The University of Nottingham

UNITED KINGDOM · CHINA · MALAYSIA

Financial Statements

for the year to 31 July 2014

www.nottingham.ac.uk

Contents

Council Membership (1 August 2013 to 21 October 2014)

President of Council and Pro-Chancellor	John Mills
Vice-President of Council	Dame Elizabeth Fradd
Members ex-Officio	
Pro-Chancellor:	Dr Hamid Mughal
The Vice-Chancellor:	Professor Sir David Greenaway
The Treasurer:	Colin Gillespie
Pro-Vice-Chancellors:	Professor Karen Cox Professor Alan Ford Professor Chris Rudd

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Professor John Atherton
Professor David Clarke
Professor Neil Crout [from 1 August 2013]
Professor Christine Hall
Dr Gabriele Neher [from 1 August 2013]

Appointed by the Union of Students
From 1 July 2013 to 30 June 2014
Ellie McWilliam (President)
Dasha Karzunina (Education Officer)

From 1 July 2014
Harry Copson (President)
Adam Bevis-Knowles (Education Officer)

External members appointed by the Council
Lyndsey Bainton
Baroness Brenda Dean
John Finch [from 1 June 2014]
Dame Asha Khemka
Jeff Randall
David Ross
John Saunders
Steve Walton
Neil Watkinson
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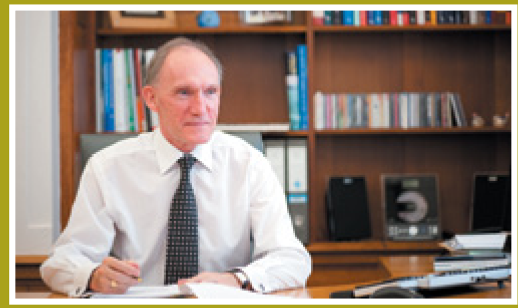
Other senior officers

The Chancellor:	Sir Andrew Witty
The Registrar:	Dr Paul Greatrix (Secretary to Council)
Pro-Vice-Chancellors:	Professor Sarah O'Hara Professor Hai-Sui Yu Professor Nick Miles Professor Saul Tendler Professor Christine Ennew
Chief Financial Officer:	Andrew Unitt
Chief Estates and Facilities Officer:	Chris Jagger

Vice-Chancellor's Welcome



It has been a year of celebration for The University of Nottingham. A decade ago, we were the first foreign university to establish a campus in China – a pioneering step in global higher education. Ten years on, The University of Nottingham Ningbo China (UNNC) has gone from 250 students to more than 6,600, and this year celebrated the graduation of its first PhD students. The creation of UNNC required vision, belief and leadership – as well as great people and great partnerships – and it has been a privilege to celebrate how far we have come during a decade of achievement in China.

As UNNC expands and more of it graduates join our worldwide family of alumni, so its capacity for research and business engagement has grown. I was delighted to be part of the Prime Minister's trade mission to China, which saw the announcement of three Nottingham initiatives worth more than £60m. The Guangdong-Nottingham Advanced Finance Institute will provide talent development to thousands of senior managers from industry, commerce and government. The International Academy for Marine Economy and Technology will foster new collaborations with industry, support China's marine economy and contribute to the development of Ningbo's port, one of the largest in the world. Meanwhile, a new phase of expansion at UNNC will include a teaching and learning complex, new student residential accommodation and an international conference centre.

Links between China and our University's home city grow ever stronger, and 2014 saw the official naming of a new Nottingham landmark which underlines that special relationship. The Ningbo Friendship Bridge, which brings the extended tram network onto University Park, symbolises the links between our two cities and the huge strides being made to invest in the future of Nottingham. Within sight of the bridge, the University's own investment in the city's future continued with the opening of the Nottingham University Academy of Science and Technology, offering new options for 14-19-year-olds with a passion for science, computing or engineering.

Our commitment to the city is also expressed through Nottingham Potential, which is providing IntoUniversity learning centres in the community to help more young people to reach higher education. A third centre opened this year, thanks to a donation from the David Ross Foundation and other generous supporters. David Ross, a Nottingham alumnus, lent his help in other ways too – enabling the University to host the first free public exhibition of one of the most important collections of contemporary art in private hands.

With extensive loans from his own art collection, Pop Art to Britart was a huge success, making some of the most significant art from the last 50 years accessible to thousands of visitors.

I was personally delighted to help the University's fundraising efforts to reach new heights this year, with the fourth Nottingham Life Cycle charity bike ride becoming our most successful to date. Riding in support of the Children's Brain Tumour Research Centre – one of the projects supported by Impact: The Nottingham Campaign – we have raised £712,000 so far, and pushed the overall Life Cycle total to over £1.5 million in the last four years. Of course that wouldn't have been possible without our many donors, partners and supporters, and I continue to be inspired and humbled by their generosity. This year we saw the overall total for Impact: The Nottingham Campaign reach £120m after just three years of fundraising, bringing us ever closer to our target and helping to secure the long-term future of our University.

We have achieved unprecedented success in other areas of activity. Funding for research is higher than it has ever been, at £181m, underpinning Nottingham's reputation as a global centre of excellence. We have enjoyed unprecedented success in securing grants to provide Centres for Doctoral Training – a significant investment in postgraduate education that will fund more than 1,200 PhD students over the coming years.

At both postgraduate and undergraduate level, our alumni continue to be among the most sought-after in the UK: Nottingham was confirmed in 2014 as the number one university for graduate recruitment by leading employers such as BP, Google, PwC, Goldman Sachs, the Civil Service, IBM and HSBC. Of course we want students to enjoy their time with us as well, which is why it was encouraging to see our University enter the top 10 of the Times Higher Education's Student Experience Survey. I was also delighted to see so many of our students and alumni excel at the Commonwealth Games in Glasgow, competing with some of the world's best and winning medals in a range of events. On a personal note, I was honoured to receive a Knighthood in the Queen's Birthday Honours List.

This year has not been without its setbacks. A fire at our Jubilee Campus, which caused the destruction of the GlaxoSmithKline Carbon-Neutral Laboratory for Sustainable Chemistry, was a shock to the whole University community. But it has not shaken our commitment. The vision remains the same – and it will be delivered. Guided by Global Strategy 2020, our roadmap for the next five years, we look to the future with a renewed sense of vigour as we embrace the challenges, and opportunities, that lie ahead.

Finally, I began this introduction in Asia, referring to UNNC; I will end in Asia, at the University of Nottingham Malaysia Campus (UNMC), established in 2000 and, like UNNC, it goes from strength to strength. Next year will see its 15th anniversary, which will be marked by the opening of a new complex for the Crops for the Future Research Centre. With its focus on food sustainability, this is a perfect example of world-changing research being led by Britain's Global University.

Professor Sir David Greenaway
Vice-Chancellor
The University of Nottingham

Treasurer's Report

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

The Sunday Times University Guide 2014 stated in respect of the University of Nottingham:

"It is the nearest Britain has to a truly global university, with campuses in China and Malaysia modelled on a headquarters that is among the most attractive in Britain."

Key highlights

	2014	2013
Tuition Fees and Education Contracts	£253m	£220m
Funding Body Grants	£110m	£125m
Research Grants and Contracts	£105m	£112m
Other Income	£103m	£104m
Total Income	**£571m**	**£561m**
Surplus for the year	**£25m**	**£22m**
Total Net Assets	**£588m**	**£582m**
Cash generated from Operating activities	£51m	£51m
Capital Investment	£50m	£35m
Staff Costs	£302m	£295m
Average Staff numbers	6,549	6,518
Research Awards	£181m	£170m
Total Student numbers – worldwide	43,765	43,561

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

- 24,796 undergraduate students in the UK
- 8,573 post-graduate students in the UK
- Total income of £571m in 2013/14
- £105m of research income in 2013/14

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

- Ningbo, China with 5,848 students
- Semenyih, Malaysia with 4,548 students.

The University of Nottingham has retained its position among the best in the world - appearing 77th in the QS World University Rankings – the 14th highest placed UK University.

2012 saw the introduction of increased HEU undergraduate tuition fees of up to £9,000 per annum. This created considerable uncertainty across the Higher Education sector. Encouragingly the number of applications to The University of Nottingham remained robust and the targeted intake was achieved and the level of income budgeted met. The increase in the fees that institutions can charge is offset by the reduction in the grants from the government funding bodies. Extra pressure is placed on University finances by the increased fees coming from the Students Loans Company being received in three tranches, October, February and May as opposed to monthly grant receipts. Despite these challenges the University delivered a strong surplus, generated significant cash and invested strongly in its students and infrastructure.

2013/14 saw a continuation of the University's recent strong financial performance with a surplus for the year of £25m, in line with performance for the last two years. One-off receipts from the partial disposal of the University's interests in Nurture and Molecular Profiles were offset by reductions in prior year funding council grants.

Student demand continued to be strong in 2013/14 with overall recruitment targets achieved. Research awards were at record levels once again, with research income in-year in line with recent years at £105m.

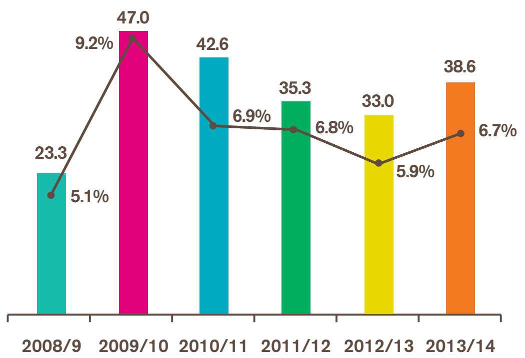
Cash generation remains strong – with operating cashflows of £51m, £26m up on 2012/13 – allowing the University to continue to invest for the future.

Cash balances continue to be tightly managed with balances (cash at bank and short term investments) of £4.0m at 31 July 2014 compared to £4.8m at 31 July 2013. The University has also made lower than anticipated use of the credit facilities available to it. This is despite continued investment being made in the University's campuses to further improve the student experience.

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.

EBITDA (£m/% of Income)

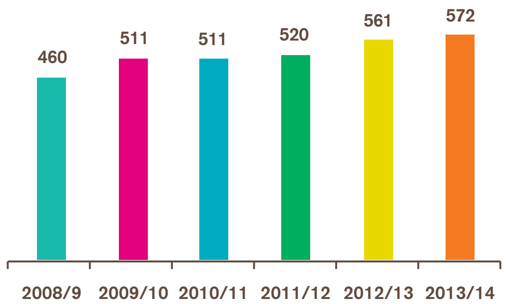


The University's performance against this measure remains strong at 6.7% of income and in line with recent performance. The University has a medium term target for EBITDA of 7% of income. This is slightly higher than the prior year, but in line with past performance. The higher targeted EBITDA will generate additional resources to support anticipated increased investment levels in the coming years.

Income

Income increased by £11m (2.0%) compared to the prior year. The major shift in income results from the 2012/13 change in the tuition fee regime. This will continue for another two years until 2015/16 when the vast majority of students will have moved on to the new regime. A corresponding reduction in grant funding will continue to partially offset this growth.

Total Income (£m)



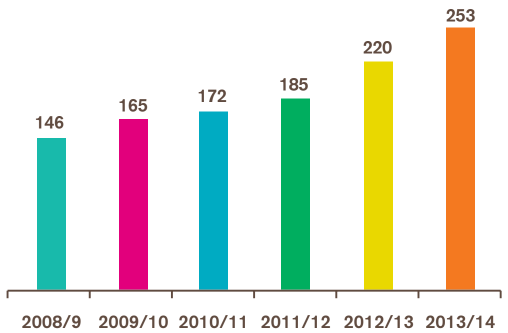
Research income is in line with recent years despite the increase in research awards, although there is a lag, sometimes of a few years, between the award of a research contract and the recognition of the income in the Financial Statements.

The Orchard Hotel, opened by the University in November 2012 to complement the East Midlands Conference Centre on campus is performing strongly in its first full year of operation, contributing £7.3m to total income and a £1.8m surplus in 2013/14.

Tuition Fees

The University maintained its high levels of demand for places and achieved its targeted undergraduate student numbers at the September 2014 intake.

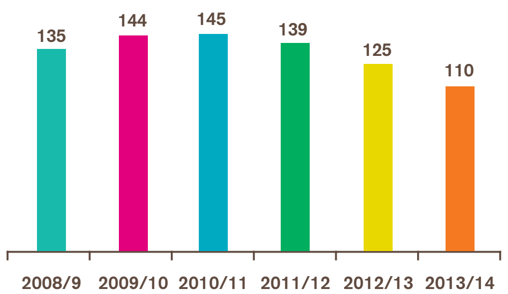
Tuition Fees (£m)



Tuition fees are £33m up on 2013/14 and now represent 44% of total University income compared to 32% in 2008/9. 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 Council Grants.

Funding Body Grants

Funding Body Grants (£m)



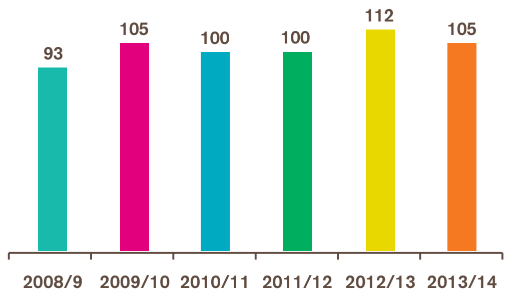
Funding Body Grants – which consists mainly of support for Home/EU undergraduates and support for Research continues to fall as expected. Funding Body Grants were down £15m on 2012/13 to £110m and now make up 19% of total University income and less than half the amount generated from Tuition Fees.

The fall 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.

Research Grants and Contracts Income

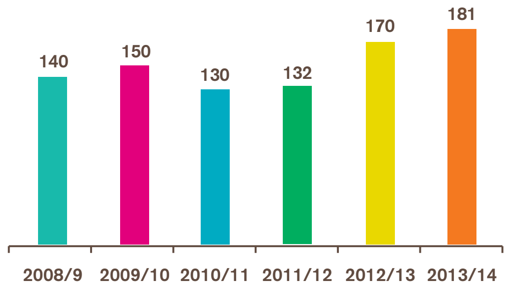
Income from Research Grants and Contracts continues to be strong at £105m for the year. The order book remains strong for the years ahead as evidenced by the level of research awards achieved in recent years which will result in income recognised over a number of years.

Research Grants and Contracts Income (£m)



Research awards are the order book which sustains the University's research base. 2013-14 is another record year, winning £181m of new grants and achieving the University of Nottingham Strategic Plan 2010-2015 research awards target a year ahead of schedule. This provides a robust platform for the launch of the new 2015-2020 Research Strategy with many of these secured awards generating research income for three to five years.

Research Awards (£m)

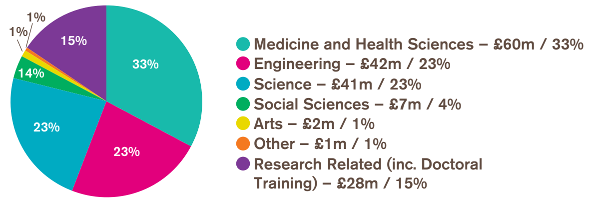


The University has a large and complex research portfolio with 801 awards won from multiple funders during the year. It is testimony to the University's research leaders that the largest of these awards is £14m, with a further 20 awards in excess of £1m and valued at £58m. These have been won for team-based cutting edge research programmes. In addition, the University has had a successful year winning £28m research related awards primarily supporting Doctoral Training Programmes for PhD students, some of whom will be the next generation of research leaders.

The University has also been very successful in winning a significant number of awards for state of the art research capital equipment. While all these successes has 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:

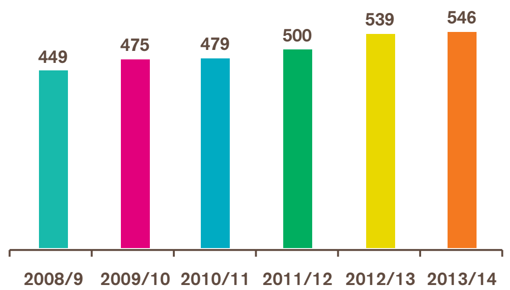
2013/14 Research Awards: £181million



Expenditure

Cost control continues to be a key focus for the University with Total Expenditure rising by £7m (1.3%) in 2013/14 to £546m compared to the £11m (2.0%) rise in income over the same period. The overall increase in costs results principally from a £6.4m increase in staff costs.

Total Expenditure (£m)



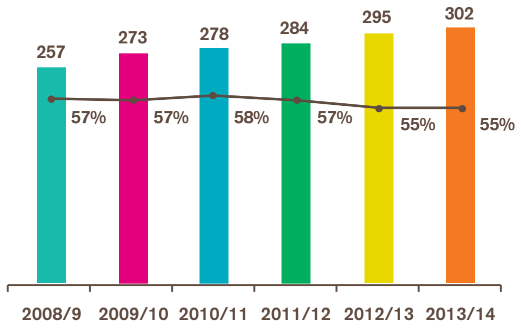
Included within the University's costs are £47m of scholarships and bursaries to a wide range of students, including:

- £12m to students from low income backgrounds to support their studies
- £7m to international students to encourage the most talented students to come to Nottingham
- £28m to Post Graduate students to help those with the ability to further their studies at Nottingham

Staff Costs

Staff costs rose by £6.4m (2.2%) from 2012/13 to £301.6m and represent the largest element of total costs at 55.2% of total expenditure. This is up from 54.8% last year but broadly in line with the 57% average for 5 years before that.

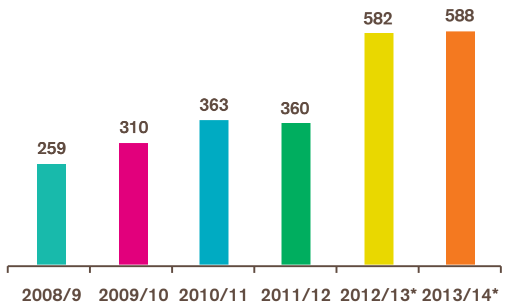
Staff Costs (£m/% of Total Expenditure)



Balance Sheet

The University's Net Assets rose significantly in 2012/13 as a result of the revaluation of the University's land. The vast majority of the land owned by the University was donated and had therefore previously been included at no cost. This significantly underestimated the value of the University's assets. A decision taken to include land at its current value in the 2012/13 accounts was recorded in the prior year.

Net Assets (£m)



* only 2012/13 and 2013/14 reflect the land valuation undertaken in 2012/13.

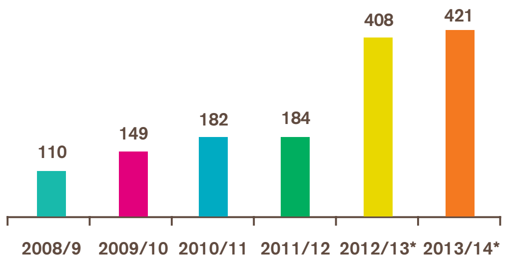
Net assets remained stable, increasing slightly by £6m in the year to £588m.

Reserves

Consolidated Reserves (which excludes Deferred Capital Grants) rose sharply in 2012/13 as a result of the revaluation of University owned land.

This year saw a £13m increase in reserves which incorporates the operating result for the year, a £1.6m increase in Endowments offset by an increase in the Pension Reserve to match the £13m increase in the FRS17 liability.

Consolidated Reserves (£m)

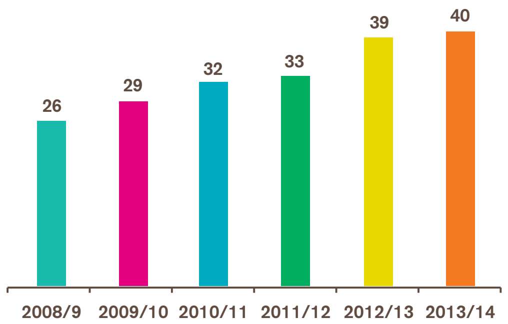


* only 2012/13 and 2013/14 reflect the land valuation undertaken in 2012/13.

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 £6.5m in cash gifts for the year split between £5.7m cash gifts and £0.8m new endowments. This is around 50% higher than for 2012/13. Investment income of £1.1m was received during the year from the University's endowment portfolio.

Endowments (£m)



Of the amount received during the year, £3.9m (60% of the total) came from 35 gifts of £25k or over. A further £1.0m (15% of the total) came from some 208 donations of between £1k and £25k. The remaining £1.6m (25%) came from a large number of donations of less than £1k – with a significant number of people and organisations donating for the first time.

Financial Statements
for the year to 31 July 2014

Treasurer's Report

Pensions

The latest triennial actuarial valuation for the Nottingham Contributory Pension and Assurance Scheme (CPAS) was as at 31 July 2011 and saw the deficit increase from £50.5m to £80.1m, principally due to changes in the discount rate used for valuing the liabilities. A recovery plan has been agreed with the Trustees resulting in additional employer contributions over a 15 year recovery period, as opposed to the previously agreed 12 year period. This resulted in a small increase in overall employer contributions per annum.

On an FRS17 basis at 31 July 2014, the CPAS deficit has increased to £91m (2013: £77m). During the year, the value of the scheme's assets rose by £7.7m (5.5%), but a reduction in the discount rate applied to the liability – linked to lower expected future investment returns increased the value of the liability by £21.0m (9.6%).

The FRS17 calculations resulted in a credit to the Income and Expenditure Account of £3.8m (2012: credit of £2.7m). This reflects the fact that contributions into the scheme are higher than current service costs because of the deficit recovery plan that is in place between the University and the Scheme.

At the balance sheet date, the 31 July 2014 CPAS Valuation was in progress with completion anticipated to be achieved in mid-2015.

The latest triennial actuarial valuation for the Universities Superannuation Scheme (USS) was carried out as at 31 March 2011. No further changes to the scheme contributions or benefits were proposed following the changes already implemented in 2009 and 2011. USS does not appear on the University balance sheet as the University's share of the assets and liabilities are not separately identified by USS. At the balance sheet date, the 31 March 2014 USS Valuation was in progress with completion anticipated to be achieved in mid-2015.

The new Pension Auto-enrolment rules applied to the University with effect from March 2013 and significant changes were required to processes and systems to ensure compliance. The additional annual cost to the University of increased numbers of staff participating in pension arrangements was, as expected, not material and a reasonable estimate has been included within future budgets and plans.

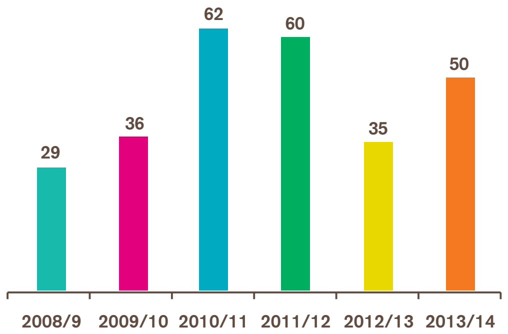
Capital expenditure and financing

Capital expenditure in the year was £50m compared to an average expenditure of £44m over the previous 5 years.

A number of major capital new build projects are under construction, namely:

- A Science and Engineering Library on University Park (£19m).
- The Glaxo Smith Kline Carbon Neutral Laboratory for Sustainable Chemistry on Jubilee Campus (£20m). This building was destroyed by fire in September 2014 prior to the handover of the building to the University by the Contractor. Plans are in place to rebuild it with the associated costs covered by the insurance provided as part of the construction contract.
- Student Amenities Building on Sutton Bonington Campus (£9m).
- Replacement changing facilities and new sports pavilions for our external sports pitches at the Riverside Sports Complex (£5m).
- The Romax Building (£6m) on the University of Nottingham Innovation Park was completed and officially opened by Lord Parry Mitchell in June 2014.

Capital Expenditure (£m)

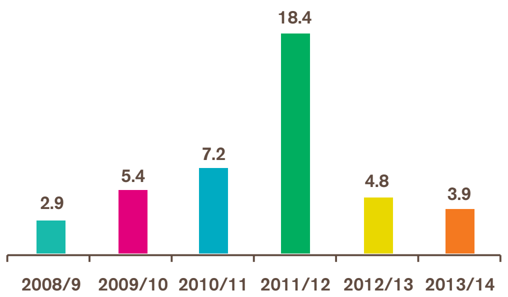


The Energy Technologies building completed in 2013, which is an exemplar low carbon building dedicated to the research and development of sustainable energy technologies, received the prestigious accolade of BREEAM's Education Building of the Year 2014. BREEAM is the Building Research Establishment Environmental Assessment Method and is the world's foremost environmental assessment method and rating system for buildings.

Financing

At 31 July 2014 the University had £4.0m of cash and short-term deposits (31 July 2013 £4.8m).

Cash Balances (£m)



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.

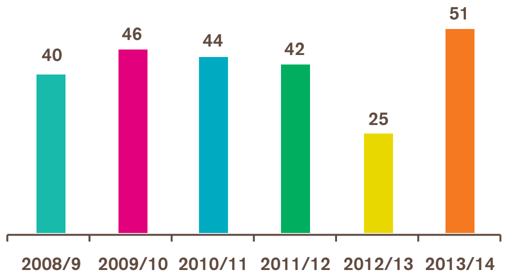
The University has a committed facility to borrow up to £112m, comprising of £97.2m (at 31 July 2014) revolving credit facility plus £15m multi-option facility. Interest on the University's loans from the Royal Bank of Scotland is at a rate linked to LIBOR. The revolving credit facility is amortised, quarterly over 25 years from October 2010.

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

Cash and Liquidity

Net cash in-flow from operating activities in the year was strong at £51m (2012/13: £25m).

Net Cash Inflow from Operating Activities (£m)



The relatively weak performance in 2012/13 resulted from increased debtors at the year end. The 2013/14 position reflects a reversal of this position – with the six year average at £41.3m.

The key movements between 2012/13 and 2013/14 are detailed in Note 26 and summarised below:

- Debtors – a decrease in the year of £3.3m in 2013/14 compared to an increase of £11.7m in 2012/13
- Creditors –an increase of £5.7m for 2013/14 compared to no change in creditors in 2012/13
- Surplus for the year – an increase of £3.0m on the prior year
- Depreciation – an increase in the depreciation charge for 2013/14 of £1.4m on the prior year.

The cash generation figure of £51m compares to £39m EBITDA with £8.9m of the difference is due to the decrease in debtors and increase in creditors.

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

Credit Rating

In July 2014 the University maintained its "AA- Stable" Credit Rating from Standard & Poors – a rating the University has held consistently for over ten years.

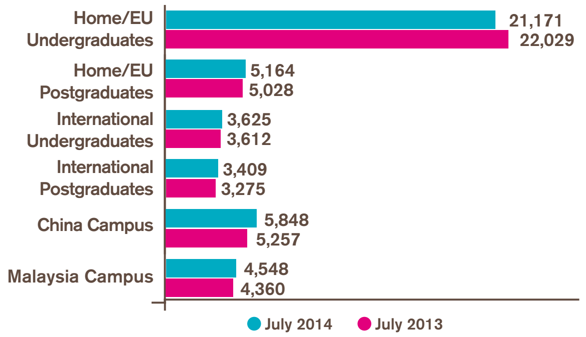
The major rating factors in the July 2014 report are:

Strengths:
- High student demand levels, supported by the university's high academic standing.
- Sound financial performance expected over the rating horizon.
- Strong financial management, conducive to responding effectively to significant sector changes.

Weaknesses:
- Weakening public sector funding support for the sector, combined with greater competition for quality students and alternative funding sources.
- Access to liquidity relies on committed facilities arranged with a single lender.

Student analysis

The total number of students enrolled across all campuses in 2014 increased by around 200 to 43,765. The relatively small overall change includes a reduction of 858 in the number of Home/EU Undergraduates, mostly due to changes in some NHS contracts which have reduced part-time and no award students in the Faculty of Medicine & Health Sciences, which has been more than offset by growth in the University's international campuses.



*excludes students who are undertaking part of their studies in Nottingham in 2013/14.

Looking Forward

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

There are significant challenges ahead:
- Future funding uncertainty and the potential for further HEFCE funding cuts - both revenue and capital – as the Funding Council seeks to balance its own books and respond to any Government policy shifts.
- Changes to the Higher Education funding environment that may follow the general election expected in May 2015.
- The challenge of maintaining and increasing international student demand in the context of increasing competition for students from other Universities across the world.
- Growing research income and margin in the context of increasing competition and potentially lower margins, with an increasing proportion of awards relating to equipment which have little or no margin.
- Delivering an ambitions investment programme including both capital expenditure and significant back-office transformation programmes.
- The cost of pensions, both the University's own CPAS scheme and the University's share of the USS scheme remain uncertain, with both schemes holding their triennial valuations in 2014. No increase in employer pension contributions have been assumed for either the in-house scheme or for the USS for 2014/15, but both schemes are being valued in 2014/15 with significant risk of increased future contributions being required.
- Implementing the changes to accounting practices and process that will be required by the new FRS102 compliant Statement of Recommended Practice for Higher and Further Education.

The University is well placed to deal with these challenges.

- Our international reputation, as evidenced by the University's world ranking, makes the University in Nottingham, Ningbo and Semenyih attractive to students across the world.
- Student recruitment remains strong, early indications for 2014/15 are that recruitment targets will be met with increased entry tariff.
- The University is in the process of developing Strategy 2020 which will set the University's priorities for the next 5 years.
- Included in Strategy 2020 is a financial sustainability objective, which will have a specific focus in delivering the financial performance across the organisation that will be required to underpin an ambitious programme of investment.
- Strategy 2020 also re-focuses the University's research with a vision to "deliver research excellence across academic disciplines, at all of the University's campuses."
- 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.
- We continue to develop, with ambitious capital expenditure plans including with significant transformation programmes planned.

Conclusion

The University continues to report strong financial performance whilst still investing in its students and its core activities. Student demand remains strong with the University able to secure the required number of high quality students. The Higher Education market will continue to be challenging into the future as resources become tighter, but the University is well placed to meet these challenges by continuing to attract excellent students, producing high quality research and maintaining a strong financial base.

Colin Gillespie,
Treasurer & Chair of Finance Committee
October 2014

Strategy and Risk

Strategic Plan

The current University Strategic Plan runs from 2010-15. Schools and Professional Services continue to implement their strategies to 2015, which are flexed in line with a resourcing framework, with performance bonuses in the form of additional spending approval being paid to Schools where appropriate.

During the year, the Deputy Vice-Chancellor led the development of the University's Global Strategy 2020. The University community at all campuses was actively engaged in the process. The Deputy Vice-Chancellor also actively sought input from external collaborators, research funders and University friends with relevant experience. The University Executive Board and Council approved the Strategy 2020 in July 2014 with further detail to be developed and published in autumn 2014.

Risk Management

The University's Risk Management Framework was revised during 2013 to include:

- 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, and
- unit-level risk registers articulating risks affecting each School or Professional Service and each major initiative.

The structure provides for more direct accountability and transparency to risk management activities. It will be further developed to align it to Strategy 2020 during 2014-15.

A University Executive Board member has responsibility for managing each of the enterprise-level risks and for ensuring that appropriate mitigation activity is in place. The University Risk Register is updated regularly by the University Executive Board and reviewed by the Audit and Risk Committee.

Principal Risks and Uncertainties

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

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

The potential for student recruitment, research awards and Government funding to decrease continues to be significant. Two specific uncertainties face the University and the UK Higher Education sector generally in 2014-15: the outcome of Research Excellence Framework in December 2014 and the result of the General Election expected in May 2015. Both increase current uncertainties about funding availability and arrangements.

The University's response to this – outlined in Strategy 2020 – is to focus on long-term sustainability. We are addressing this by prioritising the delivery of enhancing excellence in our core teaching, learning and research activities, maintaining a strong financial position, and ensuring we have the flexibility to adapt as circumstances require. To support this, the University is carrying out a number of global service transformation programmes, which will see significant changes to curriculum, delivery methods and back office administration functions over the life of Strategy 2020.

Both the Universities Superannuation Scheme (USS) and Nottingham Contributory Pension and Assurance Scheme (CPAS) were undergoing their triennial valuation at 31 July 2014 with the results expected in 2015. It is likely that the University will face increased future costs in the form of higher employer's contributions for one or both schemes. The extent of any increase is not yet known. Changes are also likely to be proposed to the benefits structure of the USS which may result in employee relations issues across the sector. Again, the details of any proposed changes are not yet known.

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

Public Benefit Statement

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

The University is committed to providing a truly international education, inspiring our students, producing world-leading research and benefitting the communities around our campuses in the UK, China and Malaysia. Our purpose is to improve life for individuals and societies worldwide. By bold innovation and excellence in all that we do, we make both knowledge and discoveries matter.

As a charity, the University is able to provide financial assistance to support those students who without that help may otherwise be unable to attend.

The University's Mission as stated in its Strategic Plan 2010-15 is:

"At The University of Nottingham we are committed to providing a truly international education, inspiring our students, producing world-leading research and benefitting the communities around our campuses in the UK, China and Malaysia. Our purpose is to improve life for individuals and societies worldwide. By bold innovation and excellence in all that we do, we make both knowledge and discoveries matter"

This Mission is being reviewed as part of the development of Strategy 2020, but the core objectives of the University remain unchanged.

Widening Participation

The aim is to enrol and retain, on all UK-based courses, UK students from backgrounds currently under-represented at the University.

The University offers an extensive range of scholarships to encourage academic excellence, aid diversity, and offer real financial assistance in cases of hardship.

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

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.have some form of international experience while studying at Nottingham, which is among the highest in the UK.

In 2013/14 around 9,000 awards were made to students for bursaries, scholarships and hardship awards totalling over £12.2m (£11.5m in 2012/13). The University's internal survey of our first-year bursary recipients in March 2014 indicates that our bursaries influenced 36% of them in choosing the University of Nottingham, with this figure rising to 47% amongst those with family incomes under £25,000. Our survey also indicates that 76% of first-year bursary recipients feel that our bursaries reduce their concerns about debt, with this figure rising to 87% for those with family incomes under £25,000.

The University has the ongoing aim of maintaining continuation rates for students from low participation neighbourhoods at over 94%. The University usually exceeds this target, with figures over the past four years ranging from 94.6% to 96.0%.

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.

The University continues to expand the Nottingham Potential programme, with the opening of the third community-based learning centre, in partnership with IntoUniversity, scheduled for the autumn of 2013. The expansion represented by Nottingham Potential is underpinned by our longer-standing outreach programme. The Widening Participation team continues to work with over 100 secondary schools and colleges, offering activities for every group from year 7 to mature students on Access courses. Activities include awareness-raising visits to the campus, advice on choosing GCSE options and post-16 subjects and courses, UCAS personal statement workshops and 'taster days'.

Over the past decade, the University's widening participation outreach programme has worked consistently with approximately 100 local secondary school and colleges, supporting progression to higher education generally as well as progression of higher-achieving learners to selective universities and specifically to the University of Nottingham. This work has yielded very positive results since it started in 2000, with students from local widening participation schools and colleges comprising 10% of our 2012 intake, up from 4% in 2002 – a significant achievement, especially in view of the rise in our entry requirements.

OFFA has recommended that universities recruiting low proportions of low-income students should spend between 30% and 35% of additional fees income from the 2012 entry cohort on Widening Participation. This is in addition to the expenditure from fees income from earlier cohorts, which is calculated differently.

The University has made excellent progress in widening participation over the last six years. Over 24.6% of UK students entering the University in September 2012 were from low-income backgrounds, up from 17% in 2004. The interim figure for the 2013 intake is 24.4%, providing every indication that the final figure will rise above last year's. The target for 2016/17 remains at 28%.

This success informs our strategy for the future, at the heart of which lies the continuation of our current whole-institution approach. Our outreach includes significant longer-term and altruistic initiatives in the more disadvantaged parts of our region as well as fair access measures and work with mature students. Our fair, clear bursary scheme helps to attract lower-income students from further afield and our flexible admissions scheme, informed by contextual data, facilitates their entry. We are developing new measures to improve our already good retention rates and graduate outcomes. This work is supported by additional funds from a range of sources. Additional fees income, philanthropic support and the Student Opportunity funding will allow us to enhance the financial, academic and professional 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. A significant reduction to the Student Opportunity Funding would reduce the net expansion.

The University of Nottingham's total OFFA-countable expenditure on access and widening participation in 2013/14 was £14.1m:

- £2.4m on outreach and student success
- £11.7m on fee waivers, bursaries and scholarships for new and continuing students

This is forecast to rise to £16.1m by 2015-16.

Academy Relationships

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

Nottingham University Academy for Science and Technology (NUAST) is a joint venture between the University, the Djanogly Learning Trust and lead employer partner Toshiba Information Systems (UK) Ltd. With a focus on overcoming local and regional skills shortages and employment needs, the core specialist areas for NUAST will be Engineering, Science and Information Technology. The NUAST curriculum will offer a range of experiences that will provide innovative opportunities for learning. It will aim to develop young people so that they become entrepreneurial, independent, interdependent and confident learners. Working with employer partners, the curriculum model will blend real work-based learning and academic rigour.

NUAST is set to receive its first cohort of students in September 2014 and is scheduled to open fully in January 2015 on a site in Dunkirk, near to the University Park Campus in Nottingham. Its aim is to provide an inspiring and business-focused educational choice for 800 students aged 14-18, together with approximately 60 students aged 18-19 engaged in apprenticeships, foundation degrees and clear pathways to higher education.

Volunteering and Fund-raising

The University of Nottingham Students' Union charity organisation, Karnival, is now the largest student-led fundraising group in Europe, after raising £1.7m during 2013 for good causes.

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

Volunteering activity in schools continues to receive strong support from our staff and students. Many students volunteer for placements in local classrooms, acting as informal role models and providing practical assistance to teachers. Dozens more undertook placements in social enterprises, third sector and community organisations, while students and staff alike volunteer for aspiration-raising activities in local primary schools. This extends to the University of Nottingham Ningbo China, where around a quarter of the student population take part in voluntary work every year.

After two successful Life Cycles, the Vice-Chancellor and his team were back in the saddle again in August 2013 this year for the charity cycling challenge Life Cycle 3. An epic 1,100+ mile ride in aid of Stroke Rehabilitation Research at the University taking in all the capitals of the United Kingdom and Republic of Ireland. In addition there were three community events taking place in tandem with Life Cycle 3 for all staff to get involved. By the end of Life Cycle 3 over £750k had been raised across the three events.

Life Cycle 4 took place in August 2014 and was the most ambitious yet – covering over 1,400 miles in two weeks of cycling taking in all four corners of Great Britain in aid of Children's Brain Tumour Research. Each rider completed the challenge in honour of a child who has battled this life-threatening disease. By mid-September, Life Cycle 4 had raised £712k bringing the total for all four events to over £1.5m

Research teams in health and medical care are working on new treatments and diagnostic techniques for a huge range of disease and conditions including cancer, stroke, heart disease, arthritis, malaria, multiple sclerosis, Alzheimer's Disease and many others. Their work has the potential to improve life for millions of people around the world.

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

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

Sustainability

For the last 4 years, the University of Nottingham has been in the top two of the Working Green Metric Table, and in 2013 Nottingham was ranked as the most sustainable university in the world by coming top in the UI GreenMetric World University Ranking.

The University of Nottingham has a longstanding commitment to institution-wide environmental excellence. We have significant internationally recognised research strengths and teaching and learning in the field of sustainability.

Our estates operations are built on a strong environmental ethos and by adopting progressive environmental strategies in our capital projects we have embedded sustainability at the heart of our operations. We recognise that we have a responsibility to the environment and, as an educator of future generations, many of whom will be at the cutting-edge of research and captains of industry, we influence our students through our curriculum, teaching and research and also by their surroundings, the campus experience and through the leadership of the University.

Campus Development

With increasing pressure on our University Park campus and a growing demand for teaching and research space the University acquired the former Raleigh Bicycle site and set about a brown field development to create the Jubilee Campus with sustainability at its heart. At the master planning stage we set ambitious environmental goals that challenged the design team both in terms of the new buildings but also the wider community.

Strategies introduced to help deliver these included passive design principles, local employment and apprenticeships. Recycling and reuse was a key part of the development, from the cedar redwood cladding with its recycled newspaper insulation, to the cut and fill balance of the lake which ensured that all excavated material remained on site. The lake also makes a significant contribution to the wildlife habitat as do the green roofs on the buildings which contribute to both biodiversity and attenuation of water.

Since the development of the Jubilee campus began, the University has continued to develop in a sustainable way, with developments since adopting similar principles and a blend of technologies, today we have a more formal approach through BREEAM ratings. The Nottingham Geospatial Building achieved a BREEAM 'Excellent' rating in line with now normal University standards for development.

At the balance sheet date, work was underway on a new centre for sustainable chemistry, the first carbon neutral laboratory to be built in the UK. The building was expected to achieve BREEAM 'Outstanding' and carbon neutral status after 25 years. The partially constructed building was destroyed by fire prior to its handover from the contractors to the University on 12 September 2014, but plans are in place to rebuild.

Our commitment to high performing buildings extends to our overseas campuses where The Centre for Sustainable Energy Technologies (CSET), the first zero-carbon building in China, opened in 2008 as the phase one of the Ko Lee Institute of Sustainable Development.

Landscape

The University is fortunate to have parkland setting for our University Park Campus. Our approach to the management and stewardship of all of our campuses recognises the importance we give to sustainability being at the heart of our management ethos. By 2013, 2 hectares of previously close mown amenity lawns has been converted into acid meadows and the University has increased the area of wild flower meadows across it's campuses to around 10 hectares. This created a more diverse habitat but also reduced maintenance costs both in terms of person hours and fuel savings from machinery. The August mowing of the meadow provides a useable fodder product to a local farmer.

Public Benefit Statement

A by-product of the management of the landscape is the production annually of some 5,000m3 of green waste. All green waste is composted for 1-2years and recycled as soil improver or mulch. Bees have been added to some sites in an effort to increase pollination of wild flowers and enhance plant numbers and diversity.

Partnership working is a major part of our landscape work and this includes the Friends of University Park, Nottingham City Council, Local park user groups, the Nottinghamshire Wildlife trust as well as a strong focus on the Student Volunteer Centre at Nottingham University and the student conservation group.

The University also has its own student allotment, run on sustainable practise and managed by the student volunteers. Habitats on site include veteran trees, managed meadows, managed waterways, indigenous hedgerows and hedges laid for wildlife, areas of copse and small woodland, log heaps, bird and bat boxes and fruit bushes, beehives, all contributing to sustainable biodiversity in the landscape.

In 2012/13 the University was chosen as part of the Woodland Trust's Jubilee Woods project, which aimed to plant 6 million trees, creating new woodlands as a lasting legacy. The Diamond Wood, split between two sites in the village of Sutton Bonington has been designed not only as native woodland, but also as a community education resource demonstrating biodiversity and sustainability in woodland practices.

Carbon reduction

With an annual energy bill in the region of £13 million, energy reduction has been one of our key areas of work over recent years. Recently this has evolved into Carbon reduction across the University moving from traditional engineering solutions towards more innovative ways of reducing emissions. We have had a carbon management plan for a number of years and in 2010 partly driven by the sector we set ourselves ambitious Scope 1 and 2 carbon reduction targets from 68,000 tonnes in 2009/10 to 54,000 tonnes by 2015/16, and 41,000 by 2020 against a background of a growing University.

This is one of our major areas of work and is embedded as a priority in all that we do through our landscape management and new buildings previously discussed), as well as through a number of projects. Works to date have included:

- Installation of hundreds of space temperature sensors in halls of residence, enabling more efficient and effective control of the heating systems
- Replacement of single-glazed windows and insulating buildings
- Reducing the carbon intensity of laboratories through reducing air velocities, utilising VAV technology and installing state of the art storage
- Replacement of the chillers that provide cooling with more efficient chillers
- Program of Low-energy lighting installation including changing all 750 street lights to LED technology
- Use of free cooling in Data Centres, using cooler outside air to supplement air conditioning
- Recommissioning the combined heat and power unit at King's Meadow campus
- Development of a campus wide mixed low carbon energy solution at Sutton Bonington
- Improvements to corridor ventilation systems in the Medical School
- Introduction of a managed print service

The creation of any new woodland will have a passive impact on the local carbon produced or stored within an area. It has been calculated that the Diamond Wood – which was planted in 2012/13 at Sutton Bonnington - will "lock up" 105 tonnes of Carbon Dioxide (CO_2) every year for 100 years, which is equivalent to the Carbon Dioxide produced by 40 houses every year for 100 years.

Teaching and Learning

Like many other Universities we offer a comprehensive suite of courses and modules that include sustainability within them, the challenge for Universities is trying to meet the increasing demand from employers, professional bodies and students to ensure we deliver sustainability-literate graduates. Here at Nottingham much work has been done around Education for Sustainable Development, in both the formal and informal curriculum. Our most innovative work has been around the informal curriculum.

The delivery of an international learning experience for our students and staff is a strategic priority. A key tool for achieving this is innovative online learning. In 2012-13, Nottingham offered a free online course called 'Perspectives on Sustainability' to all staff and students registered via our UK, China and Malaysia campuses. The course was a major success, with 1500 'students' signing up voluntarily, of which 13% were staff and 47% from our Ningbo China campus. The Nottingham Open Online Course ("NOOC") contributed significantly to the sustainability literacy of Nottingham's global graduates. In January 2014 we took the NOOC module and opened it up to the global community through a Massive Open Online Course ("MOOC"). This module 'Sustainability, Society and You' first ran between January and March 2014 and we recruited 8,727 learners. By the end, 38,335 comments had been posted, with an average of 19 comments per learner. The course again ran in June 2014.

Governance
Responsibilities of the University's Council and Structure of Corporate Governance

The University is a corporation formed by Royal Charter with charitable status. The Council is the University's governing body and, amongst other matters, it is responsible for 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 Governance Code of Practice and General Principles (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 Council and its effectiveness. The most recent review of Council effectiveness concluded in 2010 and confirmed that governance arrangements were well aligned with the Code. A number of enhancements were introduced following the review and a reduction in the size of the Council, to 25 members, took effect from the start of the 2011-12 session. Further changes to Council's operations have since been introduced arising from the Effectiveness Review and as a result of changes to the University's Charter and Statutes as approved by Privy Council in 2010.

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:

1. 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.

2. Membership and meetings

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

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

3. Primary powers and responsibilities

Overall powers and responsibilities

3.1 To approve the mission and strategy of the University and its academic and business plans;

3.2 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;

3.3 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;

3.4 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;

3.5 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;

3.6 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;

3.7 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;

3.8. To receive reports on and consider teaching and research and pastoral care and student development;

3.9 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;

3.10 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;

3.11 To establish delegated procedures for the appointment of staff and the approval of contracts with staff and to appoint external members of Council to Appointment Committees dealing with senior appointments or appointments when the involvement of external members of Council would be appropriate;

3.12 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;

3.13 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;

3.14 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;

3.15 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

3.16 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;

3.17 If necessary to appoint an Acting Vice-Chancellor;

3.18 To appoint a Chancellor;

3.19 To elect the President of Council to act as its chair and to elect Pro-Chancellors, the Treasurer and the Vice-President of Council;

3.20 To appoint external members of 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 Council;

3.21 To establish appropriate procedures for rotation and induction of members;

3.22 To appoint annually the Chairs and the external members of Council Committees and to approve the terms of reference of Council Committees;

3.23 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;

3.24 To approve the expulsion of students;

3.25 To establish processes to monitor and evaluate the effectiveness of Council; including a formal review to be conducted at least every four years;

3.26 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;

3.27 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;

3.28 To oversee the Students' Union;

3.29 To select a Seal Arms and a Mace for the University and have the sole custody and use of the Seal.

In 2013-14 the Council of the University comprised the Vice-Chancellor, up to 14 external, two student and eight academic persons appointed under the University's Statutes, the majority of whom are non-executive. The role of President of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the University's Statutes. By custom and under the Higher Education Funding Council for England (HEFCE) Financial Memorandum, the Council is responsible for the University's ongoing strategic direction, approval of major developments and receiving regular reports from Executive Officers on the day-to-day operations of its business and its subsidiaries. The Council meets six times a year and has several Committees, all of which are formally constituted with terms of reference. The key Committees are noted below.

The Finance Committee, which includes in its membership a majority of external members, inter alia recommends to 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 Council.

The Strategy and Planning Committee advises the executive and Council on the University's overall objectives and priorities and the strategies and policies to achieve them. This committee was disbanded at the year end with the work absorbed within other Council Committees.

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

The Audit Committee (renamed the Audit and Risk Committee from 1 August 2014) only comprises external members and meets at least four times annually, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider internal audit reports and recommendations for the improvement of the University's systems of risk management, internal control and governance, together with management's response and implementation plans and with the Senior Strategy and Risk Analyst to consider the University Risk Register and the effectiveness of the mitigations to the main risks affecting the activities of the University. It also receives and considers reports from HEFCE as they affect the University's business. It considers the form of the annual report on Corporate Governance together with the accounting policies and reviews the implementation of risk management within the University. Whilst senior executives attend meetings of the Audit 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 senior staff of the University. The salary of the Vice-Chancellor is determined by the external members of the Committee.

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

Day to day management of the University is via the University Executive Board, comprising the Vice-Chancellor, the Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Chief Financial Officer, the Registrar and the Chief Estates and Facilities Officer. University Executive Board acts as an executive committee and normally meets weekly to consider the strategic and financial direction of the University. The Vice-Chancellor is the principal academic and administrative officer of the University. The Deputy Vice-Chancellor and the Pro-Vice-Chancellors have specific responsibilities for major policy areas, whilst responsibility for professional services is largely shared between the Registrar and the Chief Financial Officer. 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

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 the Financial Memorandum with HEFCE (to be replaced from 1 August 2014 with the Memorandum of Assurance and Accountability).

The system of internal control and risk management is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

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

As noted above, the Council has responsibility for reviewing the effectiveness of the system of internal control and risk management and in undertaking that responsibility the following processes have been established:
Council considers the plans and strategic direction for the institution on a regular basis, advised by its key Committees, as noted above.

The Audit 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 Committee receives regular reports from the Head of Internal Audit, together with recommendations for improvement. This includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's systems of risk management, internal control and governance. Reports are also received from the External Auditors as part of their year-end work.

An organisation-wide risk management framework, which implements the University's Risk Management Policy, is maintained and considered regularly by the University Executive Board. The Audit 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 Council, following detailed review, challenge and assessment by the University Executive Board.

The review of the effectiveness of the system of internal control is informed by the Internal Audit Service, which operates to professional standards of the Institute of Internal Auditors and meets the requirements of the HEFCE Code of Practice. 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 a Financial Memorandum 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 Financial Memorandum 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;
- 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 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 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 2014 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the statement of consolidated total recognised gains and losses, the consolidated and University balance sheets, the consolidated cash flow statement, the reconciliation of net debt and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Members of Council those matters we are required to state to them 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 Council as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Members of the Council of the University and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Members of Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report on pages 3 to 23 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2014 and of the surplus for the year then ended;
- 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 presribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all materials respect, 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 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statuses and, where appropriate, with the financial memorandum and with the funding council.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control is inconsistent with our knowledge of the University.

David Hall FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK

Statement of Principal Accounting Policies

1. Accounting Convention

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

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

Having made appropriate enquiries, 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.

2. Basis of Consolidation

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

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

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

3. Recognition of Income

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

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

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

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

All income from other sources is credited to the Income and Expenditure Account on a receivable basis.

4. Pension Schemes

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

A small number of staff remain in other pension schemes.

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

For the defined benefit scheme the amounts charged to Staff Costs are the current service costs and gains and losses on settlements and curtailments. The interest cost and the expected return on assets are shown within Interest and Other Finance Costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to Staff Costs 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.

5. Foreign Currencies

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

6. Leases

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

7. Carbon Reduction Commitment Allowances

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

8. Goodwill

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

9. Land and Buildings

For the year ended 31 July 2013 the policy was changed to state land at valuation, rather than cost. The valuation of land was undertaken during the prior year by Fisher Hargreaves Proctor Ltd, Property Consultants. The basis of valuation being open market value on an existing use basis. Land values will be reviewed every 3 years with a full revaluation every 5 years. 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. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over cost relating to the land, or the reversal of such a deficit, is charged or credited to the income and expenditure account. A deficit which represents clear consumption of economic benefits is charged to the income and expenditure account regardless of any such previous surplus.

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

Assets in the Course of Construction are not depreciated.

10. Equipment and Other Assets

Equipment, including computers and software, costing less than £30,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.
Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

- IT Equipment – 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)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).
Heritage Assets are recorded at cost and not depreciated.

11. Investment Properties

Investment properties are included in the Balance Sheet at their open market value at the balance sheet date on the basis of an annual professional valuation. Changes in the market value of investment properties are taken to the statement of total recognised gains and losses, being a movement on revaluation reserve.

12. Investments and endowments

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

Endowment Asset Investments are included in the Balance Sheet at market value, with changes taken to the Statement of Total Recognised Gains and Losses. Current Asset Investments are included at the lower of cost and net realisable value.

Receipts classed as Restricted Expendable Endowments are credited to Endowment Reserves and transferred to Revenue Reserves as the related expenditure is incurred.

Receipts where the capital amount cannot be spent are credited to Restricted Permanent Endowments and only accumulated income is available to be transferred to Revenue Reserves as the related expenditure is incurred.

13. Stocks

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

14. Short Term Investments

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

15. Maintenance of Premises

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

16. Taxation Status

The Institution is an exempt charity within the meaning of schedule 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 Income and Expenditure Account

For the Year Ended 31 July 2014

	Note	2014 £m	2013 £m
INCOME			
Funding body grants	1	110.0	125.0
Tuition fees and education contracts	2	253.4	220.4
Research grants and contracts	3	105.2	111.8
Other operating income	4	102.0	102.2
Endowment and investment income	5	1.3	1.5
Total income		571.9	560.9
EXPENDITURE			
Staff costs	6	301.6	295.2
Other operating expenses	7	217.3	216.8
Depreciation	12	25.4	24.0
Interest and other finance costs	8	1.6	2.5
Total expenditure	9	545.9	538.5
Surplus for the year before associates		26.0	22.4
Share of (losses) / profits in associated companies	13	(0.8)	(0.4)
Surplus for the year after associates		25.2	22.0
Surplus for the year transferred from accumulated income in endowment funds		0.0	0.2
Net surplus for year retained within general reserves	22	25.2	22.2

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

Note of Historical Cost Surpluses

		2014 £m	2013 £m
Surplus for the year		25.2	22.2
Realisation of investment property revaluation gains of previous years		0.0	0.0
Historical cost surplus for the year		25.2	22.2

Statement Of Consolidated Total Recognised Gains And Losses

For the Year Ended 31 July 2014

	Note	2014 £m	2013 £m
Surplus for the year after associates		25.2	22.0
Appreciation / (depreciation) of endowment asset investments	20	0.2	4.3
New endowments	20	1.4	1.9
Unrealised surplus on revaluation of investment properties	21	0.5	0.2
Unrealised surplus on revaluation of listed investments	21	0.4	0.7
Unrealised surplus on revaluation of land	21	0.0	191.8
Exchange movements on share of associates		1.9	1.4
Wanli Education Group funds for capital programme	22	0.3	0.4
Actuarial (loss) / gain on pension scheme	31	(17.1)	1.3
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		12.8	224.0

Reconciliation

Opening reserves and endowments	408.0
Total recognised gains for the year	12.8
Closing reserves and endowments	420.8

Balance Sheets

As at 31 July 2014

	Note	Consolidated 2014 £m	Consolidated 2013 £m	University 2014 £m	University 2013 £m
FIXED ASSETS					
Carbon reduction commitment	10	1.5	0.7	1.5	0.7
Goodwill	11	0.2	0.1	0.0	0.0
Tangible assets	12	703.4	679.2	701.8	677.3
Investments	13	36.5	34.4	11.6	11.7
		741.6	714.4	714.9	689.7
INVESTMENT PROPERTIES	14	4.0	3.5	4.0	3.5
ENDOWMENT ASSETS	15	40.2	38.6	40.2	38.6
CURRENT ASSETS					
Stocks		1.7	1.7	1.4	1.4
Debtors	16	59.8	63.1	63.2	66.4
Short term investments		1.7	1.0	0.2	0.5
Cash at bank and in hand		2.3	3.8	0.0	1.8
		65.5	69.6	64.8	70.1
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(171.9)	(158.0)	(170.6)	(156.4)
NET CURRENT LIABILITIES		(106.4)	(88.4)	(105.8)	(86.3)
TOTAL ASSETS LESS CURRENT LIABILITIES		679.4	668.1	653.3	645.5
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(0.5)	(8.4)	(0.5)	(8.4)
NET ASSETS EXCLUDING PENSIONS LIABILITY		678.9	659.7	652.8	637.1
PENSIONS LIABILITY	31	(90.7)	(77.4)	(90.7)	(77.4)
TOTAL NET ASSETS INCLUDING PENSIONS LIABILITY		588.2	582.3	562.1	559.7
DEFERRED CAPITAL GRANTS	19	167.5	174.4	167.3	174.2
ENDOWMENTS					
Expendable	20	1.0	0.5	1.0	0.5
Permanent	20	39.2	38.1	39.2	38.1
		40.2	38.6	40.2	38.6
RESERVES					
Income and expenditure account excluding pension reserve	22	274.7	251.1	248.8	228.7
Pension reserve	31	(90.7)	(77.4)	(90.7)	(77.4)
Income and expenditure account including pension reserve		184.0	173.7	158.1	151.3
Revaluation reserve	21	196.5	195.6	196.5	195.6
		380.5	369.3	354.6	346.9
TOTAL FUNDS		588.2	582.3	562.1	559.7

The financial statements on pages 31 to 54 were approved by Council on 21st October 2014 and signed on its behalf by:

PROFESSOR SIR DAVID GREENAWAY
Vice-Chancellor

COLIN GILLESPIE
Treasurer and Chairman of Finance Committee

ANDREW UNITT
Chief Financial Officer

Consolidated Cash Flow Statement

For the Year Ended 31 July 2014

	Note	2014 £m	2013 £m
Net cash inflow from operating activities	26	51.1	24.7
Returns on investments and servicing of finance	27	(0.3)	(1.0)
Capital expenditure and financial investment	28	(39.3)	(20.9)
Cash inflow / (outflow) before use of liquid resources and short-term investments		11.5	2.8
Management of liquid resources	30	(0.6)	10.9
Financing	29	(11.2)	(17.7)
(DECREASE) INCREASE IN CASH	30	(0.3)	(4.0)

	Note	2014 £m	2013 £m
Reconciliation Of Net Debt			
(Decrease) increase in cash in the year		(0.3)	(4.0)
Increase / (decrease) in short term investments		0.6	(10.9)
Repayment of debt	29	55.0	164.6
New loans	29	(43.8)	(146.9)
CHANGE IN NET DEBT		11.5	2.8
NET DEBT AT 1 AUGUST		(2.5)	(5.3)
NET DEBT AT 31 JULY	30	9.0	(2.5)

Notes to the Accounts

1. Funding Body Grants	2014 £m	2013 £m
Recurrent grants from HEFCE	97.4	111.5
Specific grants from HEFCE	2.5	2.6
Grants from TA	1.0	1.1
Deferred capital grants released in year		
Buildings (Note 19)	3.2	3.7
Equipment (Note 19)	5.9	6.1
	110.0	125.0

2. Tuition Fees and Education Contracts	2014 £m	2013 £m
Full-time credit bearing courses - home fees	126.5	97.4
Full-time credit bearing courses - international fees	88.5	84.9
Part-time credit bearing courses	3.9	3.7
Other teaching contracts	22.8	24.1
Non credit bearing courses and other fees	11.7	10.3
	253.4	220.4

3. Research Grants and Contracts	2014 £m	2013 £m
Research councils	43.3	46.0
UK based charities	10.4	9.6
UK central/local government, health and health authorities	17.8	18.1
UK industry, commerce and public corporations	9.0	9.9
EU government and other sources	17.0	16.7
Other grants and contracts	7.7	11.5
	105.2	111.8

4. Other Operating Income	2014 £m	2013 £m
Residences, catering and conferences	38.4	34.0
Other services rendered	23.4	30.2
Health authorities	10.8	10.4
Released from deferred capital grants	0.7	1.1
Other income	28.7	26.5
	102.0	102.2

5. Endowment and Investment Income	2014 £m	2013 £m
Income from permanent endowments (Note 20)	1.1	1.2
Income from general endowment asset investments	0.0	0.0
Other interest receivable	0.2	0.3
Finance income for pension scheme (Note 31)	0.0	0.0
	1.3	1.5

6. Staff

	2014 £m	2013 £m
Staff Costs:		
Gross pay	248.3	244.5
Social security costs	19.8	19.3
Other pension costs (Note 31)	33.5	31.4
	301.6	295.2

	2014 £000	2013 £000
Emoluments of the Vice Chancellor		
Basic salary	289.0	274.0
Accommodation allowance	42.0	42.0
Taxable expenses and private health policy	2.0	2.0
	333.0	318.0
In lieu of pension contributions	41.0	39.0
Remuneration	374.0	357.0
Employers pension contributions	0.0	0.0
Total cost	374.0	357.0

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

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

	2014 £000	2013 £000
Compensation for loss of office paid (or payable) to employees earning in excess of £100,000 per annum, this value principally represents the early retirement funding charge paid to the USS pension scheme.	0.0	678.0

	2014 Number	2013 Number
Average staff numbers by major category:		
Teaching and research	3,128	3,099
Technical	597	600
Administrative	2,052	2,040
Other, including clerical and manual	772	779
	6,549	6,518

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:

	2014 Number	2013 Number
£100,000 - £109,999	31	36
£110,000 - £119,999	26	23
£120,000 - £129,999	20	18
£130,000 - £139,999	15	7
£140,000 - £149,999	8	7

6. Staff continued

	2014 Number	2013 Number
£150,000 - £159,999	7	14
£160,000 - £169,999	7	11
£170,000 - £179,999	7	7
£180,000 - £189,999	6	6
£190,000 - £199,999	5	2
£200,000 - £209,999	1	2
£210,000 - £219,999	1	0
£220,000 - £229,999	0	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	1
£280,000 - £289,999	1	0

Expenses paid to Council members who are not staff or students (as listed within these financial statements) totalled £10,381 (2013 £3,750).

7. Other Operating Expenses

	2014 £m	2013 £m
Amortisation of goodwill (Note 11)	0.1	0.6
Purchase, hire and repair of equipment	22.5	24.4
Consumables and laboratory expenditure	19.5	19.6
Published materials	7.3	6.9
Travel and subsistence	14.4	14.3
Professional and other fees	41.6	46.6
Fellowships, scholarships and prizes	47.4	42.3
Catering supplies	7.1	6.4
Repairs and general maintenance	13.2	14.4
Heat, light, water and power	15.1	15.5
Rent, rates and insurance	8.3	4.5
Grants to University of Nottingham Students Union	2.7	2.0
Auditor's remuneration	0.1	0.2
Training	1.6	1.8
Advertising	1.6	1.2
Impairment of investments	0.8	0.9
Other expenses	14.0	15.2
	217.3	216.8

Auditor's remuneration includes £106,300 in respect of audit services for the group, of which £65,600 relates to the University, £40,700 to the subsidiary companies, £19,860 relating to other assurance services and £13,000 in respect of non audit services comprising specialist tax advice. The 2013 expenditure was £63,700 for the University, £40,100 for the subsidiary companies, £19,280 for assurance services and £114,000 for non audit services comprising predominantly of enterprise architecture consultancy.

Impairment of investments contains both the direct impairment of investment holdings £0.5m (2013 £0.6m) and the impairment of loan balances to those companies £1.7m (2013 £0.3m).

8. Interest and Other Finance Costs

	2014 £m	2013 £m
Loans not wholly repayable within five years	0.1	0.2
Finance Leases	0.3	0.0
Finance costs for pension scheme (Note 31)	1.2	2.3
	1.6	2.5

9. Analysis of Expenditure by Activity

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	2014 Total £m	2013 Total £m
Academic departments	182.2	6.5	56.9	0.0	245.6	238.0
Research grants and contracts	43.0	2.5	35.6	0.0	81.1	86.1
Total teaching and research	225.2	9.0	92.5	0.0	326.7	324.1
Academic services	18.7	3.6	20.8	0.0	43.1	46.2
Administration	32.4	0.0	41.7	0.0	74.1	67.9
Premises	10.5	10.2	32.9	0.1	53.7	49.7
Residences, catering and conferences	10.2	1.8	15.4	0.0	27.4	26.2
Other expenses	4.6	0.8	14.0	1.5	20.9	24.4
Total per income and expenditure account	301.6	25.4	217.3	1.6	545.9	538.5

10. Carbon Reduction Commitment

	Consolidated and University 2014 £m	2013 £m
Carbon dioxide emission allowances purchased in year	1.5	0.7

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 2014 to July 2014 and the liability is included within accruals and deferred income in note 17.

11. Goodwill

	Consolidated £m
Cost	
At 1 August 2013	1.9
Additions	0.3
At 31 July 2014	2.2
Amortisation	
At 1 August 2013	1.8
Charge for the year	0.2
At 31 July 2014	2.0
Net book value	
At 31 July 2014	0.2
At 31 July 2013	0.1

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

12. Tangible Fixed Assets

Consolidated

	Land and Buildings Freehold £m	Long Leasehold £m	Equipment £m	Assets in Course of Construction £m	Heritage Assets £m	Total £m
Cost						
At 1 August 2013	697.6	15.2	144.1	9.1	0.5	866.5
Additions at cost	8.9	0.0	6.1	35.5	0.0	50.5
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	3.5	0.0	1.4	(4.9)	0.0	0.0
Disposals	(1.6)	0.0	(1.7)	0.0	0.0	(3.3)
At 31 July 2014	708.4	15.2	149.9	39.7	0.5	913.7
Depreciation						
At 1 August 2013	90.1	3.0	94.2	0.0	0.0	187.3
Charge for year	11.3	0.1	14.0	0.0	0.0	25.4
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Eliminated on disposals	(0.7)	0.0	(1.7)	0.0	0.0	(2.4)
At 31 July 2014	100.7	3.1	106.5	0.0	0.0	210.3
Net Book Value						
At 31 July 2014	607.7	12.1	43.4	39.7	0.5	703.4
At 31 July 2013	607.5	12.2	49.9	9.1	0.5	679.2

University

	Land and Buildings Freehold £m	Long Leasehold £m	Equipment £m	Assets in Course of Construction £m	Heritage Assets £m	Total £m
Cost						
At 1 August 2013	696.9	15.2	141.7	9.4	0.5	863.7
Additions at cost	8.9	0.0	5.9	35.0	0.0	49.8
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	3.5	0.0	1.4	(4.9)	0.0	0.0
Disposals	(0.7)	0.0	(1.7)	0.0	0.0	(2.4)
At 31 July 2014	708.6	15.2	147.3	39.5	0.5	911.1
Depreciation						
At 1 August 2013	90.0	3.0	93.4	0.0	0.0	186.4
Charge for year	11.2	0.1	13.9	0.0	0.0	25.2
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Eliminated on disposals	(0.7)	0.0	(1.7)	0.0	0.0	(2.4)
At 31 July 2014	100.5	3.1	105.6	0.0	0.0	209.2
Net Book Value						
At 31 July 2014	608.1	12.1	41.7	39.5	0.5	701.9
At 31 July 2013	606.9	12.2	48.3	9.4	0.5	677.3

Included in both consolidated and University within freehold land and buildings is £225.8m (2013 £225.8m) of land which is not being depreciated.

13. Investments

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Subsidiary companies	0.0	0.0	0.4	0.4
Associated companies	35.1	33.7	10.1	10.6
Investments	1.4	0.7	1.1	0.7
	36.5	34.4	11.6	11.7

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 £2.3m (2013 £7.1m) with an impairment provision of £1.7m (2013 £6.4m). The total amount invested in the year was £1.7m (2013 £0.5m) and the impairment charge in the year was £1.7m (2013 £0.5m). The University is also a member of EMMAN Limited and The Manufacturing Technology Centre Limited, both of which are companies limited by guarantee for which the University's potential liability is limited to £1 each.

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

Investment	Type of business	% Holding
AIMS Solutions Limited	Other software consultancy and supply	24.0%
Aptia Solutions Limited	Software publishing	24.9%
Azotic Technologies Limited	Research and development	10.0%
BioCity Limited	Accommodation (biotechnology and health companies)	50.0%
Fakeri Ltd	Research and development	16.0%
Critical Pharmaceuticals Limited	Novel drug delivery devices	12.1%
Crown Bioscience Inc	Translational platforms and drug discovery solutions	1.2%
Encos Limited	Research and development	6.9%
EventMAP	Software development and application	7.5%
Evocell Limited	Research and development	11.7%
FAHRAS Limited	Health related software	18.9%
Flavometrix Limited	Research and development	20.0%
Gamma Technologies Limited	Development and licensing of computer aided engineering	5.0%
Lachesis Fund	Seed fund investment	20.0%
M4 Technologies Limited	Research and development	24.0%
Mission Room Limited	Interactive media systems	18.0%
Columbia Laboratories Inc	Research and development	1.0%
Monica Healthcare Limited	Research and development	12.4%
Nimrod Energy Limited	Research and development	49.0%
Nottingham Drug Discovery Limited	Research and development	100.0%
Nottingham Gynaecological Devices Limited	Research and development	22.0%
Nottingham Prognostics Limited	Prognostic services	100.0%
Nottingham University Architecture and Urban Design Limited	Architectural and design activities	100.0%
Nutramet Limited	Agents in the sale of food	30.0%
OncImmune Limited	Research and development	14.2%
Pharminox Limited	Human health activities	1.1%
Platelet Solutions Limited	Platelet function testing	49.0%
Promeathean Particles Limited	Inorganic nanoparticle dispersion manufacture	30.5%
Lecate Therapeutics Ltd	Research and development	20.4%
Scancell Holdings plc	Research and development	1.0%
Staff Roster Solutions Limited	Software development and application	48.0%
Ticketing Network East Midlands	Ticket services	25.0%
Novacyt SA	Research and development	0.0%

13. Investments continued

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
UNIP Management Limited	2
Eminate Limited	2
East Midlands Conference Centre Limited	100
Harewood Leisure	1,000

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. Harewood Leisure was a provider of fitness facilities and which ceased to trade in the current financial year. East Midlands Conference Centre Limited is a provider of facilities for conference and other events.

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

Investment in Associated companies	Consolidated	University
	£m	£m
As at 1 August 2013	33.7	10.6
Share of retained losses	(0.8)	0.1
Wanli Education Group funds for capital programme	0.3	0.0
Exchange movements	1.9	(0.6)
As at 31 July 2014	35.1	10.1

The University owns 37.5% (2013 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 accounts of the University reflects a carrying value of £28.3m (2013 £26.5m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.9% (2013 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 accounts of the University reflects a carrying value of £6.7m (2013 £7.2m) equal to 29.9% (2013 29.9%) of the net assets, excluding intellectual property, as at 31 July.

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

During the financial year the University acquired a 30% shareholding of Nurture LLP, which was formally part of the School of Medicine. Nurture was sold to Repin B.V. (Incorporated in the Netherlands) for £1.6m, with a 30% share in Nurture LLP purchased by the University for £0.6m. Goodwill arose on the acquisition of Nurture of £0.3m.

14. Investment Properties

	Consolidated and University	
	2014	2013
	£m	£m
Balance at 1 August	3.5	3.3
Net transfer from Fixed Assets	0.0	0.0
Additions	0.0	0.0
Disposals	0.0	0.0
Appreciation on revaluation	0.5	0.2
Diminution in Value	0.0	0.0
Increase in Cash Balances	0.0	0.0
Balance at 31 July	4.0	3.5

Land and property valuations as at 31 July 2014 were made by senior management on the advice of Savills (L&P) Ltd and Shouler and Son, firms of Chartered Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose.

15. Endowment Assets

	Consolidated and University	
	2014	2013
	£m	£m
Balance at 1 August	38.6	32.7
Net transfer from Fixed Assets	0.0	0.0
Additions	8.1	10.8
Disposals	(7.6)	(7.9)
Appreciation / (depreciation) on revaluation	0.2	4.3
Movement in cash balances	0.9	(1.3)
Balance at 31 July	40.2	38.6
Represented by:		
Fixed interest stocks	4.9	4.4
Equities	26.8	26.6
Multi asset funds	3.3	3.3
Land and property	0.0	0.0
Cash balances (Note 30)	5.2	4.3
	40.2	38.6

Included within the above balances is accumulated income yet to be applied of £4.8m (2013 £3.6m).

16. Debtors

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Amounts falling due within one year:				
Debtors	16.0	24.6	15.4	24.0
Amounts due from subsidiaries	0.0	0.0	4.2	4.1
Amounts due from associates (Note 25)	6.1	5.6	6.1	5.6
Prepayments and accrued income	34.3	32.6	34.1	32.4
	56.4	62.8	59.8	66.1
Amounts falling due after more than one year:				
Debtors	3.4	0.3	3.4	0.3
	3.4	0.3	3.4	0.3
Total Debtors	59.8	63.1	63.2	66.4

17. Creditors: Amounts Falling Due Within One Year

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Bank overdraft	0.0	0.0	1.0	0.0
Obligations under Finance Leases	0.0	0.0	0.0	0.0
Bank loans	3.2	3.2	3.2	3.2
HEFCE loans	0.1	0.1	0.1	0.1
Payments received in advance	1.4	1.2	1.2	0.9
Trade creditors	13.4	19.8	12.8	19.6
Social security and other taxation payable	11.0	11.9	11.0	11.8
Amounts due to subsidiaries	0.0	0.0	0.5	1.0
Accruals and deferred income	142.8	121.8	140.8	119.8
	171.9	158.0	170.6	156.4

18. Creditors: Amounts Falling Due After More Than One Year

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Loans from subsidiary companies	0.0	0.0	0.0	0.0
Bank loans	0.0	7.9	0.0	7.9
HEFCE loans	0.5	0.5	0.5	0.5
	0.5	8.4	0.5	8.4
Obligations under Finance Leases	0.0	0.0	0.0	0.0
	0.5	8.4	0.5	8.4

The bank loans are with the Royal Bank of Scotland at a rate which is 0.20% above LIBOR. The total facility is for £97.2 million and is a 21 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.

19. Deferred Capital Grants

	Consolidated		
	Funding Council £m	Other Grants £m	Total £m
At 1 August 2013			
Buildings	107.1	37.5	144.6
Equipment	20.6	9.2	29.8
Total	127.7	46.7	174.4
Grants received			
Buildings	1.0	1.6	2.6
Equipment	0.1	3.1	3.2
Total	1.1	4.7	5.8
Released to income and expenditure			
Buildings (Notes 1 and 4)	(3.2)	(0.6)	(3.8)
Equipment (Note 1)	(5.9)	(3.1)	(9.0)
Total	(9.1)	(3.7)	(12.8)
At 31 July 2014			
Buildings	105.1	38.5	143.6
Equipment	14.7	9.2	23.9
Total	119.8	47.7	167.5

	University		
	Funding Council £m	Other Grants £m	Total £m
At 1 August 2013			
Buildings	107.1	37.5	144.6
Equipment	20.6	9.0	29.6
Total	127.7	46.5	174.2
Grants received			
Buildings	1.0	1.6	2.6
Equipment	0.1	3.1	3.2
Total	1.1	4.7	5.8
Released to income and expenditure			
Buildings	(3.2)	(0.6)	(3.8)
Equipment	(5.9)	(3.0)	(8.9)
Total	(9.1)	(3.6)	(12.7)
At 31 July 2014			
Buildings	104.9	38.5	143.4
Equipment	14.8	9.1	23.9
Total	119.7	47.6	167.3

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

20. Endowments

	Consolidated and University		
	Restricted Expendable £m	Restricted Permanent £m	Restricted Total £m
Balance at 1 August 2013	0.5	38.1	38.6
Additions	0.6	0.8	1.4
Transfers	0.0	0.0	0.0
Appreciation of endowment asset investments	0.0	0.2	0.2
Income for the year	0.0	1.1	1.1
Expenditure for the year	(0.1)	(1.0)	(1.1)
Balance at 31 July 2014	1.0	39.2	40.2
Represented by:			
Capital value	1.0	35.4	36.4
Accumulated income	0.0	3.8	3.8
	1.0	39.2	40.2

The University has no unrestricted permanent endowments.

21. Revaluation Reserve

	Consolidated and University £m
Balance at 1 August 2013	195.6
Unrealised surplus on revaluation of land	0.0
Unrealised surplus on revaluation of listed investments	0.4
Realisation of investment property revaluation gains of previous years	0.0
Unrealised surplus on revaluation of investment properties	0.5
Balance at 31 July 2014	196.5

22. General Reserve

	Consolidated £m	University £m
Balance at 1 August 2013	251.1	228.7
Transfer from surplus for the year	25.2	24.5
Wanli Education Group funds for capital programme	0.3	0.0
Transfer to pension reserve	(3.8)	(3.8)
Exchange movements	1.9	(0.6)
Balance at 31 July 2014	274.7	248.8

The University's individual income and expenditure account and related notes have been excluded from these financial statements because the results are included in the consolidated income and expenditure account. The surplus for the year before share of associate's profits and exceptional items was £26m (2013 - £22.4m). Wanli Education Group is the University's partner in China and has provided funds to support the next phase of growth in Ningbo.

23. Operating lease commitments

Operating lease commitments in respect of equipment for the forthcoming financial year, on leases expiring:	Consolidated 2014 £m	Consolidated 2013 £m	University 2014 £m	University 2013 £m
Within one year	0.0	0.1	0.0	0.1
Between two and five years	0.1	0.0	0.1	0.0
Over five years	0.0	0.0	0.0	0.0
	0.1	0.1	0.1	0.1

There is a commitment of £59,000 on land and buildings on leases expiring in over 5 years.

24. Capital Commitments

	Consolidated 2014 £m	Consolidated 2013 £m	University 2014 £m	University 2013 £m
Commitments contracted at 31 July	26.5	26.9	26.5	26.9

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

25. Related party transactions

The University of Nottingham owns a 29.9% (2013 29.9%) stake in the University of Nottingham, Malaysia, a 37.5% (2013 37.5%) stake in the University of Nottingham, Ningbo China both of which are accounted for as associated entities (see note 13).

Academic quality in both China and Malaysia is controlled by The University of Nottingham, for which it receives management fees and certain members of staff are seconded to both 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.

	2014 Malaysia £000	2014 China £000	2013 Malaysia £000	2013 China £000
Net charges by the University:				
Costs	1,226	2,322	1,111	1,838
Management fee	1,750	3,394	1,717	3,145
Owed to the University at 31 July	910	6,234	902	4,738
Additional share capital acquired	0	0	0	0

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

26. Reconciliation of Consolidated Operating Surplus To Net Cash Inflow From Operating Activities

	2014 £m	2013 £m
Surplus for the year	25.2	22.0
Depreciation (Note 12)	25.4	24.0
Amortisation (Note 11)	0.1	0.6
Loss on disposal of fixed assets	1.6	0.5
Impairment of investments	0.8	0.9
Lease Premium	0.0	0.0
Share of losses / (profits) in associated companies	0.8	0.4
Deferred capital grants released to income (Note 19)	(12.8)	(13.7)
Investment income (Note 5)	(1.3)	(1.5)
Interest payable (Note 8)	1.6	2.5
Net income retained from specific endowments	0.0	0.3
Increase in stocks	0.0	(0.2)
(Increase) / decrease in debtors	3.3	(11.7)
Increase in creditors	5.7	0.0
Surrender of carbon dioxide emission allowances	0.7	0.6
Foreign exchange movements	0.0	0.0
Other non cash movements	0.0	0.0
Net Cash Inflow from Operating Activities	51.1	24.7

27. Returns On Investments And Servicing Of Finance

	2014 £m	2013 £m
Income from endowments	1.1	1.2
Other interest received	0.1	0.3
Interest paid	(1.5)	(2.5)
Net Cash Outflow from Returns on Investments and Servicing of Finance	(0.3)	(1.0)

28. Capital Expenditure And Financial Investment

	2014 £m	2013 £m
Payments to acquire tangible assets	(47.2)	(35.8)
Payments to acquire endowment asset investments (Note 15)	(8.2)	(10.8)
Payments to acquire carbon reduction commitments (Note 10)	(1.5)	(0.7)
Total payments to acquire fixed and endowment asset investments	(56.9)	(47.3)
Receipts from sales of endowment assets (Note 15)	7.6	7.9
Receipts from sales of fixed assets	(0.8)	0.9
Deferred capital grants received	9.3	15.9
Endowments received	1.5	1.7
Net Cash Outflow from Capital Expenditure and Financial Investment	(39.3)	(20.9)

29. Analysis Of Changes In Consolidated Financing During The Year

	Mortgages and Loans £m
Balances at 1 August 2013	11.6
New loans	43.8
Capital repayments	(55.0)
Foreign exchange translation differences	0.0
Acquisition of Harewood Leisure Limited	0.0
Other changes	0.0
Net amount drawn down in year	(11.2)
Balances at 31 July 2014	0.4

30. Analysis Of Changes In Net Debt

	At 1 August 2013 £m	Cash Flows £m	At 31 July 2014 £m
Cash			
Endowment asset investments (Note 15)	4.3	0.9	5.2
Cash at bank and in hand/(bank overdraft)	3.8	(1.2)	2.6
	8.1	(0.3)	7.8
Short Term Investments	1.0	0.6	1.6
Debt due within one year	(3.2)	(0.1)	(3.3)
Debt due after one year	(8.4)	7.9	(0.5)
Finance leases	0.0	0.0	0.0
	(2.5)	8.1	5.6

31. 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", 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.

31. Pension Schemes (continued)

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. 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	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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.

31. Pension Schemes (continued)

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 2013 under the scheme specific funding regime has fallen from 92% to 77%. This estimate is based on the funding level at 31 March 2011, allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a buy out basis at that date was approximately 55%.

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:

Assumption	Change in assumption	Impact on scheme liabilities
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.

31. Pension Schemes (continued)

However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the employers to support the scheme if the investment strategy does not deliver the expected returns. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to be the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a long term view of its investments. Short-term volatility of returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together - in an integrated form - the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

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 2013 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 between 4.4% and 6% per annum, salary increases would be between 2.5% and 3.4% per annum and pensions would increase between 3.0% and 3.6% per annum. The market value of the assets of the scheme was £114.7 million with past service liabilities of £194.8 million. The valuation was carried out using the projected unit method.

The total pension charge to the Income and Expenditure account for the University and its subsidiaries was:

	2014 £m	2013 £m
Contributions to USS	27.4	26.0
Charge to income and expenditure account re CPAS	3.1	3.0
Contributions to other pension schemes (including CRSP)	3.0	2.4
Total pensions cost (Note 6)	33.5	31.4

CPAS - FRS17 Disclosure

The amounts recognised in the balance sheet are as follows:	2014 £m	2013 £m
Present value of funded obligations	(239.2)	(218.2)
Fair value of plan assets	148.5	140.8
Deficit	(90.7)	(77.4)

31. Pension Schemes continued

The amounts recognised in staff costs and other operating expenses are as follows:	2014 £m	2013 £m
Current service cost	3.5	3.4
Gains on curtailments, settlements and business combinations	0.0	0.0
Total operating charge	3.5	3.4

The amount charged to interest was as follows:	2014 £m	2013 £m
Interest on obligation	10.0	8.9
Expected return on plan assets	(8.8)	(6.6)
Net return (note 8)	1.2	2.3

The amount recognised in the statement of total recognised gains and losses (STRGL) was as follows:	2014 £m	2013 £m
Actual return less expected return on pension scheme assets	(3.4)	10.5
Experience gains and losses	(13.7)	(9.2)
Actuarial gain / (loss) recognised in STRGL	(17.1)	1.3
Actual return on plan assets	5.4	17.1

Changes in the present value of the defined benefit obligation are as follows:	2014 £m	2013 £m
Opening defined benefit obligation	218.2	202.7
Service cost	3.5	3.4
Interest cost	10.0	8.9
Plan participants' contributions	0.5	0.5
Past service cost	0.0	0.0
Actuarial losses	13.6	9.2
Gain on change to CPI from RPI	0.0	0.0
Gains on curtailments	0.0	0.0
Liabilities extinguished on settlements	0.0	0.0
Liabilities assumed on business combinations	0.0	0.0
Benefits paid	(6.6)	(6.5)
Closing defined benefit obligation	239.2	218.2

Changes in the fair value of plan assets are as follows:	2014 £m	2013 £m
Opening fair value of plan assets	140.8	121.3
Expected return on plan assets	8.8	6.6
Actuarial gains / (losses)	(3.4)	10.5
Assets distributed on settlements	0.0	0.0
Assets acquired in a business combination	0.0	0.0
Employer contribution	8.5	8.4
Plan participants' contributions	0.5	0.5
Benefits paid	(6.6)	(6.5)
Fair value of plan assets at end of period	148.6	140.8

31. Pension Schemes continued

The major categories of plan assets as a percentage of total plan assets are as follows:	2014	2013
Equities	65%	76%
Bonds	35%	24%
Property	0%	0%
Cash	0%	0%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):	2014	2013
Discount rate at end of year	4.30%	4.60%
Expected return on plan assets at end of year	5.85%	6.20%
Future salary increases	3.20%	3.20%
Future pension increases (pensions in payment pre 2003)	3.50%	3.50%
Future pension increases (pensions in payment post 2003)	3.20%	3.20%
Proportion of employees opting for early retirement	50.00%	50.00%
Proportion of employees commuting pension for cash	100.00%	100.00%
Future expected lifetime of pensioner at age 65:		
Male (born 1949 (2012: 1948):	22.8	22.8
Male (born 1969 (2012: 1968):	25.4	25.3
Female (born 1949 (2012: 1948):	24.7	24.6
Female (born 1969 (2012: 1968):	27.3	27.2

Amounts for the current and previous four periods are as follows:	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Defined benefit obligation	(239.2)	(218.2)	(202.7)	(165.8)	(152.2)
Plan assets	148.5	140.8	121.3	112.7	100.6
Deficit	(90.7)	(77.4)	(81.4)	(53.1)	(51.6)
Experience adjustments on plan liabilities	13.6	(9.2)	(29.6)	(6.8)	(11.0)
Experience adjustments on plan assets	(3.4)	10.5	(0.8)	3.1	9.0

CPAS

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 2014 the University owed £230,349 in respect of contributions to the scheme (2013: £229,607).

Notes to the Accounts

32. Access Funds

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

	2014 £m	2013 £m
Balance at 1 August	0.0	0.0
Funding council grants	0.4	0.4
	0.4	0.4
Disbursed to students	(0.4)	(0.4)
Balance unspent at 31 July	(0.0)	0.0

33. Connected charitable institutions

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

Children's Play Activities Trust Fund	2014 £000	2013 £000
Reserves		
Balance at 1 August 2013	284	248
Income in the year	9	10
Capital appreciation / (depreciation)	19	26
Balance at 31 July 2014	312	284

Non-Operating Charities
JH Tomlin Scholarship Fund
The Dean Moore Scholarship Fund
The AF Bird Memorial Award

34. Sport England grant

Sport England has granted the University funds to provide opportunities for students to take part in sport and activity. £101,782 (2013 £68,636) has been spent, in collaboration with Nottingham Trent University.

35. Subsequent Events

On 12 September 2014 the partially constructed Carbon Neutral Laboratory on the University's Jubilee Campus was destroyed by fire. There were no injuries as a result of the fire, but the building has been completely destroyed. At the balance sheet date, the value of the work completed on the building was £11.7m. At the date of the fire the value of the work completed had risen to £13.2m. The building is covered by the contractor's insurance and reconstruction will commence once the necessary statutory investigations have been completed. Both the University and the contractor are committed to the successful delivery of the building as originally intended. The University does not expect the total cost of the building to be materially different as a result of the fire and does not expect to suffer any material financial loss as a result of the delay in achieving practical completion of the building. The University expects its normal business operations to be able to continue unhindered as a result of the delay.

Financial Statements
for the year to 31 July 2014

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