



The University of  
**Nottingham**

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# Financial Statements for the year to 31 July 2016

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## COUNCIL MEMBERSHIP (1 August 2015 to 31 July 2016)

**President of Council and Pro-Chancellor:**

John Mills

**Vice-President of Council:**

Dame Elizabeth Fradd

### **Members ex-Officio**

Pro-Chancellor:

Dr Hamid Mughal OBE

The Vice-Chancellor:

Professor Sir David Greenaway

Deputy Vice-Chancellor:

Professor Karen Cox

The Treasurer:

Stephen Walton

Pro-Vice-Chancellors:

Professor Sarah O'Hara

Professor Hai-Sui Yu

### **Members of Staff**

Professor Tony Avery [from 18 November 2015]

Professor Neil Crout

Dr Rachel Gomes

Professor Christine Hall

Dr Gabriele Neher

### **External members appointed by the Council**

Baroness Brenda Dean

John Finch

Dame Asha Khemka

Trevor Moss [from 1 October 2015]

Jeff Randall

David Ross

John Saunders

David Tilly [from 1 February 2016]

Neil Watkinson

Louise Wilson

### **Appointed by the Union of Students**

*From 1 July 2015 to 30 June 2016*

Angharad Smith (President)

Daniel Rattigan (Education Officer)

*From 1 July 2016*

Ismail Sadurdeen (President)

Beth Massey (Education Officer)

### **Other Senior Officers**

The Chancellor:

Sir Andrew Witty

The Registrar:

Dr Paul Greatrix (Secretary to Council)

Pro-Vice-Chancellors:

Professor Dame Jessica Corner [from 1 January 2016]

Professor Christine Ennew OBE

Professor Nick Miles OBE

Professor Chris Rudd

Faculty Pro-Vice-Chancellors:

Professor John Atherton

Professor Jeremy Gregory

Professor Todd Landman

Professor Andrew Long

Professor Kevin Shakesheff

Andrew Unitt

Chief Financial Officer:

Chris Jagger

Chief Estates and Facilities Officer:

Mary Visser

Chief Information Officer:

Kerry Law

Chief Marketing and Communications Officer:

Jaspal Kaur

Director of Human Resources:

Chief Student Management Officer:

Breda Walls

# Vice-Chancellor's Welcome

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It has been a year of progress, challenge and change at The University of Nottingham: progress as we strive to take teaching, learning, research and partnership activity to new levels; challenge as we overcome barriers to success; change as we adjust to significant shifts in the external environment – both at home and in our relationship with the European Union – to ensure our University has the resilience to succeed in a rapidly-changing world.

All of us, in one way or another, have been engaged over the course of 2015-16 on projects that are bringing the University's Global Strategy 2020 to life. As we near the midway point of the GS2020 implementation period, significant progress has been made across all areas: we are on track to achieve most of the targets we set for ourselves when GS2020 was agreed, with particularly pleasing progress in relation to student employability and research awards.

The vision set out in GS2020 encapsulates our ambitions for the future of our University. That vision speaks of a global and globally-engaged University, as an institution that anticipates challenges and exceeds the high expectations of our students, staff, researchers, partners and stakeholders. The continued flow of research investments supported by the Strategic Development Fund and Research Board will contribute incrementally to the achievement of our research goals, with potential for achieving a greater step change to come as the new research strategy and related investments come together.

Investments in our staff, new technology, new facilities and infrastructure are helping us to put students firmly at the heart of the institution, and they are starting to deliver real tangible benefits. Project Transform has seen the creation of new Student Service Centres across each of our campuses offering personalised, friendly help on a wide range of issues.

Elsewhere on our campuses, development has continued apace, with brand new facilities for study, sport and social life. The opening of a landmark building on Jubilee Campus has been a particular source of pride. Less than two years after it was completely destroyed by fire as it neared completion, the GlaxoSmithKline Carbon Neutral Laboratory on Jubilee has risen from the ashes and now stands as a testament to the resilience and commitment of our University.

The new George Green Library – which has doubled in size – offers many more student study spaces and workrooms. Our new David Ross Sports Village offers the largest sports hall of any UK university and make us one of the leading multisport venues in the country. A project enhancing the Portland Building, one of the key hubs of student life on campus, and home to our Students' Union, is creating a brand new terrace for students and staff to enjoy the social side of the University. Among forthcoming improvements is a brand new health centre, made possible by a £9m gift from the Cripps Foundation – the largest single donation from a private foundation in the University's history.

Being a student at Nottingham is a transformational experience, and it was very pleasing to see that reflected in the National Student Survey (NSS) 2016. The NSS results were our highest ever, with an 'overall satisfaction' rating of 89%. This is an excellent result and a tribute to the enormous amount of work that has been undertaken by all colleagues in Schools, Faculties and Professional Services. This year saw another 'best-ever' result – in the British Universities and Colleges Sport (BUCS) rankings. Over the year our sporting students competed among the elite across numerous disciplines, to finish in fourth place overall from a field of more than 160 UK institutions.

I am immensely proud and appreciative of the work that has taken place to achieve the progress we have seen, across all areas. Progress which has seen us shortlisted for the accolade 'University of the Year' not once but twice in 2016 – by both *Times Higher Education* and the *Sunday Times Good University Guide* and be named as *The Times/Sunday Times 'University of the Year' for Graduate Employment*.

That spirit of excellence is reflected in our Impact Campaign, which passed its £150m fundraising target a year early and now looks set to reach £200m in 2017. This is a truly remarkable figure, surpassing even our most ambitious hopes when the campaign was launched in 2011. It was a fitting tribute when our Campaign and Alumni Relations Office was named 'Outstanding Development/Alumni Relations Team' at the *Times Higher Education* Leadership and Management Awards 2016.

It has been wonderful to lead the Campaign and play an active part in its success. Not least through my participation in six Life Cycle rides, which have covered thousands of miles and raised more than £2.8m since we first started criss-crossing the UK on two wheels at the start of the Campaign.

The 2016 ride will always be particularly memorable for me, because it was my last as Vice-Chancellor.

I will be retiring in September 2017. By then, I will have served our University for 30 years, with more than 20 of them as a Member of its Executive: as Pro Vice Chancellor, Acting Vice-Chancellor, and Vice-Chancellor. Serving for nine years as our University's leader has been a genuine privilege.

We have much to feel proud of, and real strengths to build on over the coming year, as we work to meet the challenges posed by Brexit and our relationship with our European neighbours. But I have no doubt that working together, as a community of colleagues, we will be able to ensure continued success for Britain's Global University in the future.

**Professor Sir David Greenaway**  
**Vice-Chancellor**  
**The University of Nottingham**

# Strategy Review

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In 1928, while opening the Trent Building and University Park, Sir Jesse Boot wrote that:

...in each succeeding age the University will spread the light of learning and knowledge and will bind science and industry in the unity that is so essential for the prosperity of the nation and the welfare of our fellow citizens.

That vision still has currency. It speaks to ambition, engagement, partnership, civic responsibility and longevity and the values on which it is built remain at the heart of the University.

While our core values remain the same, almost 90 years of globalisation and technological developments make the world a different place, which is reflected in our vision and Global Strategy 2020.

Global Strategy 2020 has two core strategies, two enabling strategies and a series of foundations.

## Core Strategy - Excellence in Education and Student Life

Excellence in Education and Student Life is one of the core strategies of Global Strategy 2020. The 'Transforming Teaching' programme, a key strand of this activity, underwent a thorough review this year which saw it configured into five project areas that align with the Strategy's objectives: student engagement; personalising students' learning experience; teaching leadership and development; digital learning; and curriculum review.

Project teams have been taking work forward over the course of the year, including the development of new online provision, harmonising the credit size of modules, strengthening the role of senior tutors, tackling issues raised by student evaluation scores, developing placements for 2016-17 and beyond, and monitoring school/faculty action plans for the National Student Survey (NSS).

Good progress has been made in many areas – not least in the NSS. Results in 2016 were the University's highest ever, with an 'overall satisfaction' rating among final-year students of 89%, against last year's 86% and a previous high of 88% (in 2014). This excellent result reflects the enormous amount of work that has been undertaken by staff in Schools, Faculties and Professional Services.

Recognition of high quality teaching and learning was also reflected in the award of the Quality Mark by the Quality Assurance Agency for Higher Education (QAA). In its report, the QAA commended the University for its enhancement of student learning opportunities – awarding the highest rating possible and identifying five areas of good practice.

Activity is underpinned by investment in staff, new technology and new facilities and infrastructure, to put students firmly at the heart of the institution. A major part of that investment is represented by Project Transform. This challenging and complex project has seen the opening of new Student Service Centres across our campuses. The centres offer personalised, friendly help on administrative and welfare matters, relating either to academic issues or the wider University experience. Transform is a key institution-wide initiative, enhancing the student experience in the UK, China and Malaysia.

Alongside the new Student Service Centres, other new facilities have opened to enhance study, sport and social life. A new teaching facility, the Lord Dearing Building, had its official opening at the

University of Nottingham Ningbo China. At the University of Nottingham Malaysia Campus, the new Tuanku Zara Teaching Centre opened to cater for growing student numbers, with flexible spaces that allow technology-enabled learning and small group teaching. In the UK, the new George Green Library – which has doubled in size – offers many more student study spaces and workrooms, while extensive work on the Portland Building will enhance one of the key hubs of student life on campus. The new GlaxoSmithKline Carbon Neutral Laboratory on Jubilee is a centre of excellence in green chemistry, while the David Ross Sports Village makes Nottingham one of the leading multisport venues in the country.

Developments like the David Ross Sports Village will help Nottingham students to push on ever higher and better. This year they achieved their highest-ever final place in the British Universities and Colleges Sport (BUCS) rankings. Over the year they dominated across numerous disciplines to finish in fourth place overall, with a total of 3553 points across 47 different sports, against more than 160 UK institutions. The University joins an elite top five universities whose teams and individual participants performed at the highest level over the 2015/16 academic year.

After graduation, Nottingham students remain among the elite in the eyes of employers. The most recent report by High Fliers Research showed that Nottingham is 2nd in the list of universities targeted by the largest number of top employers in 2015-16 – which means it has now been ranked first or second every year for the last four years.

That achievement was underlined this year with another ringing endorsement – when Nottingham was named ‘University of the Year for Graduate Employment’ in *The Times/Sunday Times Good University Guide*.

## Core Strategy - World-Changing Research

Nottingham’s Global Research Themes – unveiled this year – aim to tackle the biggest questions facing our planet today. By harnessing its world-class research across a range of disciplines and building global partnerships, Nottingham is at the heart of real progress in shaping the future.

The Global Research Themes (GRTs) use an interdisciplinary approach across five broad areas: Cultures and Communication; Digital Futures; Health and Wellbeing; Sustainable Societies; and Transformative Technologies. They draw upon the University’s strengths, including an ability to focus the depth and range of Nottingham research, international and business partnerships and, not least, the inspirational people who are dedicated to driving innovation that will ultimately change lives.

Spread across these GRTs are a range of Research Priority Areas, clusters of excellence and expertise that encourage a collaborative, integrated approach to delivering solutions for real-world issues. Energy is one such global challenge – and an area that received a major boost in 2016 with the official launch of the Energy Research Accelerator (ERA), which will help grow the region’s high-tech, high-skilled economy.

ERA will receive £60m of public money to unlock £120m of private sector co-investment and is the first project to be delivered by the ‘Midlands Innovation’ initiative, a collaboration of six leading universities across the Midlands. Aston University, the University of Birmingham, Leicester University, Loughborough University, the University of Nottingham and the University of Warwick will work

alongside the British Geological Survey, local industry and others to create a global centre of excellence for energy research and innovation.

It will tackle some of the biggest energy challenges facing the UK and investigate how to make the best use of the resources available by being more efficient and innovative whilst producing affordable, safe energy. Midlands Innovation has ambitious plans to apply the same vision to the nation's transport, health, and biomedical science challenges in the future.

Another regional partnership marked its fifth anniversary this year with the announcement of a ground-breaking research collaboration. The establishment of the £10m Centre of Membrane Proteins and Receptors (COMPARE) was the result of a year-long competitive process, cementing the partnership between the universities of Nottingham and Birmingham as arguably the most significant bilateral collaborative university partnership in the UK.

COMPARE unites leading researchers from the two universities, equipping them with some of the most advanced imaging technologies in the world in the quest to develop more effective drugs with fewer side effects. The focus will be on treating two of the major killers of mankind, cardiovascular disease and cancer. The project capitalises on Nottingham and Birmingham's collective strengths in life sciences and will be one of the leading centres in UK for the delivery of pioneering and translational research.

External recognition of excellence came from many different quarters this year. The Malaysian Government awarded The University of Nottingham Malaysia Campus (UNMC) a 5-star rating for the quality of its research and innovation, making it the highest rated international university in Malaysia.

The Malaysia Research Assessment (MyRA), measures the quality of research, development, commercialisation and innovation conducted by Malaysian universities. UNMC's world-class research portfolio centres around environmental sustainability, Islamic business and finance, sustainable palm oil and the Asia Aerospace Technology Centre.

In the UK, one of University's most distinguished physicists was recognised in the Queen's New Year Honours List. Professor Peter Morris, who was part of the team that developed Magnetic Resonance Imaging in the 1970s and has worked in the field ever since, was awarded a CBE for services to science and medicine.

And for its work in supporting young researchers, the University was recognised with one of the most prestigious awards in UK higher education. Nottingham won the award for offering 'Outstanding Support for Early Career Researchers' at the *Times Higher Education Awards 2015*. The award recognises the University's postgraduate placement programme, which has helped more than 200 research students to gain valuable career and professional development experience.

## **Enabling Strategy - Embedding Internationalisation**

The University of Nottingham is Britain's Global University. Its international reputation for collaboration, innovation and openness is both hard-won and well-earned. Its global outlook has a hugely positive attitude on society, the economy and on the global community of students, staff, visitors and friends who work and study at the University.

The result of the 2016 EU Referendum means the UK must now look outwards, forging new relationships with the international community. The University of Nottingham – with its physical presence in three countries, on two continents, and extensive experience of working with international partners across borders – is well-placed to successfully navigate this period of change and the challenges and opportunities it will provide. Our international community of students and staff is one of our greatest strengths, and we want people from the UK, other countries in Europe and beyond to continue to study, teach, research and work here.

A key focus of Nottingham's global engagement is to grow and diversify our international student population as laid down in Global Strategy 2020. This work took a major step forward in 2016 with the signing of a new partnership with a private provider for foundation and pre-Master's programmes.

Working with an external partner – Kaplan UK Limited – will allow a significant increase in the number of international students coming to the University through undergraduate foundation programmes and to develop pre-Master's programmes. Kaplan is one of the most well-established providers in the UK delivering programmes on UK study skills, key subject knowledge and English language development.

Other strands of activity are likewise aimed at meeting the objectives of Global Strategy 2020. Regionally-focussed plans for creating purposeful research and teaching partnerships will increase our internationally co-authored publications, international funding, business engagement, and student and staff mobility. The University is targeting a range of funders including EU and DFID, and responding proactively to the new wave of international funding opportunities such as the Newton Fund and the Global Challenges Fund.

Extensive work is being done to further encourage and support – both academically and financially – Nottingham students to study abroad, to give them an international experience and global perspective which will enhance their employability. There is a particular focus on developing further mobility and collaborative research and knowledge exchange opportunities with the University's China and Malaysia campuses.

At the University of Nottingham Ningbo China (UNNC), a Ningbo Government special grant of 500 million RMB has been awarded for the next five years to enhance infrastructure, recruitment and retention of highly talented staff and UNNC's capacity for technology development and transfer to the local economy. A development plan has been drawn up for the construction of a technology incubator and other facilities; while Student Services has been streamlined, with key additions including a new Student Service Centre, clinics and sports facilities.

The University of Nottingham Malaysia Campus (UNMC) welcomed a new Provost and CEO this year, as Professor Graham Kendall took on leadership of the campus in summer 2016. He succeeded Professor Christine Ennew, who took up a new role as Deputy Vice-Chancellor and Provost at Warwick University. Professor Ennew, who was awarded an OBE in the Queen's Birthday Honours list for her contribution to international higher education, was instrumental in setting up UNMC in 2000 and had been at the helm as CEO and Provost since 2013.

Professor Kendall is a Professor of Computer Science and was previously Vice-Provost for Research and Knowledge Transfer at UNMC. In this role he was responsible for delivering a step change in the volume and quality of research, resulting in this year's five-star rating in the Malaysian research assessment exercise, MyRA – making it the highest rated international university in Malaysia. UNMC's

research portfolio centres around environmental sustainability, Islamic business and finance, sustainable palm oil and the Asia Aerospace Technology Centre.

## **Enabling Strategy - Partnerships for Growth**

Over the last year, the University has been working hard to increase its engagement with businesses on both a local and global stage.

### **Supporting SMEs**

The University continues to reach out to the small and medium sized (SMEs) business community, and this year it has launched a number of new programmes which is allowing more SMEs than ever before to engage with the University.

In the summer of 2016, The University of Nottingham secured three years of European funding for a programme to support small and medium sized businesses, called Enabling Innovation. The programme, which is for businesses in Derbyshire and Nottinghamshire, aims to stimulate innovation by commercialising cutting edge R&D, supporting product and process development, and driving innovation.

The University's Ingenuity programme, which provides workshops and seminars for small businesses has this year engaged with hundreds of SMEs. The Ingenuity programme provides academic insights for small businesses in subjects ranging from finance to marketing and customer services.

In addition to the more traditional business subjects, Ingenuity has also been introducing academics from the Arts to business leaders, where they have been able to apply expertise from subjects such as Philosophy, Classics and English to run seminars in areas as diverse as 'decision making', 'storytelling' and 'linguistic profiling'. Over 500 people attended Ingenuity events over the last year.

The University's Nottingham Internship Scheme also enabled almost 50 local small businesses to benefit from employing 80 interns from the University over the summer, in roles ranging from manufacturing engineer to software developer; ecologist to organisational psychologist and laboratory assistant.

### **Enterprising Nottingham**

The University of Nottingham is also leading the way in supporting student and academic enterprise at Nottingham. The new £5.2m Ingenuity Centre, which opened in autumn 2016, provides state-of-the-art accommodation for entrepreneurs, supported by the University's Haydn Green Institute for Innovation and Entrepreneurship and the Technology Transfer Office.

The Ingenuity Centre has been designed to enable technology entrepreneurs to fulfil their growth potential by linking with University expertise. With an iconic 2000m<sup>2</sup> tyre shaped building to reflect the site's links to Raleigh, the centre provides a space where businesses can receive intensive support ranging from business planning to access to finance and specialised research.

### **Spin-out successes**

Many of our spin-out companies continue to enjoy significant investment. Oncimmune, which has developed a technology for the early detection of lung cancer, successfully floated on the AIM market on the London Stock Exchange, raising £11m for the company. The floatation values the University's 12.9% share of the company at £8.1m. The company's product, EarlyCDT is being used by the National Health Service Scotland in the world's largest randomised trial for the early detection of lung-cancer, studying over 12,000 high-risk smokers.

Scancell, which develops products that stimulate the immune system to treat or prevent cancer, raised a further £6.1m this year, securing £23m funding to date.

The company, which was founded in 1997 as a spin-out from the University of Nottingham, focuses on the development of its ImmunoBody® and Moditope® cancer vaccine programmes.

Our newer spin-outs are also creating a lot of interest from investors. Drug discovery company, Exonate has developed a treatment for Age Related Macular Degeneration. Over the last two years the company has secured £1.27m, a considerable amount from its Angel investor base.

Another spin-out, NuVision, launched its first product, Omnigen in July. Omnigen is an eye bandage made from human amnion (placenta). The nutrients in the placenta promote healing of the injury as well as providing protection.

### **Corporate partnerships**

The University continues to build closer links with some of the world's biggest businesses.

The University is one of the key partners in the Energy Research Accelerator (ERA), a £60m collaboration involving Land Rover, Dearman Engines, Cofely and others. ERA aims to create world-leading facilities to meet the challenges of developing low-carbon energy for greater energy efficiency. The initiative will bring together the best in energy research and build upon the Midlands' extensive industrial base.

Other partnerships have been strengthened through our work with major corporates. A new aerospace hybrid propulsion project has been agreed with Siemens, which will look at design options for a generator, as part of a new system being developed by the company. We are also working with Siemens on a two year feasibility study to understand the benefits of a Community Energy System replacing traditional fossil fuels.

Other partnerships have been strengthened with companies such as Ford, with whom we're working on a project investigating user experiences, relationships between the car and driver, and new insights from in-car data.

The University of Nottingham is also one of the leading partners in the £27.7m Centre for Innovation Excellence in Livestock (CIEL), taking the lead for dairy research. Facilities being developed at the University include the Dairy Nutritional Research Unit, a cutting edge nutritional research facility for 100 high yielding milking cows. In addition, a laboratory is being constructed where research will be undertaken into milking and mastitis related issues. A diverse range of companies are involved in the

project, including Tesco, Zoetis and many other manufacturers, feed producers and animal health companies.

### **International collaborations**

The University of Nottingham also continues to build international partnerships, particularly around links forged through our overseas campuses.

In Ningbo, China, the £6m Ningbo-Nottingham, New Materials Institute is aiming to pave the way for new collaborations and business opportunities. The aim of the Institute is to create five international research teams, and to commercialise the research in order to promote the rapid development of the new materials industry in Ningbo.

In Shanghai the University launched a new £1m Joint Centre on Low Carbon Research with the Shanghai Advanced Research Institute to find low-carbon solutions to some of the world's most pressing energy and environmental challenges. The centre is creating an innovation bridge between the Midlands and China, with research focusing on carbon capture, utilisation and storage, waste biomass and lignite. Industry partners include Lu'An Group, BP and Johnson Matthey.

## **Foundations**

The fundamental foundations of Global Strategy 2020 encompass five key areas: People; Effective organisation and governance; Creating resources for long-term success; Making the most of new technology; and Building on a world-class estate.

### **People**

The new People Strategy and Human Resources Strategy were formally approved by University Council this year. Core programmes of work within Human Resources – talent development, performance management, pay and reward and HR excellence – are all on track, as the University seeks to advance on a range of fronts.

A key milestone was the formation of the People and Culture team, which is enabling important new work in areas such as employee engagement, culture, and staff wellbeing. A project to review and develop the University's reward strategy is underway to help ensure that staff are fully engaged and properly rewarded, incorporating best practice principles from within and outside higher education. In recognition of the critical importance of alignment between the reward strategy and the aims of Global Strategy 2020, a group of selected stakeholders has been engaged to ensure the work is informed by the vision, aims and ambitions of senior leadership at the University.

2016 saw the University complete the rollout of the Workload Planning Framework and system across its two international campuses. The Framework was developed with input from academic staff and aims to facilitate efficient academic activities and resource planning as well as prevent individual work overload. The system provides individuals with an annual view of work activity for them to discuss with supervisors, as well as overall data to support school and faculty planning. Nottingham is one of the first Russell Group Universities to implement an institution-wide system of this type.

A total of 21 outstanding individuals and teams were recognised with the award of the Vice-Chancellor's Medal – staff members like Dr Christina Lee, Professor Harminder Dua, Dr Stephen Cox and Rachel Ramsden, alongside students including Bethany Adams, Joel Matthews, Faith Mbewe and Akmal Sabri. The dedication of colleagues was rewarded at the annual Long Service Awards for those who have reached the milestone of 25 or 40 years' service; while the Students' Union Staff Oscars recognised the best personal tutors, supervisors, teachers and support staff.

### **Effective organisation and governance**

Specific projects initiated to support this strand of *Foundations* activity were completed in the previous year, following a comprehensive review of senior management arrangements to ensure appropriate resource was in place to meet the University's needs, to increase accountability, and to improve connectivity across all the University's operations. A new management structure at the University of Nottingham Ningbo China came into effect in summer 2016 and a new Provost was appointed at the University of Nottingham Malaysia Campus.

In response to the CUC Code of Governance and in accordance with overall good governance, University Council periodically reviews its role and its effectiveness. The most recent review of the Council's effectiveness concluded in January 2016 and confirmed that governance arrangements were well aligned with the updated Code. A number of enhancements are being introduced following the review.

An effectiveness review of Senate was also conducted, the first time such an activity had been undertaken, which concluded in June 2016. A series of recommendations were made and approved by Senate which focussed on the effectiveness of meetings and agenda, engagement across the University's three campuses and improved communications.

### **Creating Resources for long-term success**

2015-16 was a transitional year during which long term planning within the University moved towards a new model. The integrated planning cycle is designed to bring together Global Strategy 2020 implementation activity resourced within the normal operating budgets of Faculties and Professional Services – including 'business as usual' activity as well as change projects – with the S2020 strategic projects resourced from University-level strategic funds. The cycle provides for UEB to receive 'bottom up' proposals for GS2020 implementation project funding and to commission such projects as required.

### **Making the most of new technology**

There was good progress in developing the University's IT capabilities, with continuing progress in relation to the IS Renew and Smarter Computing projects. A key contribution has been in supporting projects initiated from within core themes: notably Project Transform in relation to the *Excellence in Education and Student Life* theme and the new Research Information System in the *World Class Research* theme. The reliance of other themes on an IT contribution is likely to increase further in 2016-17, including website redesign as part of the brand re-positioning, further HR systems developments and further developments relating to research support.

### **Building on a world-class estate**

The University's major estates projects in support of GS2020 progressed as planned. The George Green Library neared completion as the 2015-16 academic year drew to a close, as did other major projects including:

- The GlaxoSmithKline Carbon-Neutral Laboratory for Sustainable Chemistry
- The David Ross Sports Village
- The Technological Entrepreneurship Centre
- The Riverside Sports Complex

Planning permissions have been secured for the next wave of priority projects which will proceed subject to funding approvals. These include:

- The Centre for Advanced Manufacturing
- The new Teaching Building on University Park
- The Centre for Biomolecular Sciences
- The new Cripps Health Centre

Alongside these major projects the University has and will continue to invest in improving and adapting existing facilities in line with the demands of changing student and researcher expectations.

In parallel with development, there is also a continuing emphasis on the University's green spaces. For the 14th year running, the 120-hectare University Park campus was awarded Green Flag status in recognition of the quality of its landscaped green space. And for the third year in a row, Nottingham topped the Greenmetric World Ranking – a league table of the most sustainable universities on the planet.

# Treasurer's Report

*This is the first set of financial statements prepared under the 2014 Statement of Recommended Practice for Further and Higher Education ("SORP"). The new SORP incorporates FRS102 and brings University accounting practice in line with International Financial Reporting Standards.*

*The move to the new SORP has required significant changes to accounting practices and presentation and as a result, all 2014/15 comparator figures in these financial statements have been restated and are comparable to 2015/16 values. However, more historic comparators have not been restated which makes some comparisons over longer time periods misleading or irrelevant.*

*In this Treasurer's report, historic comparisons are included where they are comparable and relevant, but are not included where changes required by the SORP render them misleading or irrelevant.*

*Note 30 to the Financial Statements explains the restatements that have been posted as a result of the changes to financial reporting standards.*

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

## Key Highlights

	2016	2015 (restated)
Tuition Fees and Education Contracts	£298m	£276m
Funding Body Grants	£93m	£97m
Research Grants and Contracts	£125m	£119m
Other Income	£119m	£102m
TOTAL INCOME	£635m	£594m
Surplus for the Year	£18m	£(22)m
EBITDA	£39m	£35m
TOTAL NET ASSETS	£400m	£382m
Cash generated from Operating activities	£45m	£35m
Capital Investment	£101m	£61m
Staff Costs	£324m	£345m
Average Staff numbers	6,680	6,452
Research Awards	£159m	£186m
Total Student numbers – worldwide	44,520	43,893

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

- 24,483 undergraduate students in the UK
- 8,952 post-graduate students in the UK

Unique amongst UK Higher Education Institutions, The University of Nottingham has two overseas campuses run as joint ventures with local partners located in:

- Ningbo, China with 6,219 students
- Semenyih, Malaysia with 4,866 students.

The University of Nottingham has retained its position among the best in the world - appearing 75<sup>th</sup> in the most recent 2016 QS World University Rankings – the 13<sup>th</sup> highest placed UK University.

2015/16 saw the completion of the transition from to the £9,000 fees that were introduced in 2012 with the vast majority of students now paying the new fee. Applications throughout the transition period from the previous fee regime have remained strong and the 2015 intake exceeded target for the core Home/EU undergraduate student group. Direct government funding continues to decrease as a result of the transition to the £9,000 fee. Most of the funding provided via the Higher Education Funding Council for England (“HEFCE”) now supports high cost programmes in Science, Engineering and Medical subject areas.

The new fee regime places extra pressure on University finances because of the way fees are paid to Universities by the Students 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.

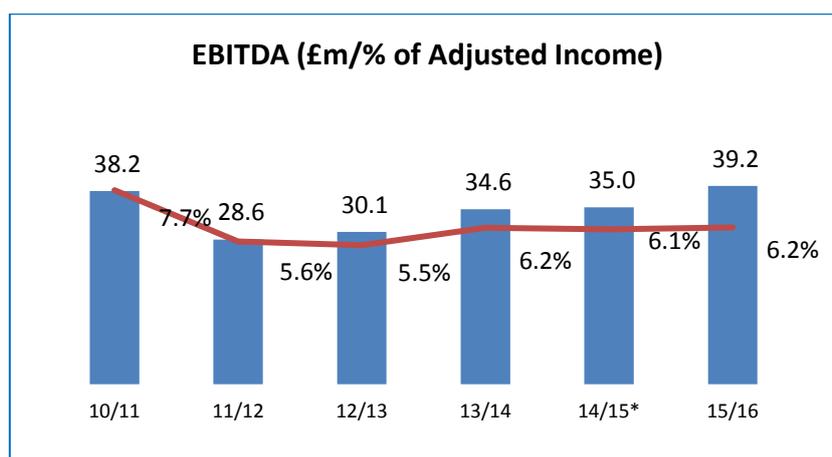
Despite these challenges the University delivered strong financial results, generated good levels of operating cash and made substantial investments in infrastructure.

2015/16 saw an Earnings Before Interest, Taxation and Depreciation (“EBITDA”) of £39.2m, in line with the budget and up on the University’s performance for the last three years. Operating cash flows were £45m, compared to £35m in 2014/15 – supporting the University’s investment plans.

Cash continues to be tightly managed, with balances (cash at bank and short term investments) of £16.7m at 31 July 2016 compared to £6.0m at 31 July 2015. This year, the University has made more use of its credit facilities to support the capital investment programme. At the year-end the University had £69m of outstanding borrowing, resulting in a net borrowing position (excluding cash held by the endowment fund) of £52.3m compared to net borrowings of £6.8m at 31 July 2015.

### **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.



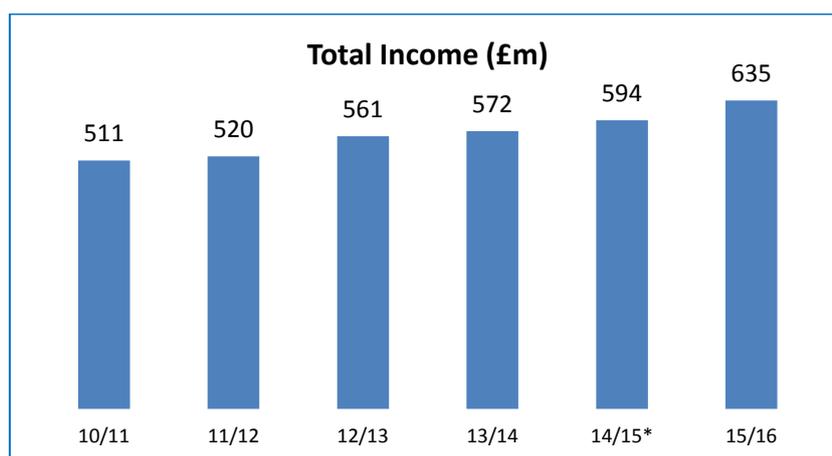
\*Restated

The University's performance against this measure remains strong at 6.2% of adjusted income – up on last year. The University has a medium term target for EBITDA of 7% of adjusted income. This is slightly higher than the most recent years and will generate additional resources to support increased future investment levels.

## Income

Income increased by £41m (6.9%) compared to the prior year. The main drivers of this increase are:

- Increased student numbers and the continuing effect of the 2012/13 change in the tuition fee regime with tuition fee income up by £22m on 2014/15.
- Deferred Capital Grants (“DCG”) releases totalling £12.6m (2014/15 - £0.4m) due mainly to the completion of the Glaxo Smith Kline Carbon Neutral Laboratory for Sustainable Chemistry.
- £8.1m one-off gain relating to the floatation of a University spin-out company.
- £6m higher research income compared to 2014/15 as higher research awards in recent years translate into research income.

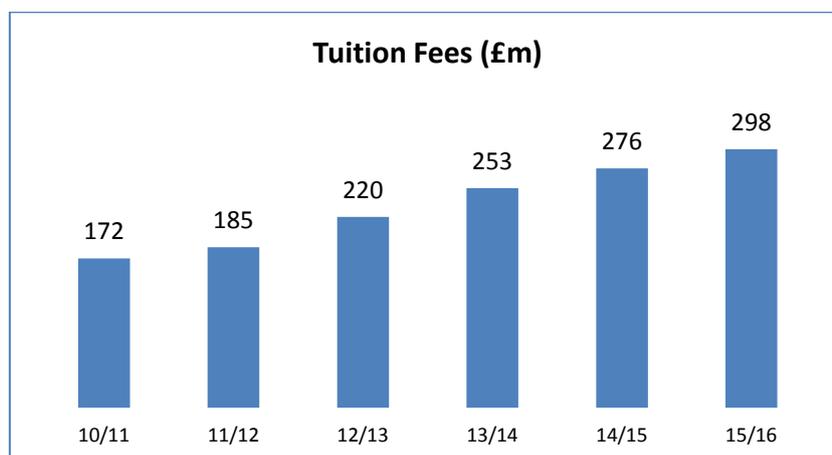


\*Restated

The Orchard Hotel, opened by the University in November 2012 to complement the East Midlands Conference Centre on campus, continues to perform strongly, contributing £10.3m (2014/15 - £10.1m) to total income and a £2.2m surplus (2014/15 - £2.4m).

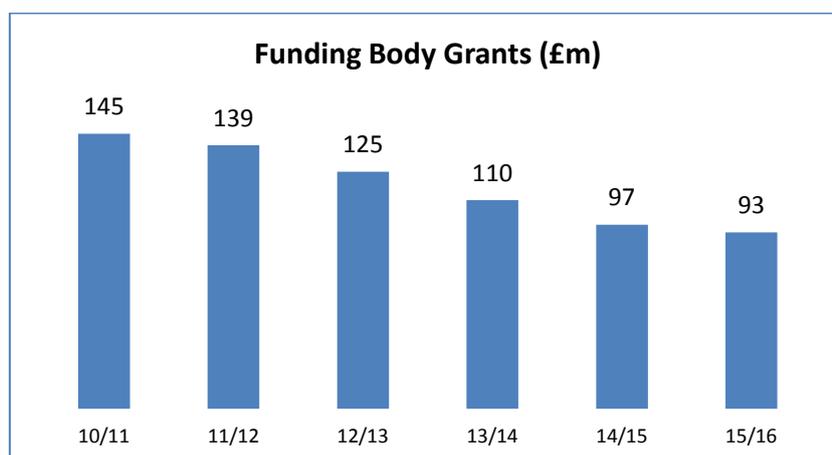
## Tuition Fees

The University maintained high levels of demand for places, with student number and income targets achieved for the September 2015 intake with slight over recruitment amongst Home/EU students offsetting slight under recruitment of overseas students. The University has also made a strong start to the 2016 recruitment cycle. The recruitment of overseas students continues to be challenging as a result of restrictive government visa policies and increasing competition.



Tuition fees are £22m (8.0%) up on 2014/15 and is now almost half 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

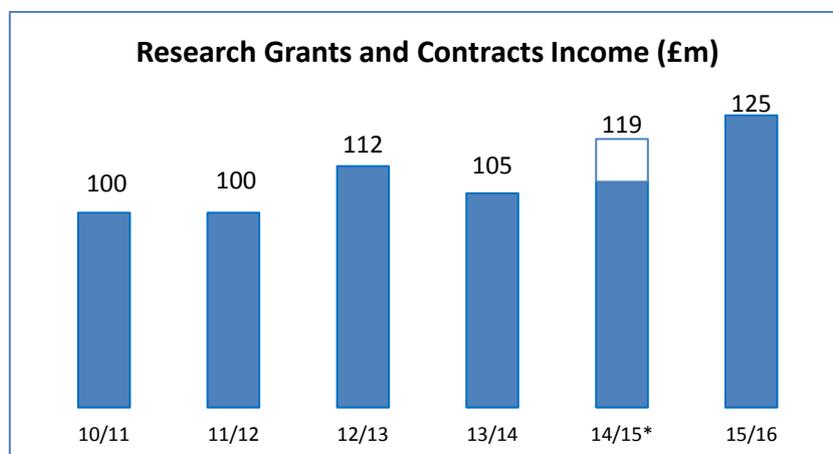


Funding body grants – which consist mainly of funding for Home/EU undergraduates and support for research continues to fall as expected. Funding body grants were down £4m on 2014/15 to £93m and now make up less than 15% of total University income.

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 funding from grants to tuition fees over time. The transition to the new mix of funding is now almost complete.

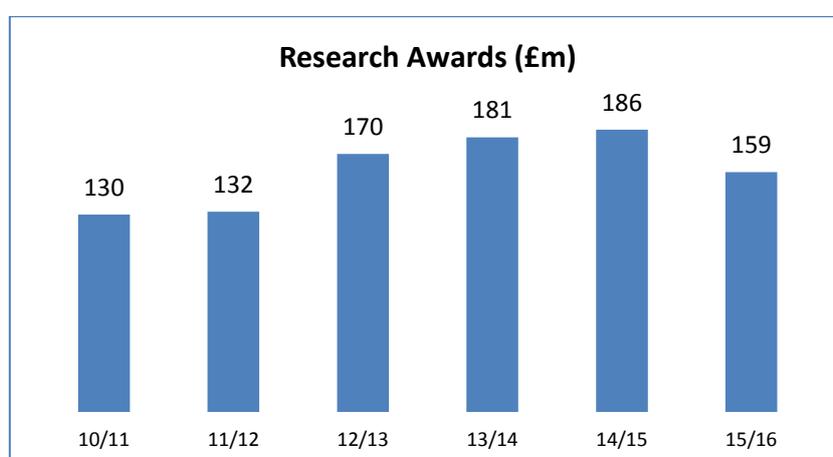
## Research Grants and Contracts Income

Income from Research Grants and Contracts is £125m for the year. The order book remains strong as a result of high levels of research awards in recent years that will feed into income over the coming years as the contracts are fulfilled. There were no material FRS102 adjustments to the current or prior year's numbers.



\*includes £11.6m Research and Development Expenditure Credit Income

Research awards are the order book which sustains the University's research base. Total awards won in 2015-16 were £159m – lower than in recent years but still providing a robust platform for the 2016-2020 Research Strategy with many of the secured awards generating research income for three to five years.



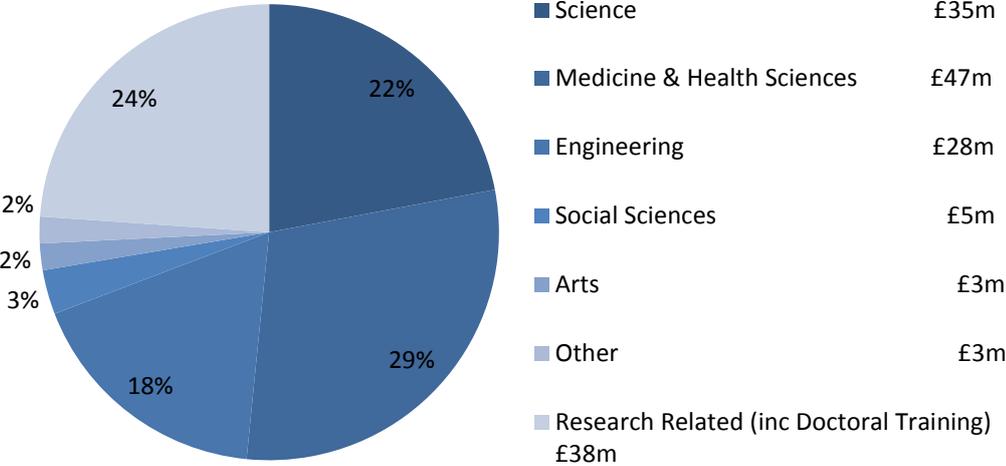
The University has a large and complex research portfolio with 1,133 new awards won from multiple funders during the year. The 3 largest grants are: £19.4m from Innovate UK for the development of an Energy Research Accelerator; £5.5m from the Engineering and Physical Sciences Research Council (EPSRC) to fund a Doctoral Training Partnership for 3 – 4 year PhD studentships to 2021 and £5.4m from the EPSRC to fund the Next Generation of Biomaterials Discovery.

There are also a further 19 financial awards, each in excess of £1m totalling more than £64m.

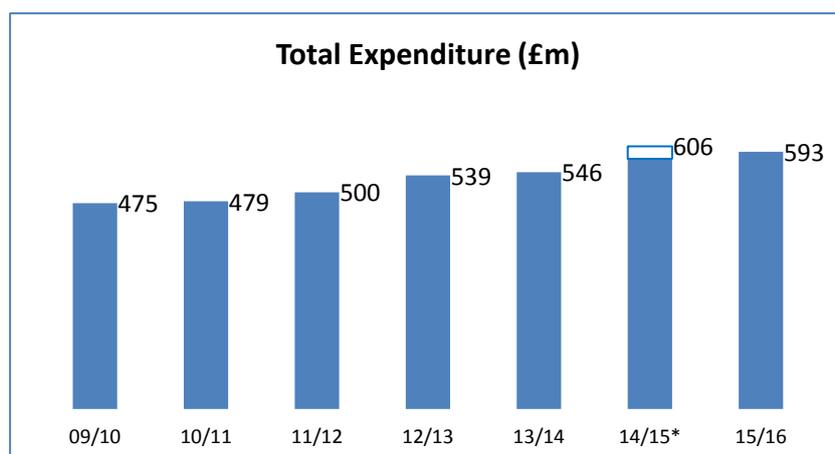
While all these successes have been achieved through intense competition from other Universities a growing feature of many large awards is a requirement to collaborate both within the University but also externally with other Universities, industry partners and users of research such as the NHS, and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

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

## 2015/16 Research Awards: £159million



## Expenditure



\*Restated with pension adjustment highlighted

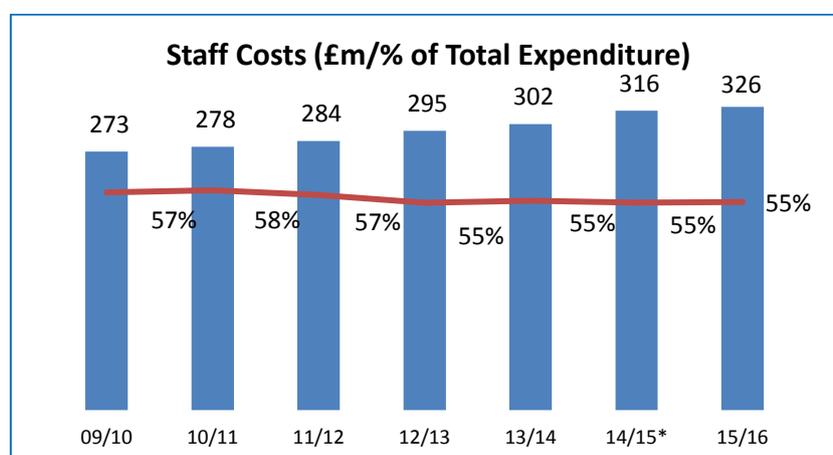
Total expenditure fell by £13m (2.1%) in 2015/16 to £593m. This results from the combination of increasing staff and non-staff costs offset by movements in pension costs. Pension provision adjustments resulted in an expense in the restated 2014/15 numbers of £29.2m and a credit in 2015/16 of £1.9m. The 2014/15 pension adjustment is a consequence of the USS pension deficit being included in the University's accounts for the first time as required by the new accounting standard.

Included within the University's costs are £55m (£50m in 2014/15) of scholarships and bursaries to a wide range of students, including:

- £14m to students from low income backgrounds to support their studies
- £15m to international students to encourage the most talented students to come to Nottingham
- £26m 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

Underlying staff costs (excluding pension provision adjustments) rose by £9.7m (4.6%) from 2014/15 to £325.9m and represent the largest element of total costs at 54.9% of total expenditure – consistent with recent years.



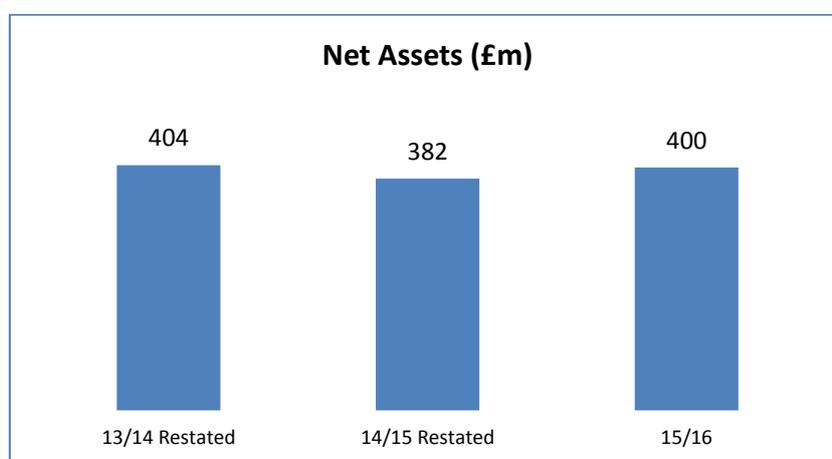
In addition to normal operational costs, staff costs are higher than would normally be expected because of the University's major change programme, Project Transform. The programme is replacing the University's student administration systems and implementing new management structures and ways of working.

Staff costs were also affected by the rise in the year of both employer's National Insurance and employer's pension contributions for the CPAS and USS schemes.

## Balance Sheet

The change in the SORP has had a material effect on the structure of the University's balance sheet, with significant movements between Reserves and Liabilities. This makes historic comparisons of Net Asset values misleading as only the 2014/15 values are restated. Note 30 to the Financial Statements explains the changes resulting from the new financial reporting standard.

Between 2014/15 and 2015/16, the University's Net Assets grew by £18m to £400m.



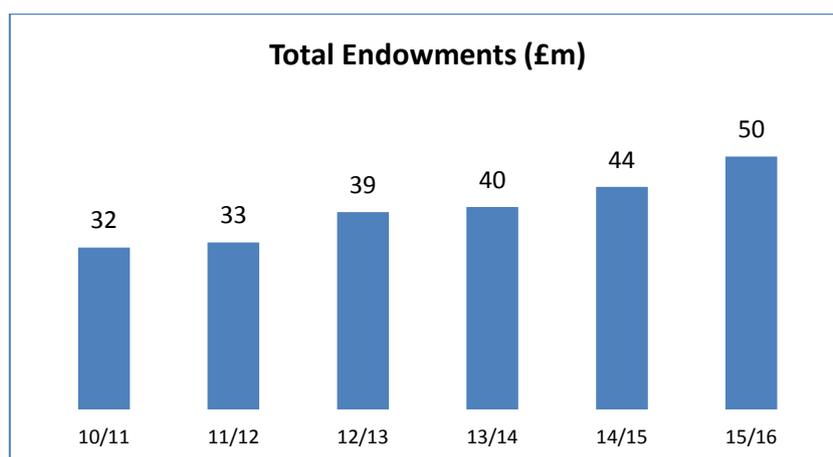
Note – historic data not comparable due to SORP changes – see Note 30

## 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 £7.3m (£6.2m: 2014-15) in cash gifts for the year, of which £1.5m has been invested in new permanent and expendable endowments.

The University's endowment fund increased in by £6m in the year to £49.9m as a result of new endowments, capital growth of the assets and investment income retained within the fund.

The portfolio generated investment income of £1.3m in the year of which £1.1m was expended by the University.



Of the £7.3m received during the year, £3.3m (45% of the total) came from legacy bequests and £2.0m (27% of the total) came from 26 gifts of £25k or over. A further £1.0m (14% of the total) came from some 225 donations of between £1k and £25k. The remaining £1.0m (14%) 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 2014 and saw the deficit increase from £80.1m in 2011 to £95.4m. The increase resulted 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. The bond yield had already fallen further in the year before the EU Referendum, but fell further following the unexpected vote to leave the EU.

On an FRS17 basis at 31 July 2016, the CPAS deficit (as included in these Financial Statements) has increased to £140m (2015: £105m). During the year, the value of the scheme's assets rose by £22m (13%), but a reduction in the discount rate applied to the liability (linked to lower expected future investment returns) increased the liability by £56m (21%).

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 were implemented from April 2016.

The final salary section of the USS scheme closed on 31 March 2016 with accrued benefits at that date revalued in line with CPI in the future. All future accruals are 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 are now provided through a new defined contribution section of the USS Scheme.

The changes to the scheme were 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

previous rates of 7.5% for members of the final salary section and 6.5% for members of the CRB section.

2015/16 and the introduction of the new SORP sees the recognition of the deficit on the USS pension scheme in the University's financial statements for the first time.

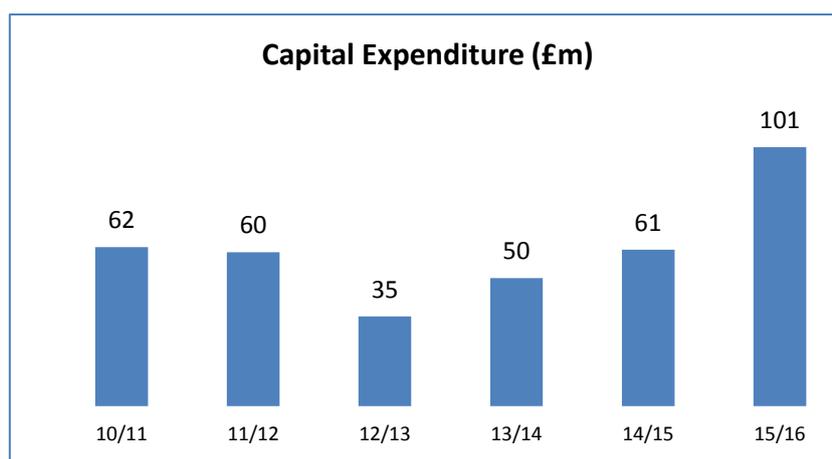
In line with CPAS and other Defined Benefit pension schemes, the estimated deficit on the USS pension scheme has increased materially as a result of falling bond yields.

## Capital Expenditure and Financing

Capital expenditure in the year was £101m compared to an average expenditure of £61m over the previous 6 years.

Significant projects include:

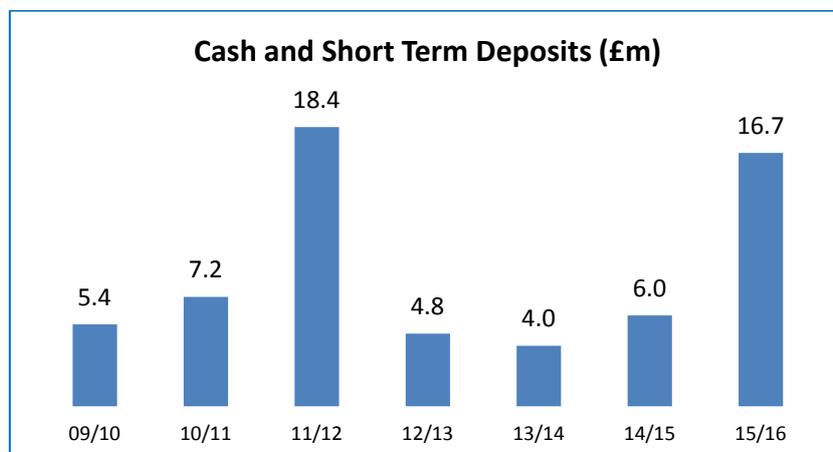
- The David Ross Sports Village (£40m) opened in October 2016.
- The Science and Engineering Library on University Park (£19m) opened during the year.
- The Glaxo Smith Kline Carbon Neutral Laboratory for Sustainable Chemistry on Jubilee Campus (£30m including equipment) opened in September 2016.



The University is coming towards the end of the current investment programme, but still has a number of key projects in progress to continue to enhance the teaching, learning and research offering into the future.

## Financing

At 31 July 2016 the University had £16.7m of cash and short-term deposits (31 July 2015 £6.0m).



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. The cash and short term deposits at the balance sheet date included £12.7m of University funds held with Solicitors pending the completion of the purchase of the former National College for Teaching and Learning (“NCTL”) building, which is situated on the University’s Jubilee Campus.

Borrowing increased to £69m at the year-end as a result of £101m of capital expenditure in the year and the £12.7m required to fund the NCTL purchase. Cash generation for the year was £45m, leaving a borrowing requirement of £69m for the year.

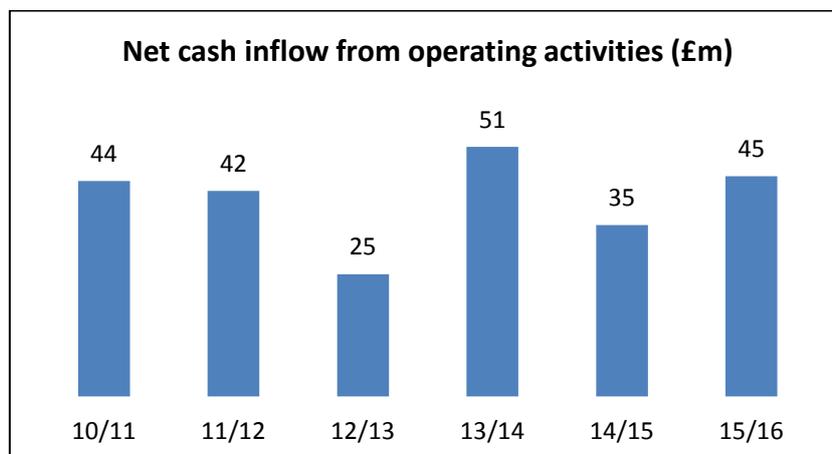
As at 31 July 2016, overall net borrowing excluding cash held within the endowment fund was £52.3m compared to net borrowing of £6.8m at 31 July 2015.

At the balance sheet date, the University has a committed facility to borrow up to £106m. This consists of a £91m 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 single counterparty.

## Cash and Liquidity

Net cash in-flow from operating activities rose by £10m in the year to £45m (2014/15: £35m).



The 2015/16 performance reflects strong underlying financials and relatively stable debtors and creditors positions. High levels of cash generation will be required in future years to support the University's investment plans.

## Credit Rating

The University's credit rating from Standard and Poor's consists of two components, a Stand Alone Credit Profile ("SACP") and the published rating which adjusts the SACP to reflect any government support that the University may receive in the event of a default.

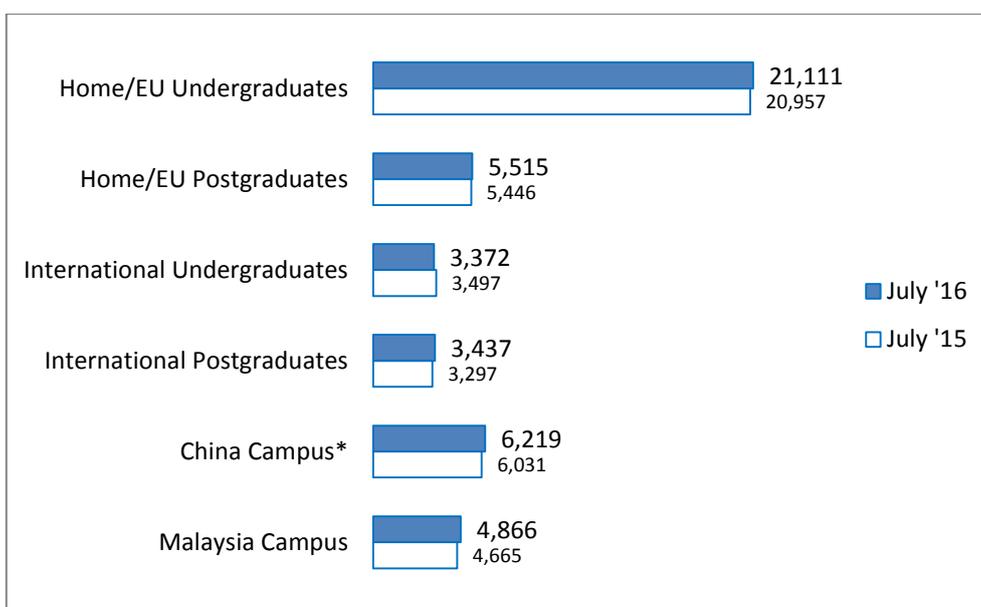
The University's SACP remained unchanged at "A+ - Outlook Stable". The initial rating exercise also affirmed the University's published rating at AA-, increasing the SACP by one step to reflect anticipated government support. These ratings have been constant for over 10 years.

Following the EU referendum result, Standard and Poor's reduced the UK Government's credit rating. As a consequence of this downgrade, S&P removed the one step uplift that had been applied to the University's credit rating. This resulted in a published credit rating in line with the University's SACP.

No changes have been made to the University's SACP as a result of the EU Referendum result.

## Student analysis

The total number of students enrolled across all campuses in 2015 increased by 627 to 44,520, with increases of around 200 in each of the University's three campuses. In the UK, undergraduate numbers grew whilst postgraduate numbers remained almost constant. The University's campus in Ningbo, China saw strong growth in undergraduate numbers, whilst growth in Malaysia was strongest in the postgraduate taught cohort.



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

## Looking Forward

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

There are however significant challenges ahead:

- The UK's decision to leave the European Union has created uncertainty across the Higher Education sector. Recent government announcements that guarantee access to UK student finance for EU students starting their studies in 2017 go some way to alleviating this, but the longer term impact on student recruitment and access to research funding remains unknown.
- Recruitment of UK students continues to be strong, but challenges remain to diversify the University's income and increase the proportion of income that is earned from Overseas students. The challenge caused by the Government's student visa policy is compounded competition from other UK Universities and increasingly from highly ranked Universities in other English speaking countries across the world is increasing.
- Project Transform is progressing and, despite some delay, is expected to complete the transformation of student administration systems, processes and organisational structures across the University's three campuses in Nottingham, China and Malaysia during 2016/17.
- Competition for research income continues to increase amongst the UK's leading Universities, with margins under pressure and greater expectations of match-funding from grant awarding bodies. This combines with the increasing trend for large consortium based awards, such as the Nottingham led Energy Research Accelerator, which require a new approach because of their size, complexity and combination of public and private funding.
- In order to underpin our core strategy, we need to continue to deliver an ambitious investment programme including both capital expenditure and significant back-office transformation programmes. These will address some of the underlying issues and constraints in legacy systems.

- The cost of pensions, both the University's own CPAS scheme and the University's share of the USS scheme increased in 2015/6 as a result of increased deficits and increased cost of future service accrual. Recent changes in financial market conditions, amplified by the monetary policy actions by the Bank of England following the referendum have seen estimated pension deficits at the year-end increase further. If current market conditions persist, significant challenges will arise in the next round of scheme valuations.

The University is working hard to deal with these challenges.

- Our international reputation, as evidenced by the University's world ranking remains strong, making the University in Nottingham, Ningbo and Malaysia attractive to students across the world.
- Student recruitment remains strong. Target for 2015/16 were met and early indications for 2016/17 are positive. The University is planning a significant expansion of international recruitment underpinned by a new international foundation year which starts in 2016/17 and will see the first cohort of student move into year 1 in 2017.
- The University completed the process of developing Global Strategy 2020 which sets the University's priorities for the next 5 years and is delivering the work that is required to achieve its strategic objectives. Early work has also started on developing the University's strategy out to 2030.
- 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 to achieve its strategic priorities. Income levels have been increasing steadily over recent years, although looking forward, there is greater uncertainty as a result of BREXIT and all Universities face a significant challenge in developing overseas 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 2016**

# Strategy and Risk

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## Strategic Plan

All areas of the University and all campuses are working to achieve the University's Global Strategy 2020.

Following the transition year of 2014-15 from the previous University Strategic Plan to the Global Strategy 2020, initiatives and work plans are being implemented, measured and reviewed. Good progress is being made in the delivery. This is supported by the appointment of a Director of Strategic Change and the creation of a University-level Strategy Delivery Board, chaired by Professor Sir Peter Rubin, to oversee governance and delivery of the implementation.

## 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 Faculty, School or Professional Service and major initiatives.

This structure is designed to provide clarity, transparency and direct accountability of risk management activities. It is also designed to enable escalation and cascade of risks where appropriate.

The enterprise-level University Risk Register currently includes six strategic risks and two operationally-based risks which impact the international University. The latter are the risks around achieving Project Transform, which is implementing later than originally planned, and the risks around information management and security.

A University Executive Board member has responsibility for managing each of the enterprise-level risks, supported by a dedicated member of staff. Risk owners are encouraged to update their risk articulation regularly; to support this, risks are formally reviewed four times a year, and any risk which is red-rated is formally reviewed each month.

The University Executive Board and the Audit and Risk Committee both receive regular reports on the management and status of the risks.

## 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 our students. Being a partner in two overseas-based joint ventures naturally carries risks and uncertainties; these are managed by having a shared vision and working closely with our joint venture and other local partners to achieve it. Staff and student mobility between the campuses is actively encouraged and supported as it leads to better understanding and strengthens relationships. For our staff and students, it provides an opportunity to be a truly global citizen.

Across higher education, funding availability - whether markets for student recruitment or research awards - continue to be increasingly competitive and unpredictable. Combined with uncertainty about

funding availability resulting from government cuts to HEFCE funding and the potential consequences of the EU Referendum outcome, our income sources are increasingly unpredictable and unreliable.

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. To optimise our ability to respond to these uncertainties, our Risk Management Framework encourages a focus on not only on actively managing and measuring our response, but also on identifying where opportunities exist. New governance arrangements have also been introduced to support this, including a significant change to the University's planning and budgeting processes which not only ensures they are integrated with each other but also aligns longer-term and shorter-term planning and budgeting.

Both the Universities Superannuation Scheme (USS) and Nottingham Contributory Pension and Assurance Scheme (CPAS) completed their 2014 Valuations during the year. Costs for both schemes increased for both Employees and the University. Estimated cost increases were planned into the University's financial projections and the actual cost was not materially different from that assumed in the projections. Changes were also implemented to the benefits structure of the USS scheme in an attempt to manage future costs, however current market conditions mean that the Valuations required in 2017 may result in significantly increased deficits which may require further changes.

Other principal risks to achieving Global Strategy 2020 are the impact of our major transformation programme covering core student administration systems at all campuses; our ability to protect our information assets sufficiently and appropriately in the face of increasing external attacks; online fraud and information theft, and some key systems operating on legacy platforms.

Our Risk Management Framework is structured to enhance our ability to monitor the risks we face and respond quickly to any issues that arise.

# Public Benefit Statement

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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.

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 un-weathered 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 well-being, policy formation, culture and purposeful citizenship”*

## 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.

Since 2010 our widening participation outreach activity has quadrupled its outputs through Nottingham Potential, a £6m expansion of our work with learners from less advantaged backgrounds. Major developments since 2011 have included the opening of three Nottingham Potential Learning Centres in partnership with IntoUniversity, the doubling of capacity on our Year 12 summer schools, the extension of our Ambition Nottingham programme to Years 9 to 11 and the development of our primary schools' programme. Additional developments for 2015/16 included:

- the further expansion of Family Learning, with support from the Badur Foundation, and other aspects of the primary schools' programme, with support from the Garfield Weston Foundation
- the extension of Ambition Nottingham to Years 7 and 8, linked to the national Sutton Scholars programme and supported by the Kusuma Trust

- the Pathways to STEM programme, also in partnership with the Sutton Trust and with support from the Kusuma Trust
- further measures to aid successful transition of mature students to the University of Nottingham.

Overall, school students took up over 79,000 places on our activities, well over our target. The rate of increase has steadied, with our focus increasingly on improving the quality and impact of our programmes. Our own students assist on many activities, acting as role models and gaining valuable skills in the process.

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, Veterinary Medicine and the Faculty of Arts.

In terms of our own intake, the University has made excellent progress in widening participation over the last ten years. 25% 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%.

In 2015-16 the University provided means-tested financial support to 37% of UK undergraduate students. Additional funds were also provided to international students. We surveyed our first-year core bursary recipients in January 2016; respondents indicated that the prospect of receiving a bursary influenced 36% of them to go to university. Of the recipients who knew before choosing us the level of bursary they would receive at Nottingham, two-thirds said this influenced them. The survey also provided clear evidence of the value of financial support in enabling students to benefit from their university education: 85% reported that our bursaries reduced the need for them to work part-time during study.

The University has the ongoing aim of maintaining non-continuation rates for students from low participation neighbourhoods at no more than 4%. Figures for 2008-09 to 2013-14 have ranged from 5.4% to 3.0%. The most recent figure is 4.5%, up from the previous year, but only 1.6 percentage points more than the rate for students from other neighbourhoods. There is a greater difference in the continuation rates for mature students. Our Teaching Transformation Programme seeks to improve retention for all students, and we are augmenting this with measures to ensure that mature students and those from minority ethnic backgrounds and less advantaged backgrounds benefit.

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, 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.

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 2014-15 was £15.5m, or 30.5% of higher fees income. Of this, £12.1m was allocated to means-tested bursaries for new and continuing students.

### Academy Relationships

The University continues to support three academies, working with educational partner the Torch Academy Group, which manages the schools on a day-to-day basis.

- The Nottingham University Samworth Academy (NUSA) provides a high-quality educational facility for pupils from one of the country's most deprived areas. NUSA is co-sponsored by Sir David Samworth CBE, his family and The Samworth Foundation, together with the University of Nottingham.
- 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) opened fully in January 2015, near the University Park Campus in Nottingham. It aims to provide an inspiring and business-focused educational choice for around 650 students aged 14-18. It is co-sponsored by the University and the Djanogly Learning Trust.

This year, NUSA has been focusing on improving standards of teaching and levels of attainment, so it is pleasing to note a marked improvement in standards of achievement at Year 11. Particularly noteworthy is the narrowing of the gap between disadvantaged pupils and their peers. This summer's GCSE results are the academy's best results to date. Post sixteen take up at the school is small, but those who did stay on achieved creditable results this summer.

NUAST's first cohort of Year 13 students achieved an outstanding set of A Level and BTEC results. NUAST students have secured places at top UK universities in science, computing and engineering; others have been accepted onto prestigious Level 3 apprenticeships with local and national companies and entry to the armed forces at officer level. NUAST's partnership with the University of Nottingham has helped to equip its students for applications to Russell Group universities.

As part of the support offered by the University, NUAST students have been regular visitors to academic faculties and enjoyed lectures, use of lab facilities, academic mentoring and involvement in projects such as unmanned aerial vehicle design. NUAST's GCSE results were also pleasing. With a combined English and mathematics score of 60%, NUAST is amongst the highest performing schools in the city of Nottingham. Results in the specialist areas of science, engineering and IT were particularly impressive (77.8% A\*-C in science, 100% in engineering, 80% in IT).

Firbeck is also on an upward trajectory. The latest Ofsted inspection visits have noted improvements since the appointment of the school's new headteacher, who is supported by an experienced executive head. Standards of teaching and learning in the school and attainment levels in SATs are steadily improving. Firbeck pupils also have contact with University staff and students, including a residential for Year 2 at Sutton Bonington, while Year 6 pupils participate in an academic taster day at University Park.

## 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 per cent 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.

## Business Engagement

University of Nottingham Innovation Park (UNIP) offers tech-driven and knowledge-intensive businesses high quality office space co-located with University research facilities. This enables the University to effectively demonstrate impact by engaging with a community of 100 businesses located at and associated with the Park. Many of these companies provide internships and graduates employment opportunities for the local economy.

UNIP is one of only four pilot University Enterprise Zones supported by DBEIS with the specific aim of companies to start-up and grow. The Ingenuity Centre completes in September 2016 and has already attracted significant tenant interest. This positions UNIP and the University well to achieve targets to support the creation of 50 new technology businesses in the next 3 years. These businesses will benefit from easier access to the University expertise, facilities, research, and talent that will fuel their growth.

UNIP is also home to one of six pilot Space Sector Incubation Programmes developed in collaboration with UK Space Agency. Since April 2016 this programme has assisted seven start-up companies to access expertise, funding, and office space via University of Nottingham. In working to support these companies to access further funding to grow the UNIP programme is also assisting UKSA in achieving Government targets for the UK's Space Sector.

The Innovation Park also provides a focal point for the University's business engagement and knowledge exchange activities. This is achieved as a partner in the 'Enterprise at Nottingham' initiative which supports the formation and growth of academic, student, alumni, and local technology businesses. This combination is unique in the UK and demonstrates Nottingham's intent and ambition to establish itself as a preferred location to start and grow technology business.

## Volunteering and Fundraising

The University continues to inspire alumni, supporters and friends to make volunteering contributions and charitable donations to an outstanding student experience and world-changing research through Impact: The Nottingham Campaign. The University is on track to exceed its extended targets of 1,000 volunteers and £200m in charitable donations.

Many alumni and members of the community are already giving their time to support our students and our research. In autumn 2015, the University launched the 'Giving Time' programme to raise awareness of the numerous volunteering opportunities for members of the alumni community, friends of the University and community members.

During 2015-16, donor numbers were 5,145, compared with 6,360 in 2014-15 and 4,939 in 2013-14. First time donor renewal has been identified as an area of focus for 2016-17.

The University secured a transformational £9m gift from The Cripps Foundation to develop a twenty first century health centre to meet the healthcare needs of students and staff. Other significant pledges secured include £1m from The Wolfson Foundation for the Institute for Advanced Manufacturing and £250k from Nottingham alumnus, Andrew Halford (Industrial Economics, 1980) to establish The Halford Scholarship Fund.

For the second year running, this year has been the University's most successful to date in terms of legacy fundraising. Significant legacy bequests received include over £2m from Sir Gordon Hobday (Chemistry, 1937) to the School of Chemistry, £900k from Kevin Malone to establish the Ethel and Kevin Malone Scholarship Fund and £262k from Betty Whileman to establish the Maycock-Whileman Scholarship Fund and to support breast cancer and dementia research at the University.

The University's Cascade Fund is maintained through charitable donations and awards up to £25k to students at our UK, China and Malaysia campuses to fund projects that will enrich the lives of our students and people across the world. This year, Cascade has disbursed £148k to fund 33 student projects that have had a significant impact on communities, both locally and globally. Examples include BSc Nutrition students at Sutton Bonington being awarded funding to help them design and deliver 'Cook and Eat' sessions in inner city Nottingham and School of Education students in Malaysia being awarded funding to support teaching in deprived areas of Sri Lanka.

The University continues to have strong internal and external support for its annual Life Cycle fundraising initiatives. During 2014-15, Life Cycle 5 exceeded its target, raising a total of £360k to develop new brain imaging techniques to tackle dementia. Life Cycle 6 is raising funds for innovative research at the University to detect breast cancer early, to stop it spreading and to develop treatments that will help save lives. As of July 2016, over £500k had been raised towards the £1m target, bringing the total for all six Life Cycle events to over £2.4m.

In recognition of the University's strong commitment to volunteering, fundraising and alumni relations and engagement of staff across the institution, the University was awarded the Outstanding Development/Alumni Relations Team award at the Times Higher Education Leadership and Management Awards 2016.

## 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 The University of Nottingham's public arts programme, welcoming more than 200,000 people of all ages to a vibrant programme of performances, exhibitions, workshops and talks each year.

Lakeside aims to appeal to a diverse audience with a year-round wide-ranging programme, including theatre for children and families; workshops; comedy; dance; drama; exhibitions and music.

One of the highlights of the past year was the Elizabeth Frink exhibition which celebrated the work of one of Britain's leading 20th-century sculptors

## Healthcare

In the area of Medicine and Health Sciences, the University contributes to the health and wealth of the nation in various ways. For example, alongside other graduates we train about 330 new doctors every year, 600 new nurses, 135 new physiotherapists and 78 new midwives. We have specific programmes to increase the diversity of students entering such training, including recruiting students from economically-disadvantaged backgrounds.

Our research has enormous real-world relevance and impacts strongly on healthcare. For example, researchers from the University of Nottingham were responsible for work underpinning the national bowel cancer screening programme and for research on prescribing acid-suppressing drugs to prevent peptic ulcers caused by aspirin and other painkillers. Both these initiatives have saved thousands of lives in the UK and worldwide.

There are many other similar examples, ranging right back to the first use of MRI in medical imaging – a technology now used throughout the world. The recent award of a Biomedical Research centre, a government investment of £24M, to the partnership of the NUH NHS Trust and the University, will ensure that this translation of our best research into real medical advances continues, and will further strengthen our many partnerships with industry that create wealth for the nation and promote its health.

Finally, many of our medical academics work jointly for the University and a partner NHS Trust and so directly contribute cutting edge patient care to our local population.

## Sustainability

The University of Nottingham continues to be recognised as a leader in the field of sustainability and through 2015/16 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 social responsibility as set out in Global Strategy 2020. 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 local and global 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 Green Metric ranking we have received further recognition, including:

- The University of Nottingham has secured a prestigious Green Flag award for the fourth year in a row on the University's Jubilee Campus and for the 13<sup>th</sup> year on University Park.
- In 2015 we were 'Highly Commended' at the Green Gown Awards for our carbon management work and for the University's innovative Helium Recovery and Recycling Initiative.
- Our work with Enactus Nottingham was recognised with their award in the Enterprise and Employability category.
- 3 nominations for the 2016 Green Gown Awards for our community work at Diamond Wood; our work on sustainable travel and transport and a nomination in the Sustainability Champion category for Enactus' President, Andy Stride.

In 2015/16 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. Particular note should be taken of the following:

- The creation of a newly landscaped areas including the Theatre Garden on the University Park campus and the landscaping of the Sutton Bonington campus to enhance public amenity, biodiversity and enhance the student experience.

- The opening of the tram network linking the city centre to the Queens Medical Centre, University Park, Highfields Park, Beeston and Toton Lane, providing low emission transport and connectivity for students, staff and visitors to The University.
- The opening of the GlaxoSmithKline Carbon Neutral Laboratory for Sustainable Chemistry– The building itself incorporates the latest technologies to allow it to be carbon-neutral over its lifetime. The laboratory is built from natural materials and energy required to run the laboratory will be met by renewable sources such as solar power and sustainable biofuel. Excess energy created by the building will provide enough carbon credits over 25 years to pay back the carbon used in its construction and is being used to heat the nearby office development on campus.
- In addition to the above the building will achieve BREEAM 'Outstanding', this requires a score of 85 or more and puts the building in the top 1-2% of buildings constructed.
- The 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 Nottingham city's wider commitment to electric vehicles.
- Targeted investment at the Sutton Bonington campus to reduce carbon emissions, costs and improve reliability with the installation of combined heat and power (CHP) unit to simultaneously produce heat and electricity for use in our buildings. The CHP is on target to deliver approximately 40% of the sites electrical and heating demand over the year having been operational since Christmas 2015. This equates to annual savings of £260K and 1,150 t CO2 for a total installed cost £1.35m.
- Specific 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 14/15 to install 2 high efficiency cooling units to provide chilled water to meet approximately 75% of the building's needs. The chillers are now operational and expected to provide annual energy cost savings of £220,000 and Carbon savings of 790 t CO2. Further investments in the Medical School is ongoing including investment in the glazing replacements, lighting schemes and a 3<sup>rd</sup> chiller which will able all the Medical schools chilled water needs to be meet.

# Governance

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## **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 is the University's governing body and, amongst other matters, it 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 January 2016 and confirmed that governance arrangements were well aligned with the updated Code. A number of enhancements are being introduced following the review.

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 named members of staff and their remuneration or individual named students are discussed.

The Council met six times during 2015/16. 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;
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.

In 2015/16 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 met six times during the year and has several Committees, all of which are formally constituted with terms of reference. The key Committees are noted below.

The Finance Committee, 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. All meetings are attended by 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 by 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 Committee also reviews retention and recruitment policies relating to professorial and other senior staff.

The Safety Committee comprises 15 representatives from academic schools and central support service departments and two members from the Students' Union and one Council Member. 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 Faculty Pro-Vice-Chancellors, the Chief Financial Officer, the Registrar and the Chief Estates and Facilities Officer, the Chief Marketing and Communications Officer, the Chief Information Officer, the Director of Human Resources and the Chief Student Management Officer. University Executive Board acts as an executive committee and normally meets monthly, with weekly sub-meetings, 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 are 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.

During the year the internal audit service identified a number of significant weaknesses as a result of their normal audit programme, in particular in the areas of IT and key projects. These were reported to the University's Audit and Risk Committee and are being acted upon by management with regular updates being provided to the Committee.

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 Director of Internal Audit, together with recommendations for improvement. This includes the annual Internal Audit 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 the professional standards of the Chartered 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.

# 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 2016 which comprise the Statement of Principal Accounting Policies, the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheet, the Consolidated and University Statement of Changes in Reserves, the Consolidated Cashflow Statement and the related notes 1 to 32. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 Statement of the role and primary powers and responsibilities of University Council, 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 Group's and 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 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 group's and University's affairs as at 31 July 2016 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 2016 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding council; and
- the requirements of HEFCE's accounts direction have been met.

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham

*30 November 2016*

# Statement of Principal Accounting Policies

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## 1. Accounting Convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with both the Statement of Recommended Practice on Accounting for Further and Higher Education 2014 (HEFE SORP) and Financial Reporting Standard 102 (FRS102). They conform to the guidance published by the Higher Education Funding Council for England.

The University is a public benefit entity and has applied the public benefit entity requirements of FRS102. The functional currency of the University is pounds sterling, as the United Kingdom is the primary economic environment in which the University operates.

These policies have been reviewed by the Audit Committee and are considered appropriate to the University's activities. They have been applied consistently in the current and prior period.

Having made appropriate enquiries, Council considers that the University and group has adequate financial resources to continue in operational existence for the foreseeable future, being not less than twelve months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In doing so, the University has regard to the elements of current assets and current liabilities, the availability of cash via the University's banking arrangements and the expectation that grants will continue to be received into the foreseeable future.

## 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 Statement of Comprehensive Income includes the Group's share of the comprehensive income 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 (the 'equity method'). 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 body in which the University has no financial interest and no control or significant influence over policy decisions.

As permitted under FRS102 the university has taken advantage of the disclosure exemptions available to it in respect of a university only cashflow statement.

## 3. Recognition of Income

Transactions with commercial substance are credited to income at the fair value of consideration receivable net of any discounts. Where the provision of services is incomplete at the financial year end the percentage completion will be determined in a way appropriate to each contract, and any funds received in advance held as deferred income. Tuition fee income is therefore credited to income over the period in which students are studying and Funding Council grants are accounted for in the period to which they relate.

Other key income streams of this type are consultancy, accommodation, catering and conference, sales of goods and services, royalties and research income from commercial sources.

University funded Bursaries and scholarships are accounted for gross as both income and operating expenses where the transaction does not represent a discount.

Donations and endowment transactions are assessed to determine whether performance related conditions, restrictions on expenditure, both or neither applies. The income is recognised in the Statement of Comprehensive Income as follows:

Where performance related conditions exist income is recognised in line with the performance criteria being met.

Where restrictions exist income is recognised when it is receivable and taken to a temporarily restricted reserve, expenditure is then recognised as restricted expenditure and charged to the restricted reserve over time to reduce it to nil as the fund is fully used. Endowments where the donor has specified that the capital sum can be spent are treated in this way.

Where there are neither performance related conditions nor restrictions income is recognised when it is receivable. Endowments are recognised as income on entitlement and then held in the permanently restricted reserve where the donor has specified that the capital sum cannot be spent.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Gains or losses on investment are recorded in the capital element of the fund to which it relates and recognised in income as 'gain or loss on investments'.

#### **4. Employee benefits**

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Nottingham Contributory Pension and Assurance Scheme (CPAS) and the University of Nottingham Contributory Retirement Savings Plan (CRSP). USS and CPAS 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. A liability is recorded within provisions for the University's contractual commitment to fund past deficits as determined by the scheme management. Movements in the provision are charged / credited to the Statement of Comprehensive Income.

CRSP is a defined contribution scheme and the amount charged to Staff Costs is 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.

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 Comprehensive Income. 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.

#### **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. Non monetary items held at historical cost are translated into sterling using the exchange rate of the date of the

transaction. Non monetary items held at fair value are translated into sterling at the exchange rates on the date the fair value was determined. The resulting exchange differences are dealt with in the Statement of Comprehensive Income for the financial year.

## **6. Leases**

A lease is treated as a finance lease if the substance of the lease is that it transfers substantially all the risks and rewards of ownership of the asset. Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the lower of the fair value of the leased assets at the inception of the lease or the present value of the minimum lease payments. 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. Assets held under finance leases are depreciated over their useful economic lives in the same way as other property, plant and equipment. Where there is no certainty that ownership of the asset will pass to the University at the end of the lease the asset will be fully depreciated by the end of the lease term.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases. Lease incentives are similarly spread on a straight line basis over the lease term.

## **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. This is an annual scheme such that all activity is appropriately recognised in the Statement of Comprehensive Income and no amortisation is required.

## **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 straightline basis over its useful economic life. Useful economic life is assessed separately for each business acquired, depending on the nature of that business. Where a reliable estimate of the useful life of goodwill cannot be made, the life shall not exceed 5 years. Provision is made for any impairment.

## **9. Land and Buildings**

Land is stated at deemed cost using the valuation as at 31<sup>st</sup> July 2014 and will no longer be revalued. The valuation of land was undertaken during the 2012/13 by Fisher Hargreaves Proctor Ltd, Property Consultants. Commercially held land is valued on an annual basis by suitably qualified chartered surveyors. The basis of valuation being open market value on an existing use basis. Land, with the exception of the Arts Centre 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.

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.

Assets in the Course of Construction are not depreciated.

At each reporting date all property is reviewed for indications of impairment.

Borrowing costs are recognised as an expense within the Statement of Comprehensive income and are not separately identified and capitalised.

## 10. Plant and equipment

Plant and 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 (unless specified by a grant condition). All other equipment is capitalised.

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

- IT Equipment – 3-5 years
- IT Software – 3 years
- Configured IT systems – useful economic life up to a maximum of 10 years
- Telephone equipment - 7 years
- Motor vehicles and other general equipment - 3-10 years
- Equipment acquired for specific research projects - project life (generally 3 years)

Each major component of capitalised plant and equipment is reviewed separately. Where major components have a significantly different useful economic life they are depreciated separately.

Heritage Assets are recorded at cost and not depreciated.

At each reporting date all plant and equipment is reviewed for indications of impairment.

Borrowing costs are recognised as an expense within the Statement of Comprehensive income and are not separately identified and capitalised.

## 11. Government Grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as either capital or revenue in nature.

Capital grants are recognised over the expected useful life of the asset, and revenue grants are recognised in income over the period in which the related costs are recognised.

Where part of a grant is deferred, it is held as deferred income on the Balance Sheet.

## 12. Investment Properties

Investment properties are initially included in the Balance Sheet at their fair value at the balance sheet date on the basis of an annual professional valuation. Mixed use investment property is separated between investment properties and property, plant and equipment. Changes in the fair value of investment properties are recognised immediately within the Statement of Comprehensive Income.

Investment property owned by one group company which is leased to another group company is treated as an investment property in the owner's individual financial statements.

## 13. Investments and endowments

Fixed asset investments are shown at historical cost less any provision for impairment in their value except where there is a ready market for the investments when they are shown at fair value with and changes in value being taken to the Statement of Comprehensive Income.

Endowment Asset Investments are included in the Balance Sheet at fair value, with changes taken to the Statement of Comprehensive Income. Cash held as part of the endowment portfolio is treated as an investment, as it is held as part of the portfolio in accordance with the University's strategy and is therefore not considered as free cash.

Investments in subsidiaries and associates in the University's separate financial statements are recorded at cost less impairment.

Current Asset Investments are valued at the lower of cost and selling price less costs to sell.

#### **14. Financial instruments**

The provisions of both section 11 and 12 of FRS102 will be applied in full. Basic financial instruments are held at amortised cost using the effective interest rate method or cost and are subject to an annual impairment review.

Complex financial instruments are held at fair value, with changes in fair value taken directly to the Statement of Comprehensive Income.

#### **15. Stocks**

The inventories are stores, coal and oil held by the Estates Office, stores held centrally for some academic schools, food and catering supplies, and farm livestock, produce and consumables. They are valued at the lower of cost and selling price less costs to sell.

#### **16. Short Term Investments**

Short Term Investments comprise money on short-term deposit with a maturity date less than 90 days at the date of inception. Investments that are short-term and readily convertible to cash at an insignificant risk of changes in value will be reported as 'cash equivalents' in the cashflow statement.

#### **17. 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 Statement of Comprehensive Income as incurred. Expenditure that is expected to provide incremental future benefits to the University is capitalised and added to the carrying value of the premises. If it is a replacement item the carrying amount relating to those parts replaced is derecognised and debited to expenditure at the date of disposal.

#### **18. Taxation Status**

The Institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 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 CTA2009 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.

# Consolidated and University Statement of Comprehensive Income and Expenditure

For the Year Ended 31 July 2016

	Note	Consolidated		University	
		2016 £m	Restated 2015 £m	2016 £m	Restated 2015 £m
<b>INCOME</b>					
Tuition fees and education contracts	2	298.3	276.0	298.3	276.0
Funding body grants	3	93.2	96.7	93.2	96.7
Research grants and contracts	4	124.6	119.1	124.6	118.9
Other income	5	110.4	94.7	103.6	87.8
Investment income	6	1.4	1.4	1.5	1.4
Donations and endowments	7	7.5	6.2	7.4	6.2
Total income		<u>635.4</u>	<u>594.1</u>	<u>628.6</u>	<u>587.0</u>
<b>EXPENDITURE</b>					
Staff costs	8	324.0	345.4	321.1	342.7
Other operating expenses	9	235.9	222.9	234.2	219.1
Depreciation	14	27.7	26.6	27.6	26.5
Interest and other finance costs	10	5.7	11.2	5.7	11.2
Total expenditure		<u>593.3</u>	<u>606.1</u>	<u>588.6</u>	<u>599.5</u>
Surplus before other gains/(losses) and share of operating surplus/(deficit) in associates		42.1	(12.0)	40.0	(12.5)
Gain/(loss) on disposal of fixed assets and investments		8.3	0.1	8.3	0.1
Gain/(loss) on investments		1.6	(0.4)	2.5	0.8
Share of profits/(losses) in associated companies	16	1.8	(0.9)	(0.2)	(0.2)
Surplus (deficit) for the year		<u>53.8</u>	<u>(13.2)</u>	<u>50.6</u>	<u>(11.8)</u>
Actuarial gain/(loss) in respect of pension schemes	27	(35.5)	(9.2)	(35.5)	(9.2)
Total comprehensive income for the year		<u>18.3</u>	<u>(22.4)</u>	<u>15.1</u>	<u>(21.0)</u>
Represented by:					
Endowment comprehensive income for the year		6.0	3.7	6.0	3.7
Restricted comprehensive income for the year		0.0	0.1	0.0	0.1
Revaluation reserves comprehensive income for the year		(1.3)	0.4	(1.3)	0.4
Unrestricted comprehensive income for the year		13.6	(26.6)	10.4	(25.2)
		<u>18.3</u>	<u>(22.4)</u>	<u>15.1</u>	<u>(21.0)</u>

The consolidated income is attributable to the University and its subsidiaries, there is no Non controlling interest. All income and expenditure of the University and its subsidiaries relate to continuing operations.

## Consolidated and University Balance Sheet

As at 31 July 2016

	Note	Consolidated Restated 2016 £m	2015 £m	University Restated 2016 £m	2015 £m
<b>FIXED ASSETS</b>					
Intangible assets	12	3.0	1.7	3.0	1.7
Goodwill	13	0.0	0.1	0.0	0.0
Fixed assets	14	815.1	741.2	811.4	739.6
Heritage assets	14	0.5	0.5	0.5	0.5
Investments	15	60.1	45.7	59.9	45.5
Investments in associates	16	34.3	32.4	9.8	9.3
		<u>913.0</u>	<u>821.6</u>	<u>884.6</u>	<u>796.6</u>
<b>CURRENT ASSETS</b>					
Stock		1.8	1.8	1.5	1.4
Trade and other receivables	17	86.5	83.1	89.5	87.7
Short term investments		0.2	0.2	0.2	0.2
Cash and cash equivalents		16.5	5.8	12.5	0.5
		<u>105.0</u>	<u>90.9</u>	<u>103.7</u>	<u>89.8</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	18	(209.9)	(208.5)	(207.8)	(206.8)
<b>NET CURRENT LIABILITIES</b>					
		<u>(104.9)</u>	<u>(117.6)</u>	<u>(104.1)</u>	<u>(117.0)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		808.1	704.0	780.5	679.6
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
Pension provisions	20	(199.5)	(165.4)	(199.5)	(165.4)
<b>TOTAL NET ASSETS</b>					
		<u>400.2</u>	<u>381.9</u>	<u>372.6</u>	<u>357.5</u>
<b>RESTRICTED RESERVES</b>					
Income and expenditure reserve - endowment reserve	21	49.9	43.9	49.9	43.9
Income and expenditure reserve - restricted reserve	22	5.4	5.4	5.4	5.4
		<u>55.3</u>	<u>49.3</u>	<u>55.3</u>	<u>49.3</u>
<b>UNRESTRICTED RESERVES</b>					
Income and expenditure reserve - unrestricted		340.7	327.1	313.1	302.7
Revaluation reserve		4.2	5.5	4.2	5.5
		<u>344.9</u>	<u>332.6</u>	<u>317.3</u>	<u>308.2</u>
<b>TOTAL RESERVES</b>					
		<u>400.2</u>	<u>381.9</u>	<u>372.6</u>	<u>357.5</u>

The financial statements on pages 51 to 70 were approved by Council on 23 November 2016 and signed on its behalf by:

PROFESSOR DAVID GREENAWAY  
Vice Chancellor



STEPHEN WALTON  
Treasurer and Chairman of Finance  
Committee



## Consolidated and University Statement of Changes in Reserves

For the Year Ended 31 July 2016

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment £m	Restricted £m	Unrestricted £m	Unrestricted £m	£m
<b>Balance at 1 August 2014 (Restated)</b>	40.2	5.3	353.7	5.1	404.3
Unrestricted surplus / (deficit) from the income and expenditure statement			(29.8)		(29.8)
Income from investment of the endowment portfolio	1.2				1.2
New endowments, donations and grants (including research)	2.2	2.2			4.4
Release of restricted funds spent in year	(1.0)	(2.1)	3.2		0.0
Unrealised appreciation of endowments, investments and investment properties	1.4			0.4	1.8
Transfers between revaluation and income and expenditure reserve					0.0
<b>Total comprehensive income for the year</b>	<b>3.7</b>	<b>0.1</b>	<b>(26.6)</b>	<b>0.4</b>	<b>(22.4)</b>
<b>Balance at 31 July 2015 (Restated)</b>	<b>43.9</b>	<b>5.4</b>	<b>327.1</b>	<b>5.5</b>	<b>381.9</b>
Unrestricted surplus / (deficit) from the income and expenditure statement			9.7		9.7
Income from investment of the endowment portfolio	1.3				1.3
New endowments, donations and grants (including research)	2.3	2.8			5.1
Release of restricted funds spent in year	(1.1)	(2.8)	3.9		0.0
Unrealised appreciation of endowments, investments and investment properties	3.5			(1.3)	2.2
Transfers between revaluation and income and expenditure reserve					0.0
<b>Total comprehensive income for the year</b>	<b>6.0</b>	<b>0.0</b>	<b>13.6</b>	<b>(1.3)</b>	<b>18.3</b>
<b>Balance at 31 July 2016</b>	<b>49.9</b>	<b>5.4</b>	<b>340.7</b>	<b>4.2</b>	<b>400.2</b>

University	Income and expenditure account			Revaluation reserve	Total
	Endowment £m	Restricted £m	Unrestricted £m	Unrestricted £m	£m
<b>Balance at 1 August 2014 (Restated)</b>	40.2	5.3	327.9	5.1	378.5
Unrestricted surplus / (deficit) from the income and expenditure statement			(28.4)		(28.4)
Income from investment of the endowment portfolio	1.2				1.2
New endowments, donations and grants (including research)	2.2	2.2			4.4
Release of restricted funds spent in year	(1.0)	(2.1)	3.2		0.0
Unrealised appreciation of endowments, investments and investment properties	1.4			0.4	1.8
Transfers between revaluation and income and expenditure reserve					0.0
<b>Total comprehensive income for the year</b>	<b>3.7</b>	<b>0.1</b>	<b>(25.2)</b>	<b>0.4</b>	<b>(21.0)</b>
<b>Balance at 31 July 2015 (Restated)</b>	<b>43.9</b>	<b>5.4</b>	<b>302.7</b>	<b>5.5</b>	<b>357.5</b>
Unrestricted surplus / (deficit) from the income and expenditure statement			6.5		6.5
Income from investment of the endowment portfolio	1.3				1.3
New endowments, donations and grants (including research)	2.3	2.8			5.1
Release of restricted funds spent in year	(1.1)	(2.8)	3.9		0.0
Unrealised appreciation of endowments, investments and investment properties	3.5			(1.3)	2.2
Transfers between revaluation and income and expenditure reserve					0.0
<b>Total comprehensive income for the year</b>	<b>6.0</b>	<b>0.0</b>	<b>10.4</b>	<b>(1.3)</b>	<b>15.1</b>
<b>Balance at 31 July 2016</b>	<b>49.9</b>	<b>5.4</b>	<b>313.1</b>	<b>4.2</b>	<b>372.6</b>

# Consolidated Cashflow Statement

For the Year Ended 31 July 2016

	Notes	2016 £m	2015 £m
<b>Cash flow from operating activities</b>			
Surplus / (deficit) for the year		53.8	(13.2)
<b>Adjustment for non-cash items</b>			
Depreciation	14	27.7	26.6
Amortisation of intangibles	12		
Amortisation of goodwill	13	0.1	0.1
(Loss)/gain on investments		(6.6)	(0.4)
Decrease/(increase) in stock		(0.0)	(0.1)
Decrease/(increase) in debtors	17	(3.4)	(22.8)
Increase/(decrease) in creditors	18/19	(8.4)	23.7
Increase/(decrease) in pension provision		(1.5)	35.5
Share of operating (surplus)/deficit in associate	16	(1.8)	0.9
Surrender of carbon dioxide emission allowances		0.9	0.7
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(0.1)	(0.2)
Investment income - endowments	6	(1.3)	(1.2)
Interest payable	10	0.2	0.1
Endowment income		(2.3)	(2.2)
(Profit)/Loss on the sale of fixed assets		0.2	(0.1)
Capital grants released to income		(12.3)	(12.5)
<b>Net cash inflow from operating activities</b>		<b>45.2</b>	<b>34.9</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		0.1	0.5
Capital grants receipts		16.2	21.6
Proceeds on sale of endowment investments		8.5	14.0
Endowment investment income		1.3	1.2
Investment income		0.1	0.2
Payments made to acquire fixed assets		(100.8)	(64.6)
Payments to acquire endowment asset investments		(12.2)	(17.3)
Purchase of carbon dioxide emission allowances		(2.2)	(0.9)
New non-current asset investments		(2.3)	(0.2)
New deposits of short term investments		0.0	(0.0)
New deposits of endowment investments		(1.2)	(2.0)
<b>Total cash flows from investing activities</b>		<b>(92.5)</b>	<b>(47.5)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(0.1)	(0.1)
Endowment cash received		1.2	2.0
New secured loans		193.4	50.8
Repayments of amounts borrowed		(136.5)	(38.0)
Capital element of finance lease and service concession payments			
<b>Total cash flows from financing activities</b>		<b>58.0</b>	<b>14.7</b>
Effect of retranslation of foreign currency cash balances		0.0	(0.1)
<b>Increase in cash and cash equivalents in the year</b>		<b>10.7</b>	<b>2.1</b>
Cash and cash equivalents at beginning of the year		5.8	3.7
Cash and cash equivalents at end of the year		16.5	5.8

As permitted under FRS102 the university has taken advantage of the disclosure exemptions available to it in respect of a university only cashflow statement

## Notes to the Financial Statements

For the Year Ended 31 July 2016

### 1. Critical accounting judgements and key areas of estimation uncertainty

In the application of the University's accounting policies judgements, estimations and assumptions are required about the carrying value of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are applied consistently in both the current and prior year, and are reviewed on an ongoing basis, taking into account historical experience and other relevant factors. The judgements and estimations which are considered to have the most significant effect on the financial statements relate to the incorporation of the University's commitments to the USS recovery plan and to the estimation of the value of the accrual for holiday pay.

To determine the appropriate values for the USS recovery plan the University has applied an accounting model and suggested discount rate developed by the British Universities Finance Director's Group (BUFDG) in conjunction with USS after conducting appropriate review of the recovery plan documentation and the bond market to ensure the model and rates were reasonable and appropriate. The liability for the plan is £59.8m (2015 £60.1m).

To determine an appropriate accrual for holiday pay contractually earned but not yet taken a sample of data was taken from holiday records using data within an internally-developed recording system. This data was used to generate a percentage value of staff costs which was then extrapolated to cover all staff. The detailed estimation technique will be periodically re-run. The accrual stands at £12.4m (2015 £12.2m).

### 2. Tuition fees and education contracts

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
Full-time credit bearing courses - home fees	166.7	149.4	166.7	149.4
Full-time credit bearing courses - international fees	93.3	89.1	93.3	89.1
Part-time credit bearing courses	4.6	4.4	4.6	4.4
Other teaching contracts	13.9	19.8	13.9	19.8
Non credit bearing courses and other fees	19.8	13.3	19.8	13.3
	<u>298.3</u>	<u>276.0</u>	<u>298.3</u>	<u>276.0</u>

### 3. Funding body grants

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
Recurrent grants from HEFCE	81.7	85.9	81.7	85.9
Specific grants from HEFCE	2.8	1.9	2.8	1.9
Grants from TA	1.9	0.5	1.9	0.5
Deferred capital grants Released in year				
Buildings	6.7	3.2	6.7	3.2
Equipment	0.1	5.2	0.1	5.2
	<u>93.2</u>	<u>96.7</u>	<u>93.2</u>	<u>96.7</u>

### 4. Research grants and contracts

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
Research councils	51.3	43.5	51.3	43.5
UK based charities	11.5	11.1	11.5	11.1
UK central/local government, health and health authorities	23.9	20.4	23.9	20.2
UK industry, commerce and public corporations	8.9	8.5	8.9	8.5
EU government and other sources	18.8	17.0	18.8	17.0
Other grants and contracts	10.2	7.0	10.2	7.0
RDEC income	0.0	11.6	0.0	11.6
	<u>124.6</u>	<u>119.1</u>	<u>124.6</u>	<u>118.9</u>

### 5. Other operating income

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
Residences, catering and conferences	40.8	39.7	32.0	31.1
Other services rendered	18.2	20.8	17.1	19.7
Health authorities	9.8	10.5	9.8	10.5
Released from deferred capital grants	12.6	0.4	12.6	0.4
Other income	29.0	23.3	32.1	26.1
	<u>110.4</u>	<u>94.7</u>	<u>103.6</u>	<u>87.8</u>

### 6. Investment Income

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
Investment income on endowments (Note 21)	1.3	1.2	1.3	1.2
Other interest receivable	0.1	0.2	0.2	0.2
	<u>1.4</u>	<u>1.4</u>	<u>1.5</u>	<u>1.4</u>

### 7. Donations and endowments

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
New endowments (Note 21)	2.3	2.2	2.3	2.2
Donations with performance conditions	0.8	0.9	0.7	0.9
Donations with restrictions (Note 22)	2.0	1.8	2.0	1.8
Unrestricted donations	2.4	1.3	2.4	1.3
	<u>7.5</u>	<u>6.2</u>	<u>7.4</u>	<u>6.2</u>

## 8. Staff

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
Staff costs:				
Gross pay	266.3	260.2	263.7	257.7
Social security costs	22.6	20.7	22.4	20.5
Other pension costs (Note 27)	37.1	35.3	37.0	35.3
Movement on USS pension provision (Note 20)	(2.0)	29.2	(2.0)	29.2
	<u>324.0</u>	<u>345.4</u>	<u>321.1</u>	<u>342.7</u>

	2016 £000	2015 £000
Emoluments of the Vice Chancellor		
Basic salary	295	295
Accommodation allowance	42	42
Taxable expenses and private health policy	3	3
	<u>340</u>	<u>340</u>
In lieu of pension contributions	41	41
Remuneration	<u>381</u>	<u>381</u>
Employers pension contributions	0	0
Total cost	<u>381</u>	<u>381</u>

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.

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
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### Average Staff Numbers by Major Category:

	Number	Number
Teaching and Research	3,188	3,145
Technical	595	596
Administrative, Professional and Managerial	2,106	1,960
Other, including Manual	926	881
	<u>6,815</u>	<u>6,582</u>

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:

	Number	Number
£100,000 - £109,999	33	33
£110,000 - £119,999	22	24
£120,000 - £129,999	15	14
£130,000 - £139,999	13	10
£140,000 - £149,999	12	11
£150,000 - £159,999	12	12
£160,000 - £169,999	9	6
£170,000 - £179,999	10	10
£180,000 - £189,999	6	7
£190,000 - £199,999	6	7
£200,000 - £209,999	1	1
£210,000 - £219,999	1	0
£220,000 - £229,999	1	0
£230,000 - £239,999	0	0
£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	0
£290,000 - £299,999	1	1

### University Council

Expenses paid to Council members who are not staff or students (as listed within these financial statements) totalled £2,847 (2015 £6,170).

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.

## Key management personnel

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the University. The University's Executive Board are determined as having the appropriate level of authority to meet this definition. Staff costs includes compensation paid to key management personnel. Compensation consists of salary and benefits excluding employer's pension contribution. The Vice Chancellor sits as part of the Executive Board. His remuneration is disclosed separately above and is thus excluded here.

The University's Executive Board was re-shaped during 2014/15 and significantly expanded in the 2015/16 financial year, thus causing the increase in the balance. At 1st August 2015 there were 14 members, and at 31st July 2016 there were 21 members. Due to the part year effect of some appointments this will continue into 2016/17.

	2016 £,000	2015 £'000
Compensation paid to key management personnel	2,926	2,104

## 9. Other Operating Expenses

	Consolidated		University	
	2016	2015 Restated	2016	2015 Restated
	£m	£m	£m	£m
Purchase, hire and repair of equipment	37.6	26.7	37.4	26.5
Consumables and laboratory expenditure	18.0	18.3	17.8	18.0
Published materials	6.9	7.2	6.9	7.2
Travel and subsistence	13.2	13.2	13.1	13.1
Professional and other fees	45.1	43.3	42.6	40.9
Fellowships, scholarships and prizes	55.0	49.7	55.0	49.7
Catering supplies	7.3	7.1	6.3	6.1
Repairs and general maintenance	13.6	13.8	12.1	12.3
Heat, light, water and power	13.0	13.9	13.7	14.1
Rent, rates and insurance	5.2	5.1	5.6	5.5
Grants to University of Nottingham Students Union	2.7	2.8	2.7	2.8
Auditor's remuneration	0.3	0.2	0.3	0.2
Training	2.4	2.2	2.4	2.1
Advertising	1.4	1.5	1.4	1.5
Amortisation of goodwill arising on consolidation	0.1	0.1	0.0	0.0
Other expenses	14.1	17.8	16.9	19.1
	<u>235.9</u>	<u>222.9</u>	<u>234.2</u>	<u>219.1</u>

## 10. Interest and Other Finance Costs

	Consolidated		University	
	2016	2015 Restated	2016	2015 Restated
	£m	£m	£m	£m
Loans not wholly repayable within five years	0.2	0.1	0.2	0.1
Finance costs for CPAS pension scheme (Note 27)	3.9	10.2	3.9	10.2
Finance costs in relation to USS pension scheme provision	1.6	0.9	1.6	0.9
	<u>5.7</u>	<u>11.2</u>	<u>5.7</u>	<u>11.2</u>

## 11. Analysis of Expenditure By Activity

### Consolidated

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	2016 Total £m	2015 Restated Total £m
	Academic departments	187.8	4.7	60.9	0.0	253.4
Research grants and contracts	50.1	4.4	41.5	0.0	96.0	84.8
Total teaching and research	<u>237.9</u>	<u>9.1</u>	<u>102.4</u>	<u>0.0</u>	<u>349.4</u>	<u>336.6</u>
Academic services	21.7	2.2	25.2	0.0	49.1	47.7
Administration	38.0	0.1	51.3	0.0	89.4	80.0
Premises	10.4	13.9	30.0	0.1	54.4	51.9
Residences, catering and conferences	10.9	1.7	15.9	0.0	28.5	27.8
Other expenses	5.1	0.7	11.1	5.6	22.5	62.1
Total per income and expenditure account	<u>324.0</u>	<u>27.7</u>	<u>235.9</u>	<u>5.7</u>	<u>593.3</u>	<u>606.1</u>

Auditor's remuneration includes;

	Consolidated		University	
	2016 £	2015 £	2016 £	2015 £
Audit Services	119,500	107,700	78,000	67,200
FRS102 Transition Work	20,000	0	20,000	0
Other Assurance Services	15,700	20,400	15,700	20,400
Non audit services (Tax advisory)	130,000	91,000	130,000	91,000
Risk Workshops	0	30,000	0	30,000
	<u>285,200</u>	<u>249,100</u>	<u>243,700</u>	<u>208,600</u>

**University**

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	2016 Total £m	2015 Restated Total £m
Academic departments	187.6	4.7	61.0	0.0	253.3	251.8
Research grants and contracts	50.1	4.4	41.5	0.0	96.0	84.6
Total teaching and research	237.7	9.1	102.5	0.0	349.3	336.4
Academic services	21.7	2.2	25.4	0.0	49.3	47.8
Administration	38.0	0.1	51.5	0.0	89.6	80.0
Premises	10.4	13.8	32.0	0.0	56.2	53.7
Residences, catering and conferences	8.3	1.7	12.0	0.0	22.0	21.6
Other expenses	5.0	0.7	10.8	5.7	22.2	60.0
Total per income and expenditure account	321.1	27.6	234.2	5.7	588.6	599.5

Other operating expenses include (£'000):

Operating lease rentals - other	296,581	107,000
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**12. Intangible assets**

	Consolidated and University	
	2016 £m	2015 £m
Carbon dioxide emission allowances purchased in year	3.0	1.7
Amortisation of emission allowances	0.0	0.0
	<u>3.0</u>	<u>1.7</u>

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 purchaseable 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 2016 to July 2016 and the liability is included within accruals and deferred income in note 18.

**13. Goodwill**

	Consolidated £m
<b>Cost</b>	
At 1 August 2015 and at 31 July 2016	2.1
<b>Amortisation</b>	
At 1 August 2015	2.0
Charge for the year	0.1
At 31 July 2016	<u>2.1</u>
<b>Net book value</b>	
At 31 July 2016	<u>0.0</u>
At 31 July 2015	<u>0.1</u>

Goodwill arises on consolidation and does not exist within the Balance Sheet of the University.

14. Tangible fixed assets and heritage assets

	Consolidated						
	Land and buildings			Equipment £m	Assets in course of construction £m	Total £m	Heritage assets £m
	Freehold £m	Long leasehold £m	Investment properties £m				
<b>Cost / deemed cost</b>							
At 1 August 2015	733.1	15.2	4.2	160.0	62.2	974.7	0.5
Additions at cost	21.2	0.0	0.0	16.5	63.1	100.8	0.0
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	25.2	0.0	0.0	6.5	(31.4)	0.3	0.0
Disposals	(1.7)	(0.2)	0.0	(3.3)	0.0	(5.2)	0.0
At 31 July 2016	777.8	15.0	4.2	179.7	93.9	1,070.6	0.5
<b>Depreciation</b>							
At 1 August 2015	112.5	3.2	0.0	117.0	0.0	232.7	0.0
Charge for year	13.6	0.1	0.0	14.0	0.0	27.7	0.0
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminated on disposals	(1.6)	(0.2)	0.0	(3.1)	0.0	(4.9)	0.0
At 31 July 2016	124.5	3.1	0.0	127.9	0.0	255.5	0.0
<b>Net book value</b>							
At 31 July 2016	653.3	11.9	4.2	51.8	93.9	815.1	0.5
At 31 July 2015	620.6	12.0	4.2	43.0	62.2	742.1	0.5
	University						
	Land and buildings			Equipment £m	Assets in course of construction £m	Total £m	Heritage assets £m
	Freehold £m	Long leasehold £m	Investment properties £m				
<b>Cost / deemed cost</b>							
At 1 August 2015	733.1	15.2	4.2	157.9	61.8	972.2	0.5
Additions at cost	21.2	0.0	0.0	15.4	63.1	99.7	0.0
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	25.2	0.0	0.0	6.3	(31.4)	0.1	0.0
Disposals	(1.7)	(0.2)	0.0	(3.3)	0.0	(5.2)	0.0
At 31 July 2016	777.8	15.0	4.2	176.3	93.5	1,066.8	0.5
<b>Depreciation</b>							
At 1 August 2015	112.5	3.2	0.0	116.9	0.0	232.6	0.0
Charge for year	13.6	0.1	0.0	13.9	0.0	27.6	0.0
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminated on disposals	(1.6)	(0.2)	0.0	(3.1)	0.0	(4.9)	0.0
At 31 July 2016	124.5	3.1	0.0	127.7	0.0	255.3	0.0
<b>Net book value</b>							
At 31 July 2016	653.3	11.9	4.2	48.6	93.5	811.4	0.5
At 31 July 2015	620.6	12.0	4.2	41.0	61.8	739.6	0.5

Included in both consolidated and University within freehold land and buildings is £225.8m (2015 £225.8m) of land which is not being depreciated.

Property valuations as at 31 July 2016 were made by senior management using the July 2014 report of Savills (L&P) Ltd and commercial land has been valued by Shouler and Son as at 31 July 2016, both firms of Chartered Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose.

Opening valuation has been designated as deemed cost and there is no plan to revalue in the future

## 15. Investments

	Consolidated		University	
	2016	2015 Restated	2016	2015 Restated
	£m	£m	£m	£m
Subsidiary companies	0.0	0.0	1.9	1.9
Investments	11.3	1.9	9.2	(0.2)
Investments as part of the endowment asset portfolio	48.8	43.8	48.8	43.8
	<u>60.1</u>	<u>45.7</u>	<u>59.9</u>	<u>45.5</u>

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 £11.1m (2015 £5.9m) with an impairment provision of £3.9m (2015 £8.4m). The total amount invested in the year was £9m (2015 £0.3m) and the impairment charge in the year was £0.3m (2015 £0.3m). The University is also a member of EMMAN Limited, The Manufacturing Technology Centre Limited, CIELivestock Limited, all of which are companies limited by guarantee for which the University's potential liability is limited to £1 each.

The University is also a member of the Lachesis Fund, a Limited Liability Partnership, where the University's potential liability stands at £150k

	2016 £m
Cost / deemed cost	
At 1 August 2015	5.9
Additions at cost	9.0
Revaluation	(1.3)
Disposals	(2.5)
At 31 July 2016	<u>11.1</u>
Provisions for impairment	
At 1 August 2015	8.4
Impairment	0.3
Reversal of past impairment	0.0
Disposals	(4.8)
At 31 July 2016	<u>3.9</u>
Carrying Value	<u>7.2</u>

The investments, which have not been consolidated or equity accounted for, are as follows:

Investment	Type of business	Country of Incorporation	% Holding
BioCity Nottingham Limited	Accommodation (biotechnology and health companies)	United Kingdom	50.0% Limited by Guarantee
Nimrod Energy Limited	Research and development	United Kingdom	49.0% Private Limited by Shares
Platelet Solutions Limited	Platelet function testing	United Kingdom	46.0% Private Limited by Shares
Staff Roster Solutions Limited	Software development and application	United Kingdom	48.0% Private Limited by Shares
N U Vision Biotherapies Limited	Human health activities	United Kingdom	37.0% Private Limited by Shares
Nottingham University Architecture and Urban Design Limited	Architectural and design activities	United Kingdom	37.0% Private Limited by Shares
Promethean Particles Limited	Inorganic nanoparticle dispersion manufacture	United Kingdom	26.6% Private Limited by Shares
Surepulse Systems Limited	Heart rate measuring technology	United Kingdom	25.0% Private Limited by Shares
Ticketing Network East Midlands	Ticket services	United Kingdom	25.0% Private Limited by Shares
M4 Technologies Limited	Research and development	United Kingdom	24.0% Private Limited by Shares
Nottingham Gynaecological Devices Limited	Research and development	United Kingdom	22.0% Private Limited by Shares
Locate Therapeutics Limited	Research and development	United Kingdom	20.4% Private Limited by Shares
Added Scientific Limited	3D printing	United Kingdom	20.0% Private Limited by Shares
PBD Biotech Limited	Diagnosis of Bacterial Infections	United Kingdom	20.0% Private Limited by Shares
FAHRAS Limited	Health related software	United Kingdom	18.9% Private Limited by Shares
Exonate Limited	Specialist Pharmaceutical	United Kingdom	14.6% Private Limited by Shares
Oncimmune Holdings plc	Research and development	United Kingdom	12.9% Public Limited by Shares
Evocell Limited	Research and development	United Kingdom	11.7% Private Limited by Shares
Monica Healthcare Limited	Research and development	United Kingdom	10.6% Private Limited by Shares
Azotic Technologies Limited	Research and development	United Kingdom	10.0% Private Limited by Shares
Critical Pharmaceuticals Limited	Novel drug delivery devices	United Kingdom	9.9% Private Limited by Shares
EventMAP	Software development and application	United Kingdom	7.5% Private Limited by Shares
Encos Limited	Research and development	United Kingdom	6.9% Private Limited by Shares
Crown Bioscience Inc	Translational platforms and drug discovery solutions	United States of America	1.5% Private Limited by Shares
Pharminox Limited	Human health activities	United Kingdom	1.1% Private Limited by Shares
Juniper Pharmaceuticals Inc	Research and development	United States of America	1.0% Public Limited by Shares
Scancell Holdings plc	Research and development	United Kingdom	0.8% Public Limited by Shares
Novacyt SA	Research and development	France	0.0% Public Limited by Shares

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	No of £1 Ordinary Shares
Nottingham University Industrial and Commercial Enterprise Limited (NOTICE)	100,000
East Midlands Conference Centre Limited	100
UNIP Management Limited	2
Ambitious Futures Limited	1
Eminate Limited	1

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. Ambitious Futures Limited operates a training programme for graduates in the Higher Education sector.

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), both wholly owned subsidiaries.

The University acts as a guarantor and provides financial support, by the way of loans on an arms length basis and by formal agreement, to the subsidiary and associate companies in order that they can meet their financial obligations

## 16. Investment in Associated companies

	Consolidated	University
	£m	£m
At 1 August 2015	32.4	9.3
Share of retained profits/(losses)	1.8	(0.2)
Exchange movements	0.1	0.7
At 31 July 2016	<u>34.3</u>	<u>9.8</u>

The University owns 37.5% (2015 37.5%) of the University of Nottingham Ningbo, China, a co-operative joint venture established in China. It has a financial year end of 31 December in accordance with Chinese regulations. The consolidated Financial Statements of the University reflects a carrying value of £28.0m (2015 £26.6m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.9% (2015 29.9%) of the ordinary share capital of the University of Nottingham, Malaysia, a company incorporated in Malaysia. It has a financial year end of 31 December in common with its majority shareholder. The consolidated Financial Statements of the University reflects a carrying value of £6.3m (2015 £5.9m) equal to 29.9% (2014 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.

## 17. Trade and other receivables

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade receivables	26.3	21.8	25.5	21.2
Amounts due from Subsidiaries	0.0	0.0	4.0	5.5
Amounts due from associates (Note 25)	10.3	10.2	10.3	10.2
Prepayments and accrued income relating to research grants	32.4	35.5	32.4	35.5
Prepayments and accrued income	17.5	15.6	17.3	15.3
	<u>86.5</u>	<u>83.1</u>	<u>89.5</u>	<u>87.7</u>
<b>Total trade and other receivables</b>	<u>86.5</u>	<u>83.1</u>	<u>89.5</u>	<u>87.7</u>

## 18. Creditors: amounts falling due within one year

	Consolidated 2016	2015 Restated	University 2016	2015 Restated
	£m	£m	£m	£m
Secured loans	3.2	3.2	3.2	3.2
Payments received in advance	2.3	2.1	1.7	1.5
Trade payables	14.0	13.4	13.6	13.0
Social security and other taxation payable	13.4	15.6	13.3	15.4
Amounts due to subsidiaries	0.0	0.0	1.5	1.6
Accruals and deferred Income	177.0	174.2	174.5	172.1
	<u>209.9</u>	<u>208.5</u>	<u>207.8</u>	<u>206.8</u>

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Consolidated 2016	2015	University 2016	2015
	£m	£m	£m	£m
Donations	0.8	1.0	0.8	1.0
Research grants received in advance	72.5	73.7	72.5	73.7
Deferred capital grants	10.2	0.3	10.2	0.3
	<u>83.5</u>	<u>75.0</u>	<u>83.5</u>	<u>75.0</u>

**19. Creditors: amounts falling due after more than one year**

	Consolidated	2015	University	2015
	2016	Restated	2016	Restated
	£m	£m	£m	£m
Bank loans	65.6	9.6	65.6	9.6
Hefce loans	2.0	0.5	2.0	0.5
Deferred capital grants	140.8	146.6	140.8	146.6
	208.4	156.7	208.4	156.7
	208.4	156.7	208.4	156.7

The bank loans are with the Royal Bank of Scotland at a rate which is 0.20% above LIBOR. The total facility is for £91 million 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 £30 million 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 £15 million. 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.

**20. Pension provisions**

	Consolidated and University		
	Obligation to fund USS deficit	CPAS deficit	Total
	£m	£m	£m
At 1 August 2015	60.1	105.3	165.4
Utilised in year	(0.8)	(1.2)	(2.0)
Additions in year	0.5	35.6	36.1
At 31 July 2016	59.8	139.7	199.5

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for payments to be made in accordance with the scheme's recovery plan. This plan began in March 2015 and covers the period to 31st March 2031. Management have assessed future employees within the scheme and inflation on salary payments (3.3%) over the contractual period in assessing the value of the provision. The discount rate for the calculation is based on an average of the yields from AA Corporate Bonds over the relevant period, 2.9%.

The The University of Nottingham Contributory Pension and Assurance Scheme (CPAS) is a closed scheme. The detail behind the assessment of the deficit is described in Note 27.

**21. Endowments**

	Consolidated and University			2015
	2016	2016	2016	
	Restricted Expendable	Restricted Permanent	Restricted Total	Total
	£m	£m	£m	£'000
Balance as at 1 August	2.3	41.7	44.0	40.2
Additions	0.4	1.9	2.3	2.2
Appreciation of Endowment Asset Investments	(0.0)	3.5	3.5	1.4
Income for the Year	0.0	1.3	1.3	1.2
Expenditure for the Year	(0.2)	(1.0)	(1.2)	(1.1)
Balance as at 31 July	2.5	47.4	49.9	43.9
Represented by:				
Capital value	2.5	43.1	45.7	39.9
Accumulated income	0.0	4.3	4.2	4.0
	2.5	47.4	49.9	43.9
Analysis by type of purpose:				
Academic staff	0.3	26.1	26.5	24.4
Prizes, scholarships and student support	1.9	10.8	12.7	9.7
Subject specific	0.1	2.6	2.6	2.6
Research	0.2	2.3	2.5	2.1
Other	0.0	5.6	5.6	5.1
	2.5	47.4	49.9	43.9

The University has no unrestricted permanent endowments. All endowments are recorded within investments, including holdings of endowment cash in accordance with the accounting policy.

**22. Restricted reserves**

	Consolidated and University			2015 Total £'000
	2016 Research £m	2016 Donations £m	2016 Restricted Total £m	
Balance as at 1 August	1.0	4.4	5.4	5.3
New grants	0.6	0.0	0.6	0.4
New donations	0.0	2.0	2.0	1.8
Expenditure	(0.7)	(1.9)	(2.6)	(2.1)
Balance as at 31 July	0.9	4.5	5.4	5.4

## Analysis by type of purpose

Prizes, scholarships and student support			2.2	2.1
Subject specific			2.2	2.2
Research			1.0	1.0
Other			0.0	0.1
			5.4	5.4

**23. Operating lease commitments**

	Consolidated		University	
	2016 £000	2015 £000	2016 £000	2015 £000
Operating lease commitments in respect of equipment on leases expiring:				
Within one year	0.3	0.1	0.3	0.1
Between two and five years	0.9	0.1	0.9	0.1
Over five years	0.1	0.0	0.1	0.0
	1.3	0.2	1.3	0.2

**24. Capital Commitments**

	Consolidated		University	
	2016 £m	2015 £m	2016 £m	2015 £m
Commitments contracted at 31 July	37	51	37	48

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 the 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 7. Transactions with wholly owned subsidiaries which have been consolidated in the Group accounts are not disclosed below, in accordance with the exemption given in FRS102 Section 33 (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, in 2015/16 there was a donation by the University of £60k (2014/15 £Nil)
- 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, in 2015/16 there was a donation by the University of £60k (2014/15 £Nil). Mr Chris Jagger is also a Company Director of Nottingham Contemporary Trading limited, which in 2015/16 received a donation from the University of £57k (2014/15 £55k).
- 3) Mr John Saunders is a Director of NUAAT (Nottingham University Academy of Science and Technology), a specialist academy, which the University is a sponsor. There have been £Nil donations in 15/16 (£0.2m 2014/15).
- 4) Mr David Ross has donated £0.3m 2015/16 (£0.3m 2014/15) 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% (2015 29.9%) stake in the University of Nottingham, Malaysia, a 37.5% (2015 37.5%) stake in the University of Nottingham, Ningbo China both of which are accounted for as associated entities (see note 15).

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 overseas campuses for periods of up to 3 years. In addition certain costs incurred by the University are rechargeable between each associate and the University in accordance with signed agreements.

	2016 Malaysia £m	2016 China £m	2015 Malaysia £m	2015 China £m
Net charges by the University:				
Costs	1.4	(0.5)	1.0	2.0
Management fee	1.6	4.9	1.6	4.1
Owed to the University at 31 July	2.2	8.1	2.8	7.4
Additional share capital acquired				

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

Note 8 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.

## 26. Cash and cash equivalents

	At At 1 August 2015 £m	Cash Flows £m	At At 31 July 2016 £m
Consolidated			
Cash and cash equivalents	5.8	10.7	16.5
	<u>5.8</u>	<u>10.7</u>	<u>16.5</u>

At 31 July 2016, total cash and cash equivalents included cash amounting to £12.3m (2015: £nil) that was held in an escrow account in relation to the purchase of the National College building which took place on 1st August 2016 and was therefore not available for immediate use by the Group

## 27. 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). 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 FRS17 "Retirement benefits" and FRS102 Section 28 'Employee 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 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 employer contributions have increased to 18% from 1 April 2016.

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 (i.e. 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 3 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 1 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 £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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 2014, 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 FRS102 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 principle 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:

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

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 valuation of the scheme as at March 2014.

#### 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 6.0% 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 FRS17 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 (i.e. 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 £164.6 million with past service liabilities of £269.8 million. 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.

The total pension charge for the University and its subsidiaries was:

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
Contributions to USS	30.9	28.9
Charge to I&E account re CPAS	2.9	3.2
Contributions to Other Pension Schemes	3.3	3.2
Total Pensions Cost (Note 7)	<u>37.1</u>	<u>35.3</u>

CPAS - FRS102 Disclosure

	2016 £m	2015 £m
<b>The amounts recognised in the balance sheet are as follows:</b>		
Present value of funded obligations	(326.2)	(269.9)
Fair value of Plan assets	186.6	164.6
Deficit	<u>(139.6)</u>	<u>(105.3)</u>

	2016 £m	2015 £m
<b>The amounts recognised in staff costs and comprehensive income are as follows:</b>		
Service cost (recognised in staff costs)		
Current service cost	3.3	3.7
Net interest expense/(credit)	3.9	10.2
Operating charge/(credit)	<u>7.2</u>	<u>13.9</u>
Actual return less expected return on pension scheme assets	0.0	(6.0)
Experience gains and losses	50.4	23.9
Expected return on plan assets	<u>(14.9)</u>	<u>(8.7)</u>
Actuarial loss recognised as comprehensive income	35.5	9.2
Total defined benefit cost/(credit)	<u>42.7</u>	<u>23.1</u>

	2016 £m	2015 £m
<b>The return on plan assets was:</b>		
Interest income	6.3	6.4
Return on plan asset (excluding amount included in net interest)	14.9	8.3
Actual return on plan assets	<u>21.2</u>	<u>14.7</u>

	2016 Assets £m	2016 Liabilities £m	2016 Total £m
<b>Reconciliation of scheme assets and liabilities</b>			
At 1st August	164.6	(269.9)	(105.3)
Benefits paid	(8.3)	8.3	0.0
Administration expenses	(0.1)	0.0	(0.1)
Current service cost	0.0	(3.3)	(3.3)
Employer contribution	8.9	0.0	8.9
Employee contribution	0.4	(0.4)	0.0
Interest income/(expense)	6.3	(10.2)	(3.9)
Return on assets (excluding amount included in net interest)	14.9	0.0	14.9
Actuarial gains/(losses)	0.0	(50.4)	(50.4)
Gain/(Loss) on plan introductions and changes	0.0	(0.3)	(0.3)
At 31st July	<u>186.7</u>	<u>(326.2)</u>	<u>(139.5)</u>
	2015 Assets £m	2015 Liabilities £m	2015 Total £m
At 1st August	148.5	(239.2)	(90.7)
Benefits paid	(7.6)	7.6	0.0
Current service cost	0.0	(3.7)	(3.7)
Employer contribution	8.5	0.0	8.5
Employee contribution	0.5	(0.5)	0.0
Interest income/(expense)	0.0	(10.2)	(10.2)
Return on assets (excluding amount included in net interest)	8.7	0.0	8.7
Actuarial gains/(losses)	6.0	(23.9)	(17.9)
At 31st July	<u>164.6</u>	<u>(269.9)</u>	<u>(105.3)</u>

The major categories of plan assets as a percentage of total plan assets are as follows:

	2016	2015
Equities	75%	67%
Bonds	24%	33%
Property	0%	0%
Cash	1%	0%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2016	2015
Discount rate at end of year	2.65%	3.80%
Expected return on plan assets at end of year	2.65%	3.80%
Future salary increases	2.90%	3.30%
Future pension increases (pensions in payment pre 2003)	3.35%	3.60%
Future pension increases (pensions in payment post 2003)	2.90%	3.30%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	100.00%	100.00%
Future expected lifetime of pensioner at age 65:		
Male (born 1948 (2012: 1947):	23.7	23.6
Male (born 1968 (2012: 1967):	25.7	25.65
Female (born 1948 (2012: 1947):	26	25.9
Female (born 1968 (2012: 1967):	28	27.9

Amounts for the current and previous four periods are as follows:

	31 July 2016	31 July 2015	31 July 2014	31 July 2013	31 July 2012
	£m	£m	£m	£m	£m
Defined benefit obligation	(326.1)	(269.9)	(239.2)	(218.2)	(202.7)
Plan assets	186.6	164.6	148.5	140.8	121.3
Deficit	(139.5)	(105.3)	(90.7)	(77.4)	(81.4)
Experience adjustments on plan liabilities	50.4	27.3	13.6	(9.2)	(29.5)
Experience adjustments on plan assets	14.9	6.0	(3.4)	10.6	(0.8)

#### 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 2016 the University owed £289,906 in respect of contributions to the scheme (2015: £267,012). See note 19 for reference to the total balance sheet position.

#### 28. Financial instruments

	Consolidated		University	
	2016	2015	2016	2015
	£m	£m	£m	£m
<b>Measured at fair value through profit and loss</b>				
Investments (including endowments) (Note 15)	60.0	45.7	59.9	45.5
Short term investments	0.2	0.2	0.2	0.2
<b>Measured at undiscounted amount receivable</b>				
Trade and other receivables (Note 17)	86.5	83.1	89.5	87.7
<b>Measured at cost less impairment</b>				
Intangible assets (Note 12)	3.0	1.7	3.0	1.7
Heritage assets (Note 14)	0.5	0.5	0.5	0.5
Investment in associates (Note 16)	34.3	32.4	9.8	9.3
<b>Measured at amortised cost</b>				
Goodwill (Note 13)	0.0	0.1	0.0	0.0
	<u>184.5</u>	<u>163.7</u>	<u>162.9</u>	<u>144.9</u>
<b>Measured at undiscounted amount payable</b>				
Payments received in advance (Note 18)	(2.3)	(2.1)	(1.7)	(1.5)
Trade payables (Note 18)	(14.0)	(13.4)	(13.6)	(13.0)
Social security and other taxation payable (Note 18)	(13.4)	(15.6)	(13.3)	(15.4)
Amounts due to subsidiaries (Note 18)	0.0	(0.0)	(1.5)	(1.6)
Accruals and deferred Income (Note 18)	(177.0)	(174.2)	(174.5)	(172.1)
Bank loans (Note 18,19)	(68.8)	(12.8)	(68.8)	(12.8)
HEFCE loan (Note 19)	(2.0)	(0.5)	(2.0)	(0.5)
	<u>(277.5)</u>	<u>(218.6)</u>	<u>(275.4)</u>	<u>(216.9)</u>

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are carried at fair value or amortised cost as appropriate.

Fair value measurements are, to the extent possible, based on are quoted prices in active markets for identical assets or liabilities that the entity can access, where quoted prices are not available the university then, also to the extent possible, uses observable market data for the asset or liability, either directly or indirectly. All other fair value measurements and based on unobservable inputs for the asset or liability. Further details are provided in the accounting policies.

#### 29. 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.

	2016	2015
	£k	£k
Balance at 1 August	(1.0)	(1.0)
Funding Council Grants	0.0	0.0
Interest Earned	0.0	0.0
	(1.0)	(1.0)
Disbursed to Students	0.0	0.0
Balance Unspent at 31 July	<u>(1.0)</u>	<u>(1.0)</u>

### 30. Connected Charitable Institutions

The following charities are linked to the University and fall within paragraph (w) of Schedule 2 of the Charities Act 1993, and are consolidated within the Group.

Children's Play Activities Trust Fund	2016 £m	2015 £m
<b>Reserves</b>		
Balance at 1 August 2015	0.3	0.3
Balance at 31 July 2016	<u>0.3</u>	<u>0.3</u>

#### Non-Operating Charities

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

### 31. Sport England grant

Sport England has granted the University funds to provide opportunities for students to take part in sport and activity. £174,093 (2015 £16,826) has been spent, in collaboration with Nottingham Trent University.

### 32. Restatement as a result of changes in financial reporting standards as at 1st August 2014

These are the first financial statements produced by the University and its Group in accordance with financial reporting standard (FRS) 102 and the 2014 higher and further education statement of recommended practice (SORP).

In order to provide meaningful comparatives the financial performance for the year ended 31st July 2014, and the financial position as at 31st July 2015 have been restated. The adjustments are set out in the following tables.

#### Restatement of financial performance

	Consolidated 2015 £m	University 2015 £m
Surplus for the year as previously reported	25.1	25.6
Revised income recognition for research grants and donated research	(0.3)	(0.3)
Release of non government deferred capital grants on asset capitalisation	(0.3)	(0.3)
Surplus for the year transferred from accumulated income in endowment funds not required	0.1	0.1
Revised income recognition for donations and endowments	(0.4)	(0.4)
Accrual for employee holiday pay	(0.6)	(0.6)
Provision for the 2015 USS pension deficit recovery plan	(29.2)	(29.2)
Additional interest cost relating to 2015 USS deficit recovery plan	(0.9)	(0.9)
<b>Items previously recorded through the statement of total recognised gains and losses</b>		
Receipt of new endowments	2.0	2.0
Appreciation of endowment asset investments	1.3	1.3
Revaluation of investments and investment properties	0.4	0.4
Exchange movements on transaltion of international campuses	(1.9)	(0.6)
Revised accounting for CPAS pension scheme return on net assets	(18.0)	(18.0)
Recognition of other items previously taken to reserves	0.3	(0.1)
	<u>(22.4)</u>	<u>(21.0)</u>

#### Restatement of financial position

	Consolidated		University	
	2015 £m	2014 £m	2015 £m	2014 £m
Total reserves as previously reported	595.5	588.2	571.1	562.1
Accrual of notified donation pledges within debtors	1.2	2.1	1.2	2.1
Transfer of research work in progress to reserves	1.3	1.6	1.3	1.6
Accrual for employee holiday pay	(12.2)	(11.6)	(12.2)	(11.6)
Transfer of deferred income relating to donations to reserves	3.2	2.7	3.2	2.7
Release of non government deferred capital grants on asset capitalisation	18.3	18.7	18.3	18.7
Reclassification of deferred capital grants to creditors	(165.3)	(167.4)	(165.3)	(167.1)
Provision for the USS pension deficit recovery plan	(60.1)	(30.0)	(60.1)	(30.0)
	<u>381.9</u>	<u>404.3</u>	<u>357.5</u>	<u>378.5</u>

#### Restatement of cash and cash equivalents

	Consolidated		University	
	2015 £m	2014 £m	2015 £m	2014 £m
Cash as previously reported	4.0	2.3	0.6	(1.0)
Reclassification of short term investments	1.8	1.4		
	<u>5.8</u>	<u>3.7</u>	<u>0.6</u>	<u>(1.0)</u>