.2m (2014 £1.7m).

	2015	2014
	£m	£m
8. Interest and other finance costs		
Loans not wholly repayable within five years	0.1	0.1
Finance leases	0.0	0.3
Finance costs for pension scheme (Note 31)	1.5	1.2
	1.6	1.6

	Staff costs	Dep'n	Other operating expenses	Interest payable	2015	2014
	£m	£m	£m	£m	£m	£m
9. Analysis of expenditure by activity						
Academic departments	188.6	6.0	58.0	0.0	252.6	245.6
Research grants and contracts	45.6	3.2	35.8	0.0	84.6	81.1
Total teaching and research	234.2	9.2	93.8	0.0	337.2	326.7
Academic services	20.5	3.1	24.3	0.0	47.9	43.1
Administration	34.9	0.1	44.8	0.0	79.8	74.1
Premises	10.2	11.6	30.4	0.1	52.3	53.7
Residences, catering and conferences	9.9	1.7	16.2	0.0	27.8	27.4
Other expenses	5.8	0.9	13.7	1.5	21.9	20.9
Total per income and expenditure account	315.5	26.6	223.2	1.6	566.9	545.9

	Consolidated and University	
	2015	2014
	£m	£m
10. Carbon reduction commitment		
Carbon dioxide emission allowances purchased in year	1.7	1.5
	1.7	1.5

Carbon allowances are purchased annually from the Department of Energy and Climate Change. They may be redeemed against the internal production of carbon, with additional allowances purchasable at a higher price should emissions exceed the allowances purchased. The redemption is an annual process in April each year, with April 2012 to April 2013 being the first year of the scheme. The University has accrued for the carbon generated in the months April 2015 to July 2015 and the liability is included within accruals and deferred income in note 17.

Notes to the accounts continued

	Consolidated
	£m
11. Goodwill	
Cost	
At 1 August 2014	2.2
Additions	0.0
At 31 July 2015	2.2
Amortisation	
At 1 August 2014	2.0
Charge for the year	0.1
At 31 July 2015	2.1
Net book value	
At 31 July 2015	0.1
At 31 July 2014	0.2

Goodwill arises on consolidation and does not exist within the balance sheet of the University.

	Consolidated					
	Land and buildings	Long		Assets in	Heritage	Total
	Freehold	leasehold	Equipment	course of	assets	
	£m	£m	£m	construction	£m	£m
12. Tangible fixed assets						
Cost						
At 1 August 2014	708.4	15.2	149.9	39.7	0.5	913.7
Additions at cost	12.3	0.0	9.5	39.5	0.0	61.3
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	12.9	0.0	4.2	(17.1)	0.0	0.0
Disposals	(0.5)	0.0	(4.2)	0.0	0.0	(4.7)
At 31 July 2015	733.1	15.2	159.4	62.1	0.5	970.3
Depreciation						
At 1 August 2014	100.7	3.1	106.5	0.0	0.0	210.3
Charge for year	12.0	0.1	14.5	0.0	0.0	26.6
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Eliminated on disposals	(0.2)	0.0	(4.0)	0.0	0.0	(4.2)
At 31 July 2015	112.5	3.2	117.0	0.0	0.0	232.7
Net book value						
At 31 July 2015	620.6	12.0	42.4	62.1	0.5	737.6
At 31 July 2014	607.7	12.1	43.4	39.7	0.5	703.4

	University					
	Land and buildings		Equipment	Assets in course of construction	Heritage assets	Total
	Freehold	Long leasehold				
£m	£m	£m	£m	£m	£m	
12. Tangible fixed assets continued						
Cost						
At 1 August 2014	708.6	15.2	147.3	39.5	0.5	911.1
Additions at cost	12.1	0.0	9.5	39.4	0.0	61.0
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	12.9	0.0	4.2	(17.1)	0.0	0.0
Disposals	(0.5)	0.0	(3.1)	0.0	0.0	(3.6)
At 31 July 2015	733.1	15.2	157.9	61.8	0.5	968.5
Depreciation						
At 1 August 2014	100.5	3.1	105.6	0.0	0.0	209.2
Charge for year	12.1	0.1	14.3	0.0	0.0	26.5
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Eliminated on disposals	(0.1)	0.0	(3.0)	0.0	0.0	(3.1)
At 31 July 2015	112.5	3.2	116.9	0.0	0.0	232.6
Net book value						
At 31 July 2015	620.6	12.0	41.1	61.8	0.5	735.9
At 31 July 2014	608.1	12.1	41.7	39.5	0.5	701.9

Included in both consolidated and University within freehold land and buildings is £225.8m (2014 £225.8m) of land which is not being depreciated.

	Consolidated		University	
	2015	2014	2015	2014
	£m	£m	£m	£m
13. Investments				
Subsidiary companies	0.0	0.0	1.9	0.4
Associated companies	32.4	35.1	9.3	10.1
Investments	1.9	1.4	(0.2)	1.1
	34.3	36.5	11.0	11.6

Notes to the accounts continued

13. Investments continued

Included within investments are amounts invested in University collaborations and spin out companies. The majority of the investments have been written down to nil. The total cost of such investments was £8.2m (2014 £7.8m) with an impairment provision of £6.9m (2014 £6.8m). The total amount invested in the year was £0.3m (2014 £0.2m) and the impairment charge in the year was £0.3m (2014 £0.2m). The University is also a member of EMMAN Limited and The Manufacturing Technology Centre Limited, both of which are companies limited by guarantee for which the University's potential liability is limited to £1 each.

The investments, which have not been consolidated or equity accounted for on the grounds of materiality, are as follows:

Investment	Type of business	Country of incorporation	% holding
N U Vision Ophthalmics Limited	Human health activities	United Kingdom	100.0%
BioCity Limited	Accommodation (biotechnology and health companies)	United Kingdom	50.0%
Nimrod Energy Limited	Research and development	United Kingdom	49.0%
Platelet Solutions Limited	Platelet function testing	United Kingdom	49.0%
Staff Roster Solutions Limited	Software development and application	United Kingdom	48.0%
N U Vision Biotherapies Limited	Human health activities	United Kingdom	44.1%
Nottingham University Architecture and Urban Design Limited	Architectural and design activities	United Kingdom	37.0%
Promeatheatan Particles Limited	Inorganic nanoparticle dispersion manufacture	United Kingdom	30.5%
HeartLight Systems Limited	Heart rate measuring technology	United Kingdom	25.0%
Ticketing Network East Midlands	Ticket services	United Kingdom	25.0%
AIMS Solutions Limited	Other software consultancy and supply	United Kingdom	24.0%
M4 Technologies Limited	Research and development	United Kingdom	24.0%
Nottingham Gynaecological Devices Limited	Research and development	United Kingdom	22.0%
Locate Therapeutics Ltd	Research and development	United Kingdom	20.4%
Added Scientific Limited	3D printing	United Kingdom	20.0%
Lachesis Fund	Seed fund investment	United Kingdom	20.0%
PBD Biotech Limited	Diagnosis of bacterial infections	United Kingdom	20.0%
Exonate Limited	Specialist pharmaceutical	United Kingdom	19.4%
FAHRAS Limited	Health related software	United Kingdom	18.9%
Mission Room Limited	Interactive media systems	United Kingdom	18.0%
Oncimmune Limited	Research and development	United Kingdom	14.2%
Evocell Limited	Research and development	United Kingdom	11.7%
Azotic Technologies Limited	Research and development	United Kingdom	10.0%
Critical Pharmaceuticals Limited	Novel drug delivery devices	United Kingdom	9.9%
Monica Healthcare Limited	Research and development	United Kingdom	8.1%
EventMAP	Software development and application	United Kingdom	7.5%
Encos Limited	Research and development	United Kingdom	6.9%
Crown Bioscience Inc	Translational platforms and drug discovery solutions	United States of America	1.5%
Pharminox Limited	Human health activities	United Kingdom	1.1%
Juniper Pharmaceuticals Inc	Research and development	United States of America	1.0%
Scancell Holdings plc	Research and development	United Kingdom	1.0%
Novacyt SA	Research and development	France	0.0%

The University Group owns 100% of the issued share capital of the following companies which are registered in England and operating in the UK:

Company name	Number of £1 ordinary shares
Nottingham University Industrial and Commercial Enterprise Limited (NOTICE)	100,000
UNIP Management Limited	2
Eminate Limited	2
East Midlands Conference Centre Limited	100

NOTICE is a provider of services, such as consultancy and power supplies. UNIP Management provides rental and property services. Eminate develops and manufactures products for the food and pharmaceutical sectors. East Midlands Conference Centre Limited is a provider of facilities for conference and other events.

The consolidated results of the group incorporate the above 100% owned companies and the results of Nottingham University Foundation Limited, a company granted charitable status in April 2003, and Nottingham Technologies Asia Limited (a company registered and operating in Hong Kong).

	Consolidated	University
	£m	£m
Investment in associated companies		
As at 1 August 2014	35.1	10.1
Share of retained losses	(0.9)	(0.2)
Wanli Education Group funds for capital programme	0.1	0.0
Exchange movements	(1.9)	(0.6)
As of 31 July 2015	32.4	9.3

The University owns 37.5% (2014 37.5%) of The University of Nottingham Ningbo China (UNNC), a co-operative joint venture established in China. It has a financial year end of 31 December in accordance with Chinese regulations. The consolidated accounts of the University reflects a carrying value of £26.6m (2014 £28.3m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.9% (2014 29.9%) of the ordinary share capital of The University of Nottingham Malaysia Campus (UNMC), a company incorporated in Malaysia. It has a financial year end of 31 December in common with its majority shareholder. The consolidated accounts of the University reflects a carrying value of £5.9m (2014 £6.7m) equal to 29.9% (2013 29.9%) of the net assets, excluding intellectual property, as at 31 July.

Academic quality in both China and Malaysia is controlled by The University of Nottingham.

	Consolidated	University
	2015	2014
	£m	£m
14. Investment properties		
Balance at 1 August	4.0	3.5
Net transfer from fixed assets	0.0	0.0
Additions	0.0	0.0
Disposals	0.0	0.0
Appreciation on revaluation	0.2	0.5
Diminution in value	0.0	0.0
Increase in cash balances	0.0	0.0
Balance at 31 July	4.2	4.0

Property valuations as at 31 July 2015 were made by senior management using the July 2014 report of Savills (L&P) Ltd and Land has been valued by Shouler and Son as at 31 July 2015, both firms of Chartered Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose.

Notes to the accounts continued

	<u>Consolidated</u>	<u>University</u>
	2015	2014
	£m	£m
15. Endowment assets		
Balance at 1 August	40.2	38.6
Net transfer from fixed assets	0.0	0.0
Additions	16.1	8.1
Disposals	(15.1)	(7.6)
Appreciation / (depreciation) on revaluation	1.4	0.2
Movement in cash balances	1.2	0.9
Balance at 31 July	<u>43.8</u>	<u>40.2</u>
Represented by:		
Fixed interest stocks	6.2	4.9
Equities	27.8	26.8
Multi asset funds	0.0	3.3
Land and property	3.3	0.0
Cash balances (Note 30)	6.5	5.2
	<u>43.8</u>	<u>40.2</u>

Included within the above balances is accumulated income yet to be applied of £6.3m (2014 £4.8m).

	<u>Consolidated</u>		<u>University</u>	
	2015	2014	2015	2014
	£m	£m	£m	£m
16. Debtors				
Amounts falling due within one year:				
Debtors	21.8	16.0	21.2	15.4
Amounts due from subsidiaries	0.0	0.0	5.5	4.2
Amounts due from associates (Note 25)	10.2	6.1	10.2	6.1
Prepayments and accrued income	48.6	34.3	48.2	34.1
	<u>80.6</u>	<u>56.4</u>	<u>85.1</u>	<u>59.8</u>
Amounts falling due after more than one year:				
Debtors	0.0	3.4	0.0	3.4
	<u>0.0</u>	<u>3.4</u>	<u>0.0</u>	<u>3.4</u>
Total Debtors	<u>80.6</u>	<u>59.8</u>	<u>85.1</u>	<u>63.2</u>

	Consolidated		University	
	2015	2014	2015	2014
	£m	£m	£m	£m
17. Creditors: amounts falling due within one year:				
Bank overdraft	0.0	0.0	0.0	1.0
Obligations under finance leases	0.0	0.0	0.0	0.0
Bank loans	3.2	3.2	3.2	3.2
HEFCE loans	0.0	0.1	0.0	0.1
Payments received in advance	2.1	1.4	1.5	1.2
Trade creditors	13.4	13.4	13.0	12.8
Social security and other taxation payable	15.6	11.0	15.4	11.0
Amounts due to subsidiaries	0.0	0.0	1.6	0.5
Accruals and deferred income	164.9	142.8	162.8	140.8
	199.1	171.9	197.5	170.6

	Consolidated		University	
	2015	2014	2015	2014
	£m	£m	£m	£m
18. Creditors: amounts falling due after more than one year:				
Loans from subsidiary companies	0.0	0.0	0.0	0.0
Bank loans	9.6	0.0	9.6	0.0
HEFCE loans	0.5	0.5	0.5	0.5
	10.1	0.5	10.1	0.5

The bank loans are with the Royal Bank of Scotland at a rate which is 0.20% above LIBOR. The total facility is for £94m and is a 20 year revolving credit facility with straight line amortisation of £0.8m per quarter over 25 years which commenced October 2010 with a £30m bullet repayment at the end. The University has the ability to repay and redraw against the facility over the period of the loans and utilises this facility to manage its cash requirements. In addition the University has a multi-option facility for £15m. The HEFCE loan does not have a fixed repayment profile, repayments being dependent on the individual project. The University does not currently hold any finance lease arrangements.

Notes to the accounts continued

	Consolidated		
	Funding Council	Other grants	Total
	£m	£m	£m
19. Deferred capital grants			
At 1 August 2014			
Buildings	105.1	38.5	143.6
Equipment	14.7	9.2	23.9
Total	119.8	47.7	167.5
Grants received			
Buildings	2.4	0.2	2.6
Equipment	0.1	8.0	8.1
Total	2.5	8.2	10.7
Transfers			
Buildings	0.0	0.0	0.0
Equipment	0.0	0.0	0.0
Total	0.0	0.0	0.0
Released to income and expenditure			
Buildings (Notes 1 and 4)	(3.2)	(0.7)	(3.9)
Equipment (Note 1)	(5.2)	(3.8)	(9.0)
Total	(8.4)	(4.5)	(12.9)
At 31 July 2015			
Buildings	104.3	38.0	142.3
Equipment	9.6	13.4	23.0
Total	113.9	51.4	165.3
			University
At 1 August 2014			
Buildings	104.9	38.5	143.4
Equipment	14.8	9.1	23.9
Total	119.6	47.6	167.3
Grants received			
Buildings	0.0	0.0	0.0
Equipment	0.0	0.0	0.0
Total	0.0	0.0	0.0
Transfers			
Buildings	2.5	0.2	2.7
Equipment	0.1	7.9	8.0
Total	2.6	8.1	10.7

	University		
	Funding Council	Other grants	Total
	£m	£m	£m
19. Deferred capital grants continued			
Released to income and expenditure			
Buildings	(3.1)	(0.7)	(3.8)
Equipment	(5.3)	(3.7)	(9.0)
Total	(8.3)	(4.4)	(12.8)
At 31 July 2015			
Buildings	104.3	38.0	142.3
Equipment	9.6	13.3	22.9
Total	113.9	51.3	165.3

Deferred capital grants are capitalised above when the assets they relate to are complete. Where funds are received in advance of asset completion they are held within deferred income (Note 17), thus additions to deferred capital grants will differ to cash receipts of deferred capital grants (Note 28).

	Consolidated and University		
	Restricted expendable	Restricted permanent	Restricted total
	£m	£m	£m
20. Endowments			
At 1 August 2014	1.0	39.2	40.2
Additions	1.4	0.7	2.1
Transfers	0.0	0.0	0.0
Appreciation of endowment asset investments	0.0	1.4	1.4
Income for the year	0.0	1.2	1.2
Expenditure for the year	(0.1)	(0.1)	(1.1)
Balance at 31 July 2015	2.3	41.5	43.8
Represented by:			
Capital value	2.3	37.5	39.8
Accumulated income	0.0	4.0	4.0
	2.3	41.5	43.8

The University has no unrestricted permanent endowments.

Notes to the accounts continued

	Consolidated and University
	£m
21. Revaluation reserve	
Balance at 1 August 2014	196.5
Unrealised surplus on revaluation of land	0.0
Unrealised surplus on revaluation of listed investments	0.2
Realisation of investment property revaluation gains of previous years	0.0
Unrealised surplus on revaluation of investment properties	0.2
Balance at 31 July 2015	<u>196.9</u>

22. General reserve

	Consolidated	University
	2015	2014
	£m	£m
Balance at 1 August	274.7	248.8
Transfer from surplus for the year	25.1	25.6
Wanli Education Group funds for capital programme	0.1	0.0
Transfer to pension reserve	(3.4)	(3.4)
Exchange movements	(1.8)	(0.6)
Balance at 31 July 2015	<u>294.7</u>	<u>270.4</u>

The University's individual income and expenditure account and related notes have been excluded from these financial statements because the results are included in the consolidated income and expenditure account. The surplus for the year before share of associate's profits was £26.1m (2014 £26m) which incorporates RDECs income of £9m. Wanli Education Group is the University's partner in China and has provided funds to support the next phase of growth in Ningbo.

23. Operating lease commitments

Operating lease commitments in respect of equipment for the forthcoming financial year, on leases expiring:

	Consolidated		University	
	2015	2014	2015	2014
	£m	£m	£m	£m
Within one year	0.1	0.0	0.1	0.0
Between two and five years	0.1	0.1	0.1	0.1
Over five years	0.0	0.0	0.0	0.0
	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>

There is a commitment of £59,000 on land and buildings on leases expiring in over five years.

	Consolidated		University	
	2015	2014	2015	2014
	£m	£m	£m	£m
24. Capital commitments				
Commitments contracted at 31 July	51.1	26.5	48.2	26.5

The University is undergoing a period of significant infrastructure development. The University's Innovation Park is being added to with significant buildings, a new sports village is under construction on University Park and library and student facilities are being extended and upgraded to benefit a number of faculties.

25. Related party transactions

Due to the nature of the University's operations and the composition of the Council (being drawn from commerce, industry and the public sector) and senior management team, it is inevitable that transactions will take place with organisations in which a member of Council or the senior management team may have an interest. All transactions involving organisations in which a member of Council or the senior management team may have an interest are conducted at arm's length and in accordance with the University's financial regulations and usual procurement procedures. Total expenses paid direct to members of the University's Council, who are also the University's Trustees, are shown at Note six. Transactions with wholly owned subsidiaries which have been consolidated in the Group accounts are not disclosed below, in accordance with the exemption given in FRS 8 (Related Party Disclosures).

Relevant significant relationships held by members of Council are:

- 1) Mr John Mills is a Company Director of NUSA (Nottingham University Samworth Academy), which provides education to 11 to 18 year olds, of which the University is a sponsor.
- 2) Mr Chris Jagger is a Company Director of NUSA (Nottingham University Samworth Academy), which provides education to 11 to 18 year olds, of which the University is a sponsor.
- 3) Mr John Saunders is a Director of NUAST (Nottingham University Academy of Science and Technology), a specialist academy, of which the University is a sponsor and to which has donated £0.2m in 2014/15 (£nil 2013/14).
- 4) Mr David Ross has donated £0.3m in 2014/15 (£0.3m 2013/14) to The University of Nottingham to support Nottingham Potential, an outreach programme to support young people from lower socio-economic backgrounds in reaching their academic potential.

The University of Nottingham owns a 29.9% (2014 29.9%) stake in The University of Nottingham Malaysia Campus (UNMC), a 37.5% (2014 37.5%) stake in The University of Nottingham Ningbo China (UNNC), both of which are accounted for as associated entities (see Note 13).

Academic quality in both China and Malaysia is controlled by The University of Nottingham, for which it receives management fees and certain members of staff are seconded to both international campuses for periods of up to three years. In addition certain costs incurred by the University are rechargeable between each associate and the University in accordance with signed agreements.

	2015 UNMC	2015 UNNC	2014 UNMC	2014 UNNC
	£m	£m	£m	£m
Net charges by the University:				
Costs	1.0	2.0	1.2	2.3
Management fee	1.6	4.1	1.8	3.4
Owed to the University at 31 July	2.8	7.4	0.9	6.2
Additional share capital acquired	0.0	0.0	0.0	0.0

All transactions with spin-out companies are undertaken on a commercial, arms length basis and are not material to the Group.

Note 7 sets out the grants paid to The University of Nottingham Student's Union. Two senior elected Officers of the Student's Union are also members of the University Council.

Notes to the accounts continued

	2015	2014
	£m	£m
26. Reconciliation of consolidated operating surplus to net cash inflow from operating activities		
Surplus for the year	25.1	25.2
Depreciation (Note 12)	26.6	25.4
Amortisation (Note 11)	0.1	0.1
Loss on disposal of fixed assets	0.9	1.6
Impairment of investments	0.3	0.8
Share of losses / (profits) in associated companies	0.9	0.8
Deferred capital grants released to income (Note 19)	(12.9)	(12.8)
Investment income (Note 5)	(1.3)	(1.3)
Interest payable (Note 8)	1.6	1.6
Net income retained from specific endowments	(0.1)	0.0
Increase in stocks	0.0	0.0
(Increase) / decrease in debtors	(20.8)	3.3
Increase in creditors	13.4	5.7
Surrender of carbon dioxide emission allowances	1.5	0.7
Net cash outflow from returns on investments and servicing of finance	35.2	51.1

	2015	2014
	£m	£m
27. Returns on investments and servicing of finance		
Income from endowments	1.2	1.1
Other interest received	0.2	0.1
Interest paid	(1.6)	(1.5)
Net cash outflow from returns on investments and servicing of finance	(0.2)	(0.3)

	2015	2014
	£m	£m
28. Capital expenditure and financial investment		
Payments to acquire tangible assets	(65.4)	(47.2)
Payments to acquire endowment asset investments (Note 15)	(16.1)	(8.1)
Payments to acquire carbon reduction commitments (Note 10)	(1.7)	(1.5)
Total payments to acquire fixed and endowment asset investments	(83.2)	(56.8)
Receipts from sales of endowment assets (Note 15)	15.1	7.6
Receipts from sales of fixed assets	(0.5)	(0.8)
Deferred capital grants received	21.6	9.3
Endowments received	2.2	1.5
Net cash outflow from capital expenditure and financial investment	(44.8)	(39.2)

	Mortgages and Loans
	£m
29. Analysis of changes in consolidated financing during the year	
Balances at 1 August 2014	0.4
New loans	50.9
Capital repayments	(38.0)
Foreign exchange translation differences	0.0
Acquisition of Harewood Leisure Limited	0.0
Other changes	0.0
Net amount drawn down in year	12.9
Balances at 31 July 2015	13.3

	At 1 August 2014	Cash Flows	At 31 July 2015
	Note	£m	£m
30. Analysis of changes in net debt			
Cash			
Endowment asset investments (Note 15)	5.2	1.3	6.5
Cash at bank and in hand/(bank overdraft)	2.6	1.4	4.0
	7.8	2.7	10.5
Short Term Investments	1.6	0.4	2.0
Debt due within one year	0.1	(3.3)	(3.2)
Debt due after one year	(0.5)	(9.6)	(10.1)
	9.0	(9.8)	(0.8)

31. Pension schemes continued

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and The University of Nottingham Contributory Pension and Assurance Scheme (CPAS). USS provides benefits for academic and related employees of some UK universities and some other employers. CPAS provides similar benefits for other staff of the University. The University also operates a defined contribution scheme, The University of Nottingham Contributory Retirement Savings Plan (CRSP).

USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The 2014 valuation has recently been finalised and the audit process is in progress. Therefore the latest available triennial actuarial valuation of the scheme was at 31 March 2011, which was carried out using the projected unit method. The 2014 valuation indicates that employer contributions will increase to 18% from 14 April 2016.

The latest triennial actuarial valuation of the scheme was at 31 March 2014, which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

Notes to the accounts continued

31. Pension schemes continued

The 2014 valuation was the third valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuation and details his estimate of the funding level at 31 March 2015 are also included in this note.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members mortality S1NA light YoB tables – no age rating
Female members mortality S1NA light YoB tables – rated down one year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65 24.2 (26.3) years
Males (females) currently aged 45 26.2 (28.6) years

At the valuation date, the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011.

New entrants

Other than in specific, limited, circumstances new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The Normal pension age was increased for future services and new entrants, to age 65.

Flexible retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% per annum and 6.5% per annum for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% or the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2015 under the scheme specific funding regime has fallen from 75% to 72%. This estimate is based on the funding level at 31 March 2011, allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2015 estimation.

On the FRS 17 basis, using an AA bond discount rate of 3.3% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2015 was 72%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Investment return	Decrease by 0.25%	Increase by £1.6bn
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1bn
Rate of salary growth	Increase by 0.25%	Increase by £0.6bn
Members live longer than assumed	One year longer	Increase by £0.8bn
Equity markets in isolation	Fall by 25%	Increase by £4.6bn

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows.

However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the employers to support the scheme if the investment strategy does not deliver the expected returns. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to be the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a long term view of its investments. Short-term volatility of returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which

exists for defined benefit schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014.

The total pension charge to the income and expenditure account for the University and its subsidiaries was:

	2015 £m	2014 £m
Contributions to USS	28.9	27.4
Charge to income and expenditure account re CPAS	3.2	3.1
Contributions to other pension schemes (including CRSP)	3.2	3.0
Total pension cost (Note 6)	35.3	33.5

CPAS

The University operates a defined benefit scheme in the UK, which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The Scheme was closed to new entrants from 1 September 2006. A full actuarial valuation was carried out at 31 July 2011. For 2012 employer contributions were 12.4% of pensionable pay plus £395,500 per month and active members paid in at the rate of 6% of pensionable pay. Following the 31 July 2011 valuation employer contributions have been agreed at the rate of 16.9% of pensionable pay plus £419,500 per month from 1 August 2012. The monthly lump sum payment is to pay for the past-service shortfall over a 15 year period and will increase by 4.8% each August. The results of the actuarial valuation at 31 July 2011 have been updated to 31 July 2015 for the purposes of FRS 17 valuation.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities, the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the discount rate of interest would be 3.8% per annum, salary increases would be 3.3% per annum and pensions would increase between 3.3% and 3.6% per annum. The market value of the assets of the scheme was £164.6m with past service liabilities of £269.8m. The valuation was carried out using the projected unit method.

The 31 July 2014 valuation was almost complete at the balance sheet date and has resulted in a deficit of £95.4m at the valuation date compared to a £80.1m deficit at the 31 July 2011 valuation. The increase results mainly from the effect that low bond yields are having on the way the scheme's liabilities are calculated. A low expected bond yield means that more money has to be put aside now to cover the expected future costs of paying out pensions when they fall due.

Notes to the accounts continued

The total pension charge to the income and expenditure account for the University and its subsidiaries was:

31. Pension Schemes continued

	2015	2014
	£m	£m
CPAS – FRS 17 Disclosure		
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	(269.8)	(239.2)
Fair value of plan assets	164.6	148.5
Deficit	(105.2)	(90.7)
The amounts recognised in staff costs and other operating expenses are as follows:		
Current service cost	3.7	3.5
Gains on curtailments, settlements and business combinations	0.0	0.0
Total operating charge	3.7	3.5
The amount charged to interest was as follows:		
Interest on obligation	10.2	10.0
Expected return on plan assets	(8.7)	(8.8)
Net return (Note 8)	1.5	1.2
The amount recognised in the statement of total recognised gains and losses (STRGL) was as follows:		
Actual return less expected return on pension scheme assets	6.0	(3.4)
Experience gains and losses	(24.0)	(13.7)
Actuarial gain / (loss) recognised in STRGL	(18.0)	(17.1)
Actual return on plan assets	14.7	5.4
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	239.2	218.2
Service cost	3.7	3.5
Interest cost	10.2	10.0
Plan participants' contributions	0.5	0.5
Actuarial losses	23.8	13.6
Benefits paid	(7.5)	(6.6)
Closing defined benefit obligation	269.9	239.2
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	148.6	140.8
Expected return on plan assets	8.7	8.8
Actuarial gains / (losses)	6.0	(3.4)
Employer contribution	8.3	8.5
Plan participants' contributions	0.5	0.5
Benefits paid	(7.6)	(6.6)
Fair value of plan assets at end of period	164.5	148.6

	2015	2014
	£m	£m
The major categories of plan assets as a percentage of total plan assets are as follows:		
Equities	67%	65%
Bonds	33%	35%
Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):		
Discount rate at end of year	3.80%	4.30%
Expected return on plan assets at end of year	3.80%	5.85%
Future salary increases	3.30%	3.20%
Future pension increases (pensions in payment pre 2003)	3.60%	3.50%
Future pension increases (pensions in payment post 2003)	3.30%	3.20%
Proportion of employees opting for early retirement	50.00%	50.00%
Proportion of employees commuting pension for cash	100.00%	100.00%
Future expected lifetime of pensioner at age 65:		
Male (born 1948 (2012: 1947):	23.6	22.8
Male (born 1968 (2012: 1967):	25.7	25.4
Female (born 1948 (2012: 1947):	25.9	24.7
Female (born 1968 (2012: 1967):	27.9	27.3

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Defined benefit obligation	(269.8)	(239.2)	(218.2)	(202.7)	(165.8)
Plan assets	164.5	148.5	140.8	121.3	112.7
Deficit	(105.3)	(90.7)	(77.4)	(81.4)	(53.1)
Experience adjustments on plan liabilities	27.3	13.6	(9.2)	(29.6)	(6.8)
Experience adjustments on plan assets	6.0	(3.4)	10.5	(0.8)	3.1

CRSP

Following the closure of CPAS to new entrants on 1 September 2006, the University engaged Legal & General to operate a defined contribution pension scheme for the benefit of members. The Contributory Retirement Savings Plan (CRSP) is designed as the primary pension plan for members of staff who are not already in another pension scheme, but all members of staff can join CRSP. The University makes contributions equivalent to twice the employee's contribution, up to a maximum of 10%. As at 31 July 2015 the University owed £267,012 in respect of contributions to the scheme (2014: £230,349).

Notes to the accounts continued

32. Access funds

Funding Council grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

	2015	2014
	£m	£m
Balance at 1 August	0.0	0.0
Funding Council grants	0.0	0.4
	0.0	0.4
Disbursed to students	0.0	(0.4)
Balance unspent at 31 July	0.0	0.0

33. Connected charitable institutions

The following charities are linked to the University and fall within paragraph (w) of schedule two of the Charities Act 1993, and are consolidated within the Group.

	2015	2014
	£000	£000
Children's play activities trust fund		
Reserves		
Balance at 1 August	312	284
Funding Council grants	9	9
Capital appreciation / (depreciation)	(1)	19
Balance at 31 July 2015	320	312

Non-operating charities

JH Tomlin Scholarship Fund
The Dean Moore Scholarship Fund
The AF Bird Memorial Award

34. Sport England grant

Sport England has granted the University funds to provide opportunities for students to take part in sport and activity. £16,826 (2014 £101,782) has been spent, in collaboration with Nottingham Trent University.

**Council membership
(1 August 2014 to 31 July 2015)**
**President of Council and
Pro-Chancellor:**
John Mills

Vice-President of Council:
Dame Elizabeth Fradd

**Members ex-officio
Pro-Chancellor:**
Dr Hamid Mughal

The Vice-Chancellor:
Professor Sir David Greenaway
Deputy Vice-Chancellor:
Professor Karen Cox

The Treasurer:
Colin Gillespie [to 2 December 2014]
Steve Walton [from 10 March 2015]

Pro-Vice-Chancellors:
Professor Alan Ford
Professor Chris Rudd

Members of staff
Professor John Atherton
Professor David Clarke
Professor Neil Crout
Professor Christine Hall
Dr Gabriele Neher

**External members appointed
by the Council**
Lyndsey Bainton
Baroness Brenda Dean
John Finch
Dame Asha Khemka
Jeff Randall
David Ross
John Saunders
Steve Walton
Neil Watkinson
Louise Wilson

**Appointed by the union of students
From 1 July 2014 to 30 June 2015**
Harry Copson (President)
Adam Bevis-Knowles (Education Officer)

From 1 July 2015
Angharad Smith (President)
Daniel Rattigan (Education Officer)

**Other senior officers
The Chancellor:**
Sir Andrew Witty

The Registrar:
Dr Paul Greatrix (Secretary to Council)

Pro-Vice-Chancellors:
Professor Christine Ennew
Professor Nick Miles, OBE
Professor Sarah O'Hara
Professor Saul Tendler
Professor Hai-Sui Yu

Chief Financial Officer:
Andrew Unitt

Chief Estates and Facilities Officer:
Chris Jagger

Chief Information Officer:
Mary Visser

**Chief Marketing and
Communications Officer:**
Kerry Law

Director of Human Resources:
Jaspal Kaur