



**University of  
Nottingham**

UK | CHINA | MALAYSIA

# **Financial Statements 2019**

**Financial Year ending 31 July 2019**

# 1 August 2018 to 31 July 2019

## **Chair of Council and Pro-Chancellor: Vice-Chair of Council:**

John Mills  
Dame Elizabeth Fradd (until 31 December 2018)  
Nora Senior (from 1 January 2019)

## **Members ex-Officio**

Pro-Chancellor:  
President and Vice-Chancellor:  
Provost and Deputy Vice-Chancellor:  
Treasurer:  
Pro-Vice-Chancellors:

Dr Hamid Mughal OBE  
Professor Shearer West  
Professor Andy Long  
Stephen Walton  
Professor Sarah O'Hara  
Professor Dame Jessica Corner

## **Members of Staff**

Professor Tony Avery  
Dr Rachel Gomes  
Professor Kevin Lee

Dr Gabriele Neher  
Professor Clive Roberts

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

Simon Amess  
Vicky Bailey (from 1 January 2019)  
Lynette Eastman  
Sonya Leydecker (from 1 January 2019)  
Sherry Madera (from 1 January 2019)  
Carolyn Morgan

Trevor Moss  
Sir Keith O'Nions (from 28 November 2018)  
Nora Senior (to 31 December 2018)  
David Tilly  
Neil Watkinson

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

Catherine O'Boyle (Education Officer)  
Jess Lendon (President)  
Zoe Mackenzie (Welfare Officer)  
James Pheasey (President)  
Cassie Ulrich (Education Officer)

(from 1 August 2018 to 30 June 2019)  
(from 1 August 2018 to 10 December 2018)  
(from 17 December 2018 to 30 June 2019)  
(from 1 July 2019 to 31 July 2019)  
(from 1 July 2019 to 31 July 2019)

# Other Senior Officers of the University

## **Other Senior Officers**

The Chancellor:  
The Registrar:  
Pro-Vice-Chancellors:

Vacant  
Dr Paul Greatrix (Secretary to Council)  
Professor Graham Kendall  
Professor Nick Miles OBE  
Professor Chris Rudd OBE (until 31 January 2019)  
Professor Sarah Sharples (from 1 September 2018)  
Professor Robert Mokaya (from 1 March 2019)  
Professor John Atherton  
Professor Jeremy Gregory  
Professor Todd Landman  
Professor Sam Kingman  
Professor Kevin Shakesheff  
Margaret Monckton  
Kerry Law (until 7 December 2018) <sup>1</sup>  
David Hill  
Jaspal Kaur

Faculty Pro-Vice-Chancellors:

Chief Financial Officer:  
Chief Marketing and Communications Officer:  
Chief Digital Officer  
Director of Human Resources:

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<sup>1</sup> Role no longer sits on the University Executive Board.

## Chief Financial Officer's Introduction

The long-awaited [Augar Review](#) was published earlier this year to much debate and discussion - the full report coming in at over 200 pages long and containing over 50 recommendations. Some of the key details include:

- A reduction in fees from £9,250 to £7,500, which should be compensated by HM Treasury
- Reinstating maintenance grants for students from the most disadvantaged backgrounds
- Reducing student loan interest and extending the repayment period to 40 years

The Government will now decide how, whether or when to respond to the report's recommendations in the context of its own Spending Review. There are some welcome recommendations, which the University has called for alongside its Russell Group colleagues, for example, restoring maintenance grants for those students most in need. The reduction in the level of fees would be a positive for students, however, this would need to be accompanied by the recommended compensation to universities for the significant drop in funding to be sustainable.

What does the current financial landscape mean for the University? The true picture is of course, more nuanced than the headlines would have us believe. Our University finances have never been more sustainable, yet at the same time, they have never been more under threat.

Nottingham now has an annual turnover of in excess of £700m, a world-leading research portfolio worth £600m and **contributes** more than £1 billion of value each year to the national economy. Careful management means we generate an annual surplus that is reinvested every year on the things that are important to us all - our teaching, research and services for students - our University does not, and will never seek to, make a 'profit.'

Nottingham receives income from student fees, government grants and research grants, as well as generating our own income through fundraising, investments and business activities such as 'spin-out' companies. We have also benefitted enormously from the generosity, loyalty and passion of you, our alumni and donors – securing £242m through the **Impact** campaign for investment ranging from scholarships and community projects to cutting-edge research and teaching facilities.

Student fees were introduced in 1998 to help the government fund increasing numbers of students to attend university while reducing the cost of this to the taxpayer. Fees have increased over time, as direct government funding to universities has decreased.

Currently, more than 50% of Nottingham's income is now secured from student fees, 18% from research grants, 17% from fundraising and investments, and just 14% from central government. Ten years ago, the picture was almost reversed with 30% of our income from government, 30% from student fees, 20% from research grants and 20% from fundraising and investments.

All universities are operating in an increasingly competitive recruitment context for UK undergraduates - with the 18-year-old demographic continuing to drop significantly, at least until 2020 - making it ever more challenging to recruit the next generation of students. And no one - least of all government it seems - can yet quantify the financial impact of Brexit on our research funding, EU and international student income and staffing costs. Our own estimates place this figure in the region of £35 million for Nottingham.

This is why we have developed a new financial strategy in partnership with colleagues across the University to ensure we can prepare to weather the storms ahead and continue to invest in our staff, students, teaching and research by generating more income from our research base, philanthropic fundraising, investments and business activities such as 'spin-out' companies. We will also continually improve how we work - our processes and systems - to make savings that can be reinvested in our University and its community.

While we do not subscribe to any sense of "financial crisis" at Nottingham, meeting the ongoing financial challenges will require imagination, ambition and engagement from all of us at the University. I invite all

members of our extensive and influential community of global alumni to support us in this endeavour by contributing their voices to the political, press and social media debates on the undoubted value of the nation's universities, and of course, the University of Nottingham in particular.

**Margaret Monckton**  
Chief Financial Officer

## Treasurer's report

### Overview

The University has delivered a strong underlying financial performance this year with a surplus before pension adjustments of £26.6m and an operational cash flow generation of £41.1m. This has enabled the University to continue to invest in its strategic priorities. This delivery continues to be in line with the medium term financial plan that aims to ensure that continued financial sustainability. Challenges in the sector such as Brexit, ongoing issues associated with the rising cost of pensions and political uncertainty relating to fees have shaped the Universities financial planning for future years and action has been taken during the year to mitigate these risks and to ensure the continued success of the University.

The University's financial performance, low debt levels and good planning have meant that the Standard and Poors credit rating of A+ has been maintained in a year that has seen much of the sector down graded by credit agencies.

### Consolidated Key highlights

	2019	2018
Tuition Fees and Education Contracts	£357m	£334m
Funding Body Grants	£91m	£90m
Research Grants and Contracts	£124m	£120m
Other Income	£129m	£120m
TOTAL INCOME	£701m	£664m
Surplus/(Deficit) for the Year	(£83m)	£25m
EBITDA	£51m	£58m
TOTAL NET ASSETS	£390m	£495m
Cash generated from Operating activities	£41m	£61m
Capital Investment	£45m	£85m
Staff Costs	£475m	£343m
Research Awards	£164m	£162m

### Pensions

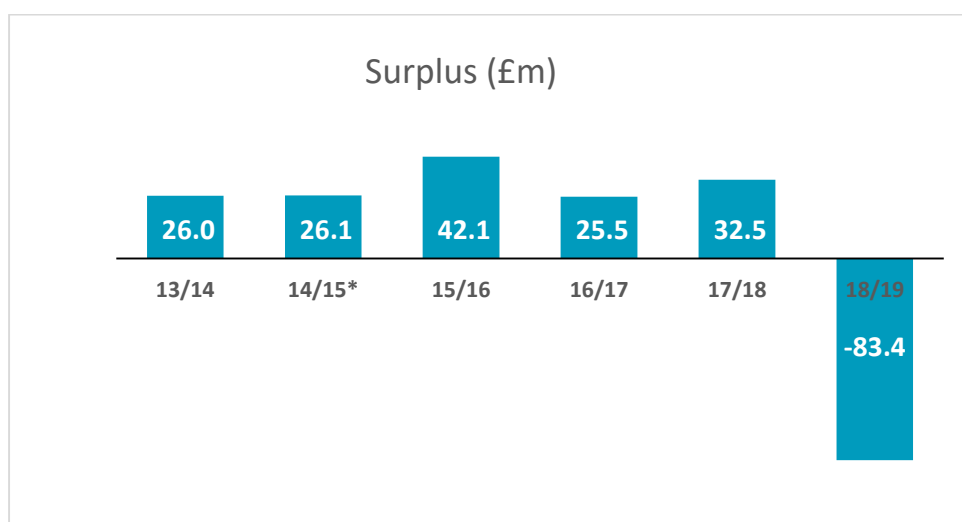
The accounting adjustments for pensions have been significant this year and are sector wide. The financial impact in year totals £136.6m through a combination of the incorporation of the 2017 USS valuation which has added £110m onto our staff costs within the Statement of Consolidated Income (SOCi) and current low

interest rates that have impacted the valuation of our other defined benefit scheme, CPAS, resulting in an in year actuarial loss of £20.6m.

It has been a challenging year for USS, with failure to agree the March 2017 valuation and instead a March 2018 valuation having now been agreed. The position of the USS pension fund in March 2018, whilst still in deficit was considerably improved from the 2017 position. Had the University been able to incorporate the 2018 valuation into its accounts this year the accounting adjustment would not have been as severe and this gives us confidence that much of it will reverse in next year's accounts.

## Surplus/Deficit for the year

An overall deficit of £83.4m is being reported in the current financial year (2017/18: £32.5m) of which the USS in year adjustment is £110.0m.

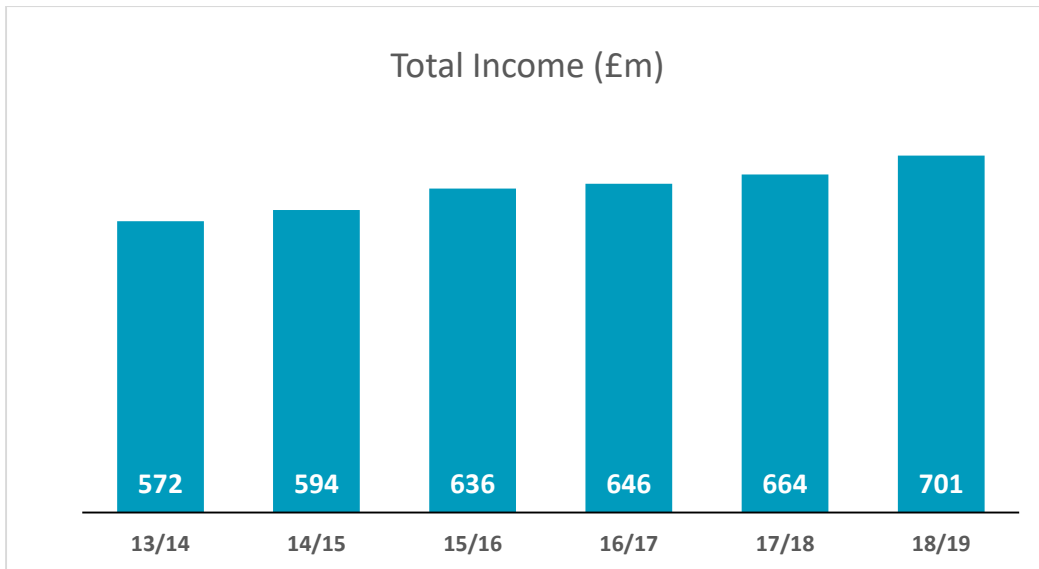


The incorporation of USS into the financial statements of the University in 2014/15 has created volatility in the reported results, the impact of which can be seen in the table below. Excluding the in year adjustment for USS, the surplus generated would be £26.6m. Historic surpluses have been good over a number of years and our financial framework through the Medium Term Financial Plan (MTFP) will assist us in the delivery of stronger surpluses going forward in order to meet continued investment demands. In line with the MTFP all of the University surplus has been and will continue to be invested back into the strategic priorities.

£m	13/14	14/15	15/16	16/17	17/18	18/19
Surplus for the year	26.0	26.1	42.1	25.5	32.5	-83.4
USS movements	0.0	29.2	-1.9	-0.9	-5.5	110.0
Surplus excl USS	26.0	55.3	40.2	24.6	27.0	26.6

## Income

We have seen an increase in income of £37.2m in the year through a combination of increased tuition fees of £22.4m as a result of both price and increased student recruitment, an additional £4.2m of research income, increased deferred capital grant and research releases of £7.9m and increased commercial income of £4.9m, partially offset by reduced investment income.



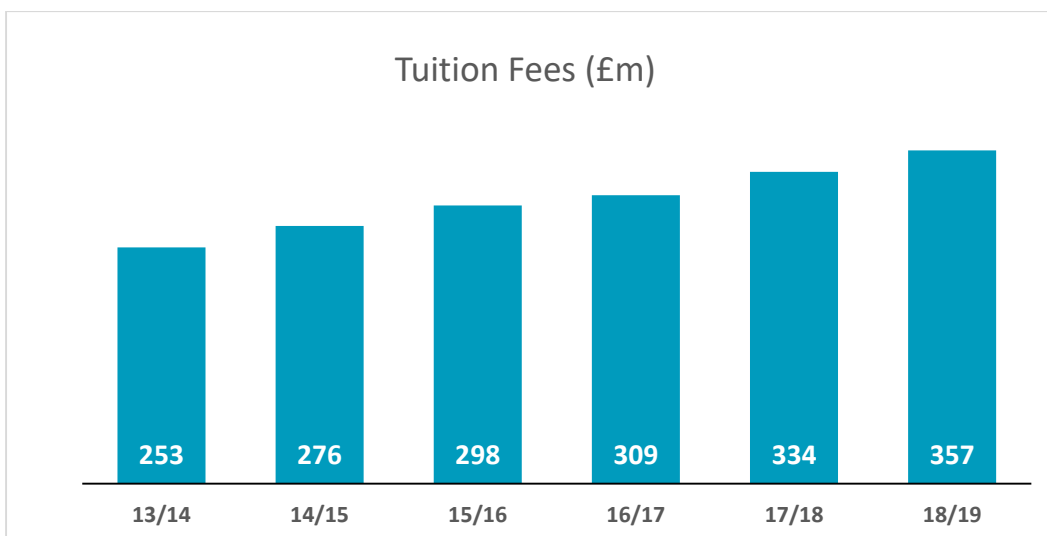
There is now an increasing focus for the University to drive better commercial income from the assets owned and the activities conducted reducing our dependency on tuition fee income at a time when there is increasing uncertainty around the level of fees in the future. .

The table below shows the proportion of income received as a percentage of total income over time, for the primary income streams.

	14/15	15/16	16/17	17/18	18/19
Tuition Fees	46%	47%	48%	50%	51%
Funding Body Grants	16%	15%	14%	14%	13%
Research Income	18%	20%	19%	18%	18%
Other	19%	19%	19%	18%	18%

### Tuition fees

Income from tuition fees is £22.4m (6.7%) higher than the prior year and now represents over half of the University's total income. This increase is a combination of both increased student numbers and price.

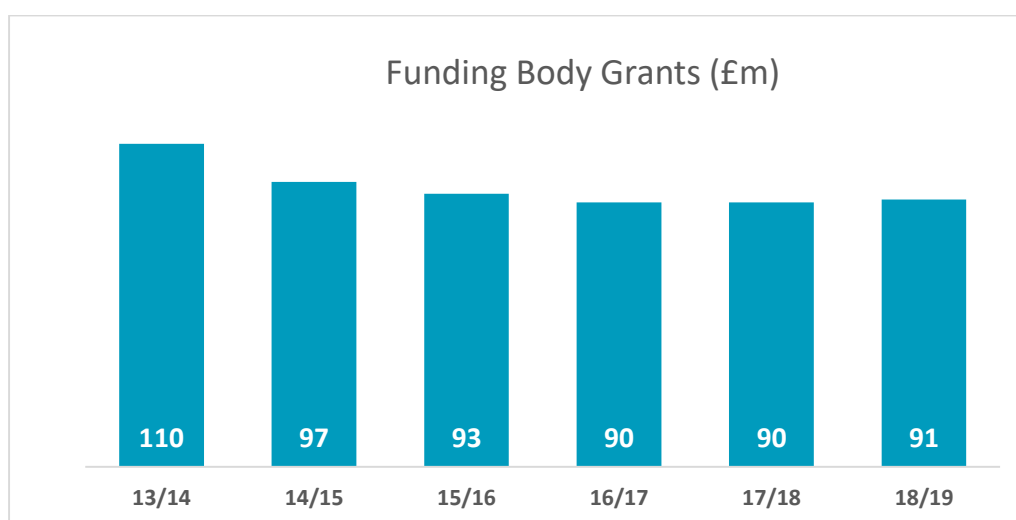


There continues to be a significant demand for places at the University and student numbers have grown in recent years as can be seen in the table below.

Students	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Number of UK students	21,201	21,100	21,485	22,217	22,942	23,617
Number of EU students	1,902	1,861	2,010	1,996	2,002	1,995
Number of international students	6,758	6,452	6,501	6,361	6,843	8,036
<b>Total UK students</b>	<b>29,861</b>	<b>29,413</b>	<b>29,996</b>	<b>30,574</b>	<b>31,787</b>	<b>33,648</b>

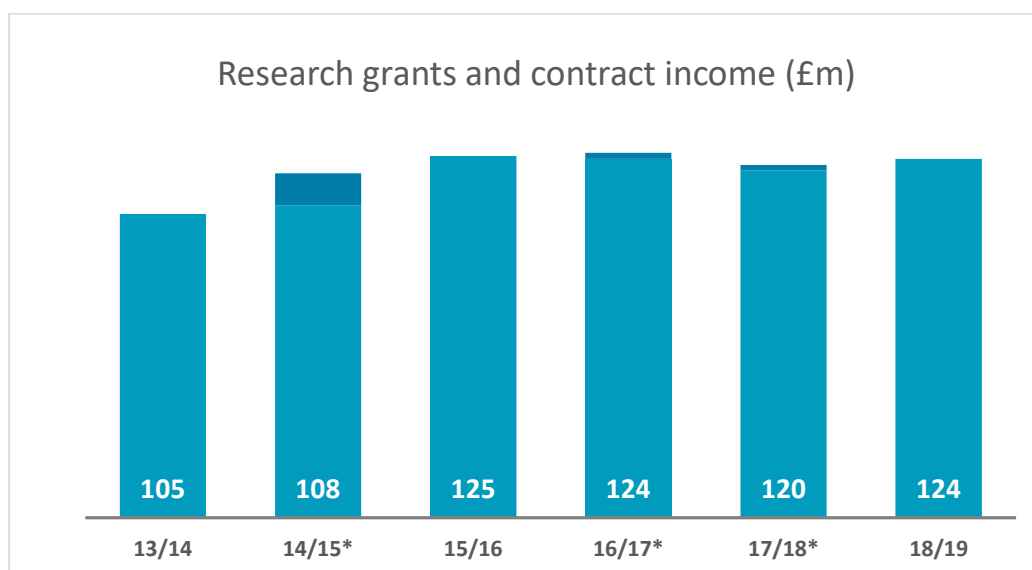
### Funding body grants

Funding body grants consists of provision for Home/EU students on high cost teaching subjects and support for research. This now remains broadly flat, any fluctuation will reflect short term government initiatives, rather than long term increases in funding.



### Research grants and contracts income

Research income is recognised over the life of research projects in line with the research activity. In 2018/19 this stands at £124.3m, £4.2m higher than 2017/18.

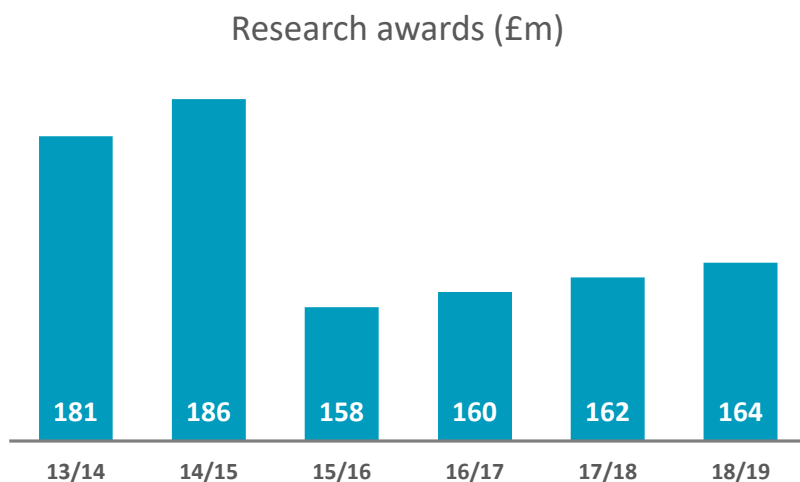


\*Incorporates RDEC income £11m 2014/15, £2.1m 2016/17, £1.9m in 2017/18

The increase in research income compared to last year reflects the slow and steady increase in awards over recent years, plus the improved post-award management processes adopted to better track spend incurred compared to that budgeted.



Total research awards for 2018/19 are £164.0m: an increase of £2.0m (1%). Direct awards have seen a decline in year by £11.0m to £136.0m and research related awards, largely compiling Doctoral Training Programmes, have increased by £13.0m to £28.0m.



Although an overall reduction in direct research awards of £11.0m, there has been a shift in the mix of awards and funders with increases in industrial awards and also increases in UK government awards. Reductions have been seen in both UK Research Council and EU awards. These movements reflect a changing picture in the research funding landscape.

No-deal Brexit and access to European funding initiatives still remains a risk, and we have been in direct contact with Professor Sir Adrian Smith (commissioned by the government to provide independent advice on the design of future UK funding schemes for international collaboration, innovation and research) who has given us further clarity on areas of concern. We are also exploring measures to mitigate risks associated with major EU programmes such as Clean Sky 2.

## Expenditure

Total spend has risen by £153.3m, of which £111.2m is attributable to in year adjustments relating to the USS pension – a breakdown of the in year impact of pension adjustments can be seen in the table below. Excluding pensions adjustments, costs have risen by £39.1m in the year and exceeds the income increase by £1.9m - this is in spite of an £11.0m getting in shape target being achieved. The primary drivers for the increase in costs relate to staff costs of £22.7m, the incorporation of costs to initiate an IT transformation programme of £9.5m, and £6.2m of additional depreciation, largely as a result of the completion of the student lifecycle system.

£m	13/14	14/15	15/16	16/17	17/18	18/19
Expenditure incl Pensions Costs	545.9	566.9	593.3	620.6	638.7	792.0
USS staff costs movement	0.0	-29.2	1.9	0.9	5.5	-110.0
USS Interest cost	0.0	-0.9	-1.6	-1.1	-1.1	-1.2
CPAS adjustment	3.8	-5.6	1.9	1.1	1.5	2.9
Total Expenditure excl pensions	549.7	531.2	595.5	621.5	644.6	683.7

## Staff costs

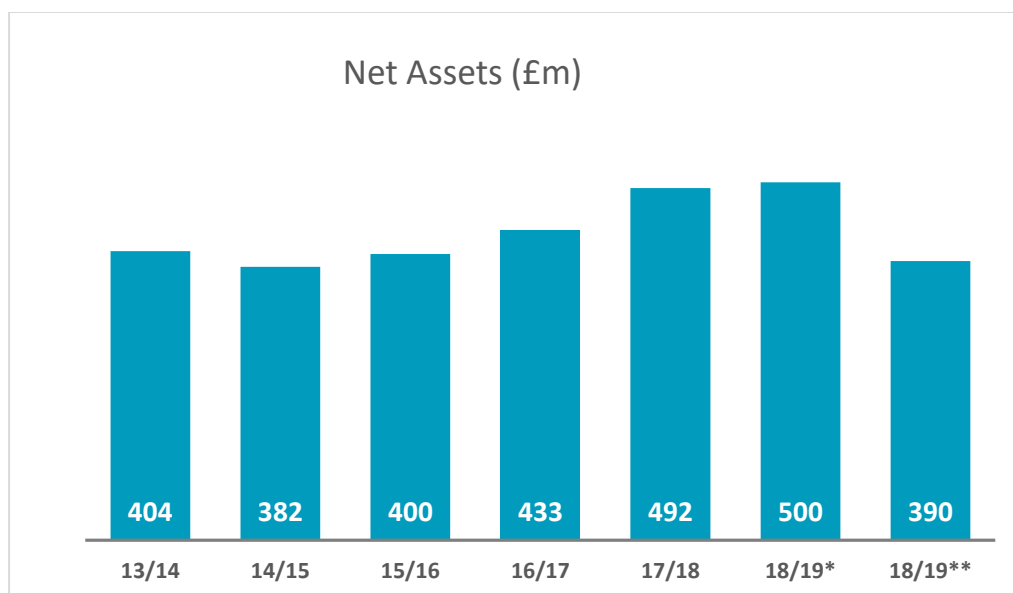
Staff costs (excluding USS pension provision adjustments) rose by £16.8m in year to £365.3m (4.6%). This increase is a combination of a pay award and increased employer USS pension contributions, which have risen from 18% to 19.5% for part of the year. Staff costs remain broadly consistent as a proportion of total costs with prior years, and remain the largest element of total costs at 53% of total expenditure.

£m	13/14	14/15	15/16	16/17	17/18	18/19
Staff Costs	302.0	316.0	325.9	341.9	348.5	365.3
USS adjustment	0.0	29.2	-1.9	-0.9	-5.5	110.0
Total Staff Costs	302.0	345.2	324.0	341.0	343.0	475.0

## Net Assets

Pension movements in year have had a substantial impact on the balance sheet position and as a result net assets have fallen by £102m.

Underlying net assets (excluding the in year USS adjustment) have shown an increase of £8m to £500m.



\*Excluding USS in year provision

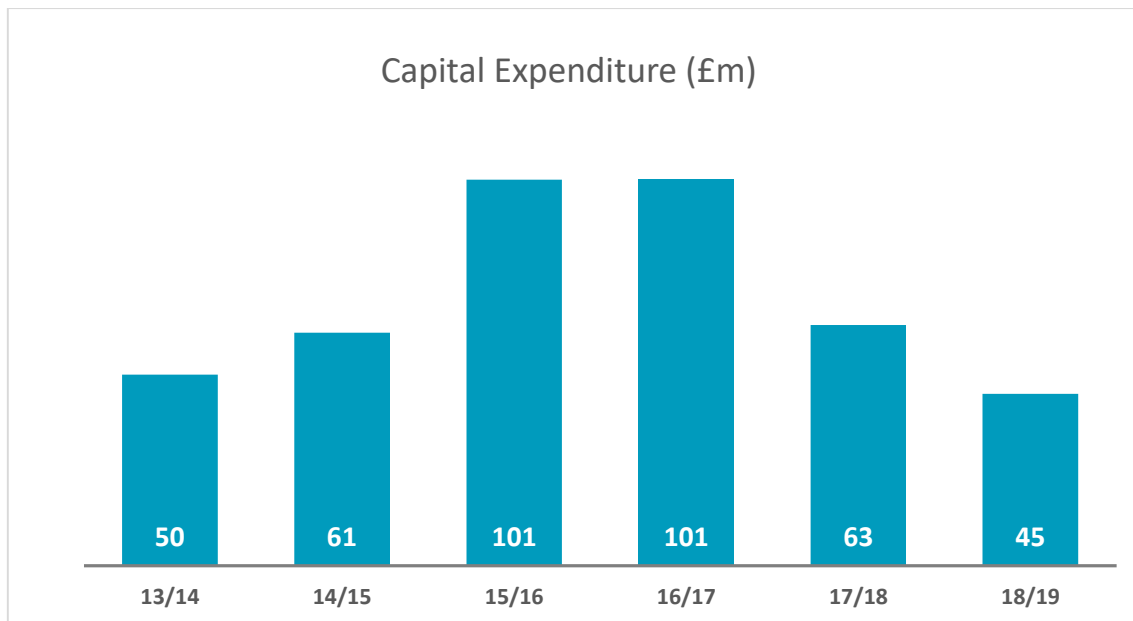
\*\* Including USS in year provision

## Capital expenditure

The University continues to invest in a measured way and all investments are subject to a rigorous prioritisation approach. The University has also set a policy of not increasing our debt position above £100m, therefore any funding for investment has to be generated by the University through cash, partnership arrangements or philanthropy. In the 2018/19 financial year £45m of capital was funded.

Significant capital projects in the year include;

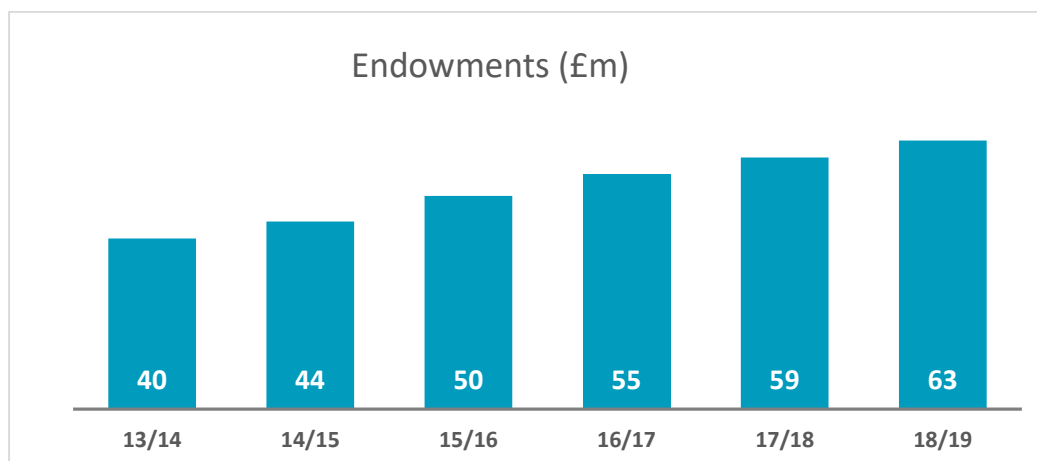
- Teaching and Learning Building – Completed September 2018
- Centre for Bimolecular Sciences
- The Power Electronics Building
- Portland Building refurbishment
- Sutton Bonington North Lab refurbishment
- Student Lifecycle IT infrastructure System



## Endowments and donations

The University's endowment fund continues to grow. The endowment fund increased by £4.5m in the year to £63.0m as a result of new endowments, capital growth of the assets and investment income retained within the fund.

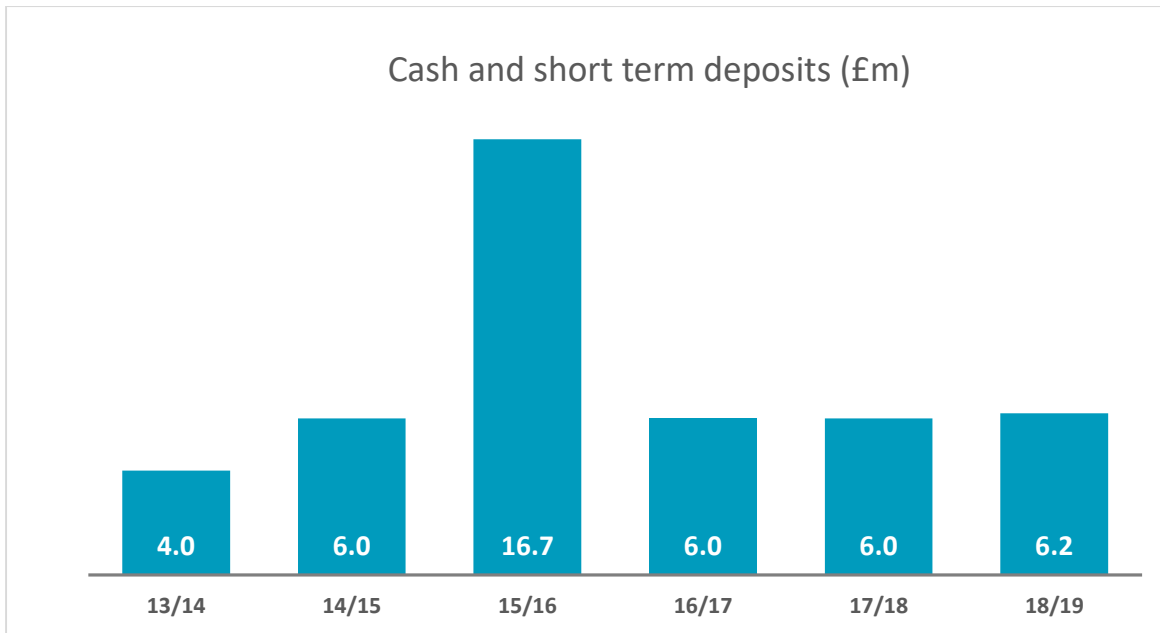
Investment income of £2.0m was recognised in year (2017/18: £3.7m) of which the University expended £1.4m.



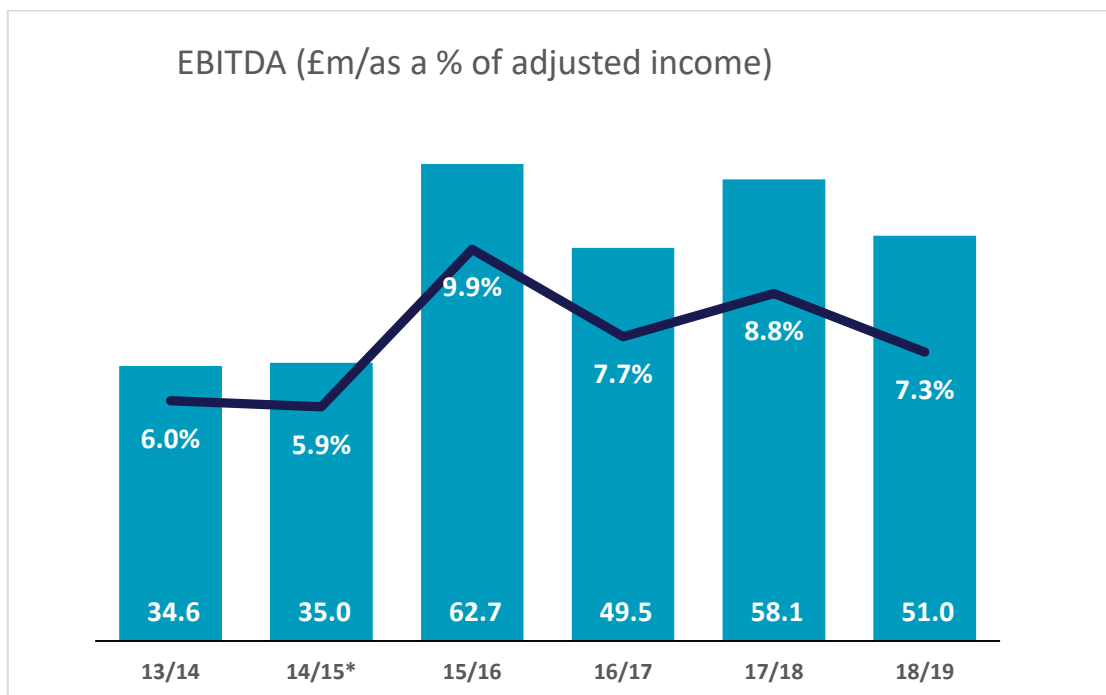
The total cash received from donations in the year was £3.6m of which £1.9m (52% of the total) came from 28 gifts of £25,000 or over and £0.1m (3% of the total) came from legacy bequests. A further £0.8m (22% of the total) came from 218 donations of between £1,000 and £25,000. The remaining £0.8m (23%) came from a large number of donations of less than £1,000.

## Cash and liquidity

Small cash balances are held and we manage cash requirements through the utilisation of two revolving credit facilities. This ensures an efficient treasury operation, with enough cash to support our day to day and investment requirements whilst minimising borrowing costs.



The University has committed to maintaining borrowing at below £100m and as at 31 July 2019, borrowing stood at £73.7m (£79.7m; 2017/18). As a result any capital investment made has to be funded from the cash we generate on an annual basis. In year we have generated £51.0m of cash, of which £45.2m has been spent on capital and £6.0m in reducing borrowings.



## Borrowing

At the balance sheet date, the University has a total borrowing facility of £171.2m (£174.4m; 2017/18), consisting of two revolving credit facilities and a £15m multi-option facility AT the year end £73.7m of these facilities had been drawn. Interest on the University's borrowings is at a rate linked to LIBOR. Of the two revolving credit facilities, one is an £81.2m facility reducing to nil on a straight-line basis over 25 years, from October 2010, and the other a £75.0m facility, expiring in December 2022.

We use these facilities flexibly depending on need to minimise borrowings at any one time. Any surplus cash is invested for short periods only. All counterparties are approved by the Finance Committee, with a maximum of £15.0m being deposited with any single counterparty.

Before the year end, work had commenced to restructure these facilities and this work completed before these financial statements have been signed. The facilities in place at 31<sup>st</sup> July 2019 have now been cancelled and replaced with a Private Placement of £100.0m to secure long term funding at a fixed rate, supplemented by a new 10 year £80.0m RCF to manage cash fluctuations and create additional headroom.

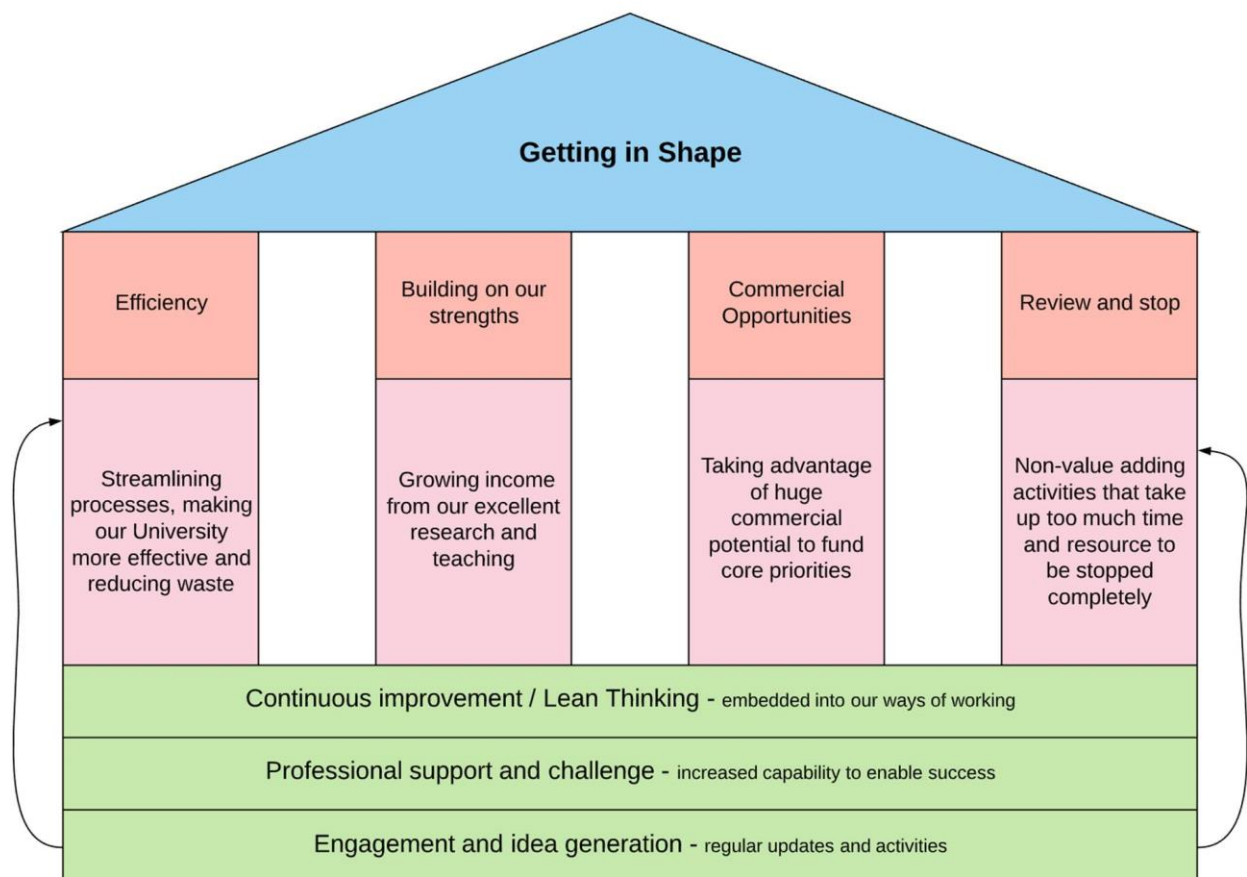
The University has maintained, not increased its net debt position as a result of these new facilities and there are no plans to increase current debt levels beyond this.

## Getting in Shape: investing in our future

Getting in Shape: Investing in our Future is a five-year programme totalling £68.0m by 2023/24 to manage the sector risks and drive improvement in financial management and culture through a combination of cost reduction and income improvement. This will enable delivery of our strategic priorities through £450.0m planned investment. The programme aims to:

- Improve staff working lives by taking away complexity
- create more time for staff to do the things that really matter
- break down boundaries throughout the University through collaborative work
- generate more investment funded by diverse income streams and reducing waste

The programme involves both income growth and efficiency/control of costs, and includes four **core** and three **enabling** workstreams:



## Conclusion

The incorporation of the 2017 USS valuation has clouded the financial performance this year, however underlying financial performance remains robust and there is continued commitment to deliver strong surpluses in order to continue our programme of investment.

There are significant sector pressures including BREXIT, pensions and the ongoing debate over fees, but we continue to influence where we can and plan prudently to mitigate against them.

Our focus on managing costs and diversifying income through the Getting in Shape programme has continued in the year and will continue into the future with increased vigour going forward. This, combined with the recent underpinning of the University's finances with flexible, long term and low interest borrowing facilities, provides the University with a sound foundation on which to withstand the Sector's ongoing financial challenges, build a sustainable long term future and confidently embrace our new University strategy.

Stephen Walton

Treasurer and Chair of Finance Committee

## Risk and risk management

To facilitate risk management in a complex, international University and particularly at this time of unprecedented change in the sector, nationally and across the world, the University's Risk Management Framework continues to include:

- a University Risk Register articulating risks which affect the international, tri-campus university
- risk registers articulating risks affecting each country campus
- risk registers articulating risks affecting each faculty, school or professional service and major initiatives

This structure is designed to provide clarity, transparency and direct accountability of risk management activities. It enables escalation and cascade of risks where appropriate, as well as an internal means to challenge and check alignment of risks across the University.

A UEB member has responsibility for managing each of the enterprise-level risks, supported by a dedicated member of staff. Risks are formally reviewed four times a year, and any risk which is red-rated is formally reviewed each month. A summary of changes following these reviews is reported to the University Executive Board and the Audit and Risk Committee which keeps them informed of changes and provides initial assurance on risk management activities.

## Principal risks and uncertainties

Risk is the effect of uncertainty on activities. Risk management is important for anyone whose role includes supporting the University to achieve its objectives. Good risk management enables activities which create opportunities; it is a source of competitive advantage.

Below articulates the significant risks currently facing the University at a global (enterprise) level. It is a dynamic reflection and is updated regularly; it is formally reviewed annually by UEB.

It is a resource for risk-based strategic and operational planning and decision making. It also provides an insight into the considerations behind decisions about priorities.

## Risk Appetite

The purpose of risk analysis is to provide a realistic assessment of a situation in order to support good decision-making. Risk appetite and tolerance of the University may change depending on circumstances.

Risk appetite is "the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives".

Risk appetite will vary for different risks and types of risk, and may change over time. The University of Nottingham has decided to work to a four point scale for risk appetite defined as follows;

1. a strong preference for avoidance of risk; and for ultra safe delivery options
2. a preference for delivery options which have low degree of inherent risk
3. a willingness to consider all options which provide an acceptable level of reward and value for money even where these involve a higher degree of risk
4. an area where we're keen to be innovative and therefore willing to accept solutions with a significant degree of risk where these offer potentially higher reward

## Risk Register

Risk Theme	Risk Description	Mitigation
Teaching	Our teaching activity and management preparations for TEF are insufficient to achieve our TEF expectations	Permanent research and teaching staff are supported in achieving a recognised teaching qualification through the Nottingham Recognition Scheme
Student Recruitment (UK: 2018 - 2020)	Our recruitment plans are insufficient to meet our targets (quality and quantity) for UK campus 2019 entry, and to 2022	Recruitment targets agreed until 2023/24 and will be continuously reviewed
Research	The research element of the Global Strategy 2020 is not achieved due to inability to deliver the required step change in approach and resources	Detailed plans in place looking at REF, Brexit, Research Strategy
Staff Morale	Low staff morale undermines our ability to achieve a culture which supports high performance	Staff engagement plans in place with engagement champions and launch of new staff reward scheme and benefits
Leadership and Management	Poor leadership and management capability leading to a failure to deliver University objectives at the pace required	Enhanced portfolio of training programmes, internal coaching pool, Athena Swan and succession plans
Digital	We fail to keep pace with and realise the benefits of increasing digitisation	Improved governance through the Digital Strategy Committee and enhanced governance within the IT function. Investment allocated within the MTFP.
Information and Data Security	The University does not manage its information, data and knowledge assets or IT systems and resilience sufficiently to protect them from or prevent a major loss, theft or breach in line with GDPR regulations	Strengthened governance structure for information security, new security policies and improved network security



Organisation	Our structures and culture inhibit our ability to make decisions and implement them at the appropriate pace	Greater transparency of decision making through an enhanced governance structure and ongoing activity to better empower Senior Leaders
Governance	Our governance structures, roles and responsibilities are inadequate or do not support delivery of the University strategy	Clearly defined roles for Council, its committees and UEB. A Council effectiveness review has been conducted and the recommendations are being implemented
University Reputation	The volatility of the external environment and the higher level of media scrutiny increases the challenge of enhancing and protecting the University's reputation	Reputation campaigns across all campuses. including China and Malaysia and active management of negative traditional and social media coverage with proactive media campaigning
Financial Sustainability	We are unable to respond to the financial challenges of an increasingly competitive and uncertain HE environment	Annual review of the MTFP with prudent assumptions and the Getting in Shape programme is under way and delivering
UK Legislative & Statutory Compliance	UK campuses only - The University does not comply with relevant legislative, professional, statutory or regulatory requirements, resulting in potential for reputation damage, financial loss, loss of life or other legal penalties	A review has been undertaken to identify all business units where there is a business-critical impact from legislation, statutory or regulatory requirements. Establishment of a new organisational unit, the Governance and Assurance Division, with a new oversight committee
Health & Safety Compliance	The University fails to manage and prioritise Health and Safety and therefore fails to create a positive culture, that together safeguard the safety and health of our entire University community (staff, students and visitors)	A Health and Safety Committee has been formed and a new University policy on health and safety has been developed. A task and finish group department has been established to monitor compliance within the Estates Department

## Public benefit statement

As an exempt charity, the University of Nottingham and its Council have regard to the Charity Commission's guidance on public benefit.

Our University which is built on 35 acres of land donated by Sir Jesse Boot in 1928, now called University Park, with the purpose of providing an elite seat of learning committed to widening participation, as well as a place of recreation for the residents of the City of Nottingham. In 1948 we were granted our Royal Charter and became the University of Nottingham with the power to confer degrees.

We continue in the memory of Sir Jesse Boot in our commitment to the public good with a new energy and focus with our refreshed vision;

*'This pioneering spirit and ambitious vision still resonates and drives our University today, as we strive to deliver the very best teaching to our students and transform lives around the globe through our world-changing research'*

## Widening participation

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

Following the introduction of annual Access and Participation Plans (APP) by the new regulator last year, in 2018-19 the Office for Students (OfS) relaunched these APPs as five-year plans, running from 2020 to 2025. As part of our continued registration with the OfS the University was required to submit its Access and Participation Plan for 2020-25 entry in May 2019, the OfS has until late August 2019 to approve this plan (at the time of writing we are still waiting approval). Some key targets and milestones for the OfS include:

- In terms of our own intake, we have set ourselves ambitious targets for 2020 entry and beyond, for students from POLAR4 quintile 1 and IMD quintiles 1 and 2. These targets aim to reduce the gap in participation in higher education for students from underrepresented groups.
- To reduce the non-continuation gap for students from underrepresented groups, by reducing the percentage point difference in non-continuation rates between mature (21 years old and over) and non-mature students.
- To reduce the attainment gap for students from underrepresented groups by reducing the percentage point difference in good degree attainment (1<sup>st</sup> and 2:1) between disabled and non-disabled students as well as between white and black students.

Outreach and Widening Participation highlights:

- In June 2019, the University's flexible admissions arrangements, which provide contextual information about every UK applicant, were updated for 2020 entry. Based on this information, admissions staff will now routinely make slightly lower offers for qualifying students, with only a small number of exceptions.
- Special entry pathways ('gateway' Year 0 courses) facilitate the annual entry of dozens of students from widening participation backgrounds to Medicine, Veterinary Medicine and the Faculty of Arts. In 2018-19, recruitment began for our new WP Year 0 course for the new Lincoln Medical School collaboration between the University of Nottingham and University of Lincoln, which will open in Lincoln in September 2019.

- At the University Executive Board meeting in January 2019, it was agreed to extend the partnership with IntoUniversity for a further five-years from 2019/20 to 2023/24. The partnership will continue to run the three Nottingham Potential outreach centres in St. Ann's, Broxtowe and Hyson Green.
- In 2018/19, school students took up over 80,000 places on our activities and we worked with over 150 regional schools and colleges. Our own students assist on many activities, acting as role models and gaining valuable skills in the process.
- Widening participation is supported by funds from a range of sources: additional fees income and philanthropic support being the main providers. CARO has continued to fundraise successfully for the Nottingham Potential programme during 2018/19.

## Academy Relationships

The University continues to co-sponsor three academies:

- The Nottingham University Samworth Academy (NUSA)
- Firbeck Academy
- Nottingham University Academy for Science and Technology (NUAST)

We work with educational partner the Nova Education Trust (formerly the Torch Academy Group), which manages the schools on a day-to-day basis.

University of Nottingham staff make a range of contributions to the three academies. Widening Participation staff facilitate the enrichment links between the University and the three academies; while academic and professional service staff serve on academies' governing bodies.

Enrichment support activities continued in 2018/19 and included; work placement opportunities; use of lab facilities; academic mentoring from University undergraduates; large-scale science demonstrations to whole year groups; higher education focussed assemblies; whole school topic-based "Wow" days; aspiration-raising campus visits; information and guidance sessions delivered in the academies; academics visiting the academies to deliver workshops or lectures.

## Volunteering and fundraising

The University continues to inspire alumni, supporters and friends to contribute to an outstanding experience for current and future students and to support our innovative, world-changing research programmes.

During the year 700 volunteers were successfully recruited, benefitting over 1069 students in many different ways including student mentoring, supporting Widening Participation Summer Schools and hosting international students.

There has been a significant fall in the number of donations received in year (2716 in 2018/19, compared with 4607 in 2017/18, 5902 in FY2016/17 and 5145 in FY2015/16).

Significant pledges in year include: £1.5m from The Wolfson Foundation towards the Aerospace and Electric Flight Test Cell Propulsion Unit within the Research and Innovation Centre for Power Electronics and Machines; £750k from Children with Cancer UK towards the Intraoperative MRI Scanner; £275k from John C Wakerley to establish The Wakerley Law Scholarship Fund; £161k from The Badur Foundation to support the Nottingham Potential Programme; £120k from Experian to support the Ingenuity Competition at the Haydn Green Institute for Innovation and Entrepreneurship; £105K from the Barham Benevolent Foundation to support a three-year PhD Studentship at the Veterinary School.

Significant cash received during the year includes: £300k from David Ross Foundation to support University Sports Centre activities and programmes; £245k from Santander Universities to support Scholarships,

Internships and Cascade projects; £200k from Sir Harry Djanogly to support Portland Hill Fountain Garden and Amphitheatre; £125k from the Manifold Trust to support Children's Brain Tumour Research and £120k from the Sutton Trust to support the University's Widening Participation activities and programmes.

Legacy income for the financial year was in excess of £117k (2017/18: £2.4m) and represents 3.2% of total donation cash received.

## Arts and culture

Lakeside's first foray into the development of public art to complement the University's Arboretum project began in autumn 2018. Following an open call and formal interview process, Elpida Hadzi-Vasileva (previously commissioned by the Vatican to deliver a Biennale Project) was selected by a panel including student and alumni representation. Her project involved embellishing two upturned dead elm trees one of which was sourced on University Park. The first months of the project took place outdoors under marquees, and although hampered by winter weather, the work progressed through spring and was installed to coincide with Wheee! festival in May 2019. The sculptures are beautifully situated behind the Pavilion in a perfect natural parkland environment. Entitled *Eurydice Prevails*, they are complemented by a piece of music by alumnus Graham Fitkin (available on QR code), together with a commissioned story explaining the title and adapted from the Greek myth by Sam Redway. The works are dedicated to the Memory of Lady Carol Djanogly, a great friend and long-time supporter of Lakeside Arts.

Lakeside was also engaged to develop a public art project for the interior of the new Cripps Health Centre, and the regional artist Jo Fairfax was unanimously selected from more than 40 submissions by a panel including representation from Cripps staff, the patient group and students. His unique project built on his research undertaken with Mixed Reality Lab colleagues and brought together mechanical operation together with visual art in a unique wall-mounted piece *Healing Time*, the calming and intriguing movement of which aims to provide a welcome distraction for visitors to the health centre.

In October 2018, Lakeside launched its new philanthropic giving scheme through a first Membership Programme with a targeted season launch event to raise awareness of the breadth of the offer across the year, and invite individuals to have a closer relationship to the team and the cultural offer. Members have been invited to specific member-only events where it has been possible to gain a closer insight into areas of programming, conservation, and the origins of some of our partner companies. A vintage-style afternoon tea in May was a popular event which also provided guests with a luminarium experience for the first time. On this occasion, guests also met the founding director of Architects of Air, Alan Parkinson, whose extraordinary inflatable luminaria tour the world continuously and have been seen by more than 3 million people across 5 continents.

A November highlight was the combined University Philharmonia and Choir concert performed with students and staff from Zhejiang Conservatory of Music at Nottingham's Albert Hall featuring Holst's *The Planets Suite* and *The Bells* (Rachmaninov). This was part of a residency project with Zhejiang Conservatory who undertook a tour of three UK universities, initiated and supported by Lakeside with financial assistance from Nottingham Confucius Institute and the Asia Business Centre. For the first time Lakeside also commissioned a digital projection to accompany an Albert Hall concert. Focused specifically on *The Planets* with large scale projections on the Binns Organ; this was a tremendously popular innovation brilliantly conceived and delivered by Lakeside Associate Artist Barret Hogdson (Vent Media).

During the Chinese New Year period Lakeside delivered a programme which exemplified the University's commitment to diversity, equality and inclusion. In partnership with the Centre of Contemporary East Asian Cultural Studies, Hongwei Bao delivered a two day conference and showcase on *Queer Chinese Representations on Transnational Screens*. In partnership with Left Lion, Lakeside screened the Chinese translation of *Lord of Milan: The Story of Herbert Kilpin* which attracted large audiences of people who love football and wouldn't necessarily normally visit Lakeside. The student-run Contemporary China Society

delivered a Lunar Festival event at the Djanogly Theatre; there were two fully-subscribed brush painting workshops; and London-based Chinese Arts Now delivered two unique programmes - a music theatre piece *Lao Can Impression* and an audio drama in the Djanogly Gallery Cafe titled *Citizens of Nowhere*. The programme culminated with three capacity Gala performances on 9 and 10 February delivered in partnership with Nottingham Confucius Institute and generating more than £3,000 for the Breast Cancer Research Centre. Katrin Moye's wonderful ceramics exhibition *Things From Home* featured works inspired by Chinese Foundation students verbatim statements about things that they missed from China. Simultaneously we were a partner in the delivery of UK Young Artists City Takeover which resulted in displays of art works by 6 Chinese Artists in the Angear Visitor Centre, as well as hosting 9 different performing arts programmes featuring artists from the UK and Europe.

The Djanogly Gallery's programme included two particularly important exhibitions in the last 12 months. Between November and February, the Gallery hosted the first major exhibition of Harold Gilman's work since 1982: *Harold Gilman Beyond Camden Town* was a partnership with Pallant House Gallery, Chichester. In the last ten years of his life Gilman displayed an increasing engagement with French Post-Impressionist painting and his work was unlike his mentor Walter Sickert or other Camden Group artists. This very popular show attracted audiences of 11,000, and was supported by a popular programme lunchtime talks and gallery tours.

Between March and June, Jack Kirkland's art collection was the focus for the *Homage to the Bauhaus* exhibition curated by Mark Rawlinson (History of Art) and Neil Walker for the Djanogly Gallery. The Vice-Chancellor hosted a dinner to celebrate the opening, and presented lunchtime lecture to a capacity audience on *The Bauhaus and Cultural Politics in Weimar Germany*. An exceptional collection of rarely seen works from different periods and geography, the exhibition attracted hugely enthusiastic audience of 10,876 and was the focus for a European Dancing Museums programme when it hosted 41 delegates from across Europe as part of a second three-year programme.

Lakeside presented a first in-house opera *Losing Her Voice* in April. Written by Elizabeth Kelly, Assistant Professor of Composition, it told the story of the first opera diva Geraldine Farrar who ended up performing in Cecil B Demille's silent *Carmen*. This was a major project supported by Opera America and Heritage and the Digital RPA Development Grant, in addition to in-kind resourcing from across Lakeside's Technical team, and the involvement of Associate Artists as Artistic Director and Musical Director. The project also examined the cult of celebrity and engaged with social media as an integral element of the production through a partnership with the Mixed Reality Lab. Lakeside's experience in theatre production was invaluable in the realisation of this project; we were also able to involve NTU final year Theatre Design students who created the set and costume. Four professional singers were joined by a chorus of ten students, and an ensemble of 3 professional musicians and 4 student musicians in the development and delivery of one of the most ambitious projects Lakeside has supported to date. The project was complemented by a new Module – From Page to Stage – new Module – *From Page to Stage: Bringing Opera to Life* – open by audition to all Music students from first-year undergraduates to Masters students. An 8 minute showreel is available <https://www.youtube.com/watch?v=XwgjipSPDEY>

In May Lakeside staged a seventh annual co-production and professional development project with Nottingham New Theatre, for the first time involving ex-Artistic Director of Nottingham Playhouse, Giles Croft, as Guest Director of Dennis Kelly's *DNA*. This play features heavily on the GCSE syllabus for English and Drama, and the production proved extremely popular with schools' groups attracting audiences of 848 over the 6 performance run, and engaging our student in animated post-show discussions with 528 school students who attended special schools' events.

Between April and June the Museum undertook an Arts Council-funded consultancy led by Dame Janet Vitmayer and Vivienne Bennett MBE, with a view to identifying options for the future development of the Museum following the completion of 3 years of ACE funding in 2018. At the request of Professor Jeremy

Gregory and Dr Paul Greatrix, a small task group will consider and take forward key consultancy recommendations within the consultancy during the 2019-20 academic year, including the realignment of the Museum to Manuscripts and Special Collections from a management perspective given the considerable synergies around conservation of collections and research. The Museum will physically remain as part of Lakeside, and continue to be promoted through Lakeside channels, as is the Weston Gallery programme which is also delivered by Manuscripts and Special Collections.

The annual Wheee! Free Family Weekend on 1 and 2 June boasted the strongest programme in the festival's history. It included *VR Playground*, which was originally created by a member of the Mixed Reality Lab Horizon team Dr Brendan Walker and has since toured widely; Motionhouse's *Wild* - 6 dancer circus dance piece performed on top of and all around a forest of steel poles; Galician clown *Circoleno*; and Joss Arnott Dance Company's *Pulse* performed on a giant percussive instrument. The festival introduced a first *Chill Out Zone* next to the Boat House for families with children who would benefit from some quieter activity; this proved to be a popular addition and will be built on in future editions. This extensive programme was made possible thanks to a 50% increase in partnership funding from The Woodland Trust in 2019.

On 10 June Lakeside launched a new Creative Pathways programme having secured 3 years of funding totalling £293,000 from the Office for Students (OfS). Twenty shortlisted graduates (2019) were interviewed for full-time 7 Internships across 6 cultural partner organisations and Lakeside beginning on 7 October 2019. A further programme for Undergraduates – the Creative Pathways Academy – will be launched on 15 October. All participants will have come through Widening Participation routes to University, with the ultimate aim of diversifying the cultural sector workforce.

Looking ahead to 2019-20, Lakeside will be celebrating the 25<sup>th</sup> anniversary of the Djanogly Recital Hall with two special concerts including the world premiere of a new commission for the Chamber Choir by Howard Skempton who has set Viking Poetry – selected by Professor Judith Jesch – to music. Lakeside will be launching a University of Nottingham Staff Discount Scheme at the end of August, and also introducing a Student Membership Scheme to coincide with Freshers Week. Both schemes aim to build and reward loyalty amongst our closest potential audiences providing a 10% discount for staff registered with the scheme applied directly at the point of sale, and the second will ensure students are aware of the £5 ticket offer, paid work opportunities, volunteering opportunities and Creative Pathways programming.

## Healthcare

In the area of Medicine and Health Sciences, the University contributes to the health and wealth of the nation in various ways. For example, alongside other graduates we train about 330 new doctors every year, 600 new nurses, 140 new physiotherapists and 80 new midwives. The numbers of medical students will increase this year as we take our first cohort of 80 new students into Lincoln Medical School; a new initiative with the University of Lincoln which will lead to a Nottingham degree. This expansion will make the University the largest provider of new doctors in the country. In our training of healthcare professionals, we are particularly proud to be a national leader on programmes to increase the diversity of students entering such training, including recruiting students from economically-disadvantaged backgrounds.

Our research has enormous real-world relevance and impacts strongly on healthcare. For example, researchers from the University of Nottingham were responsible for work underpinning the national bowel cancer screening programme and for research on prescribing acid-suppressing drugs to prevent peptic ulcers caused by aspirin and other painkillers. Both these initiatives have saved thousands of lives in the UK and worldwide. There are many other similar examples, ranging right back to the first use of MRI in medical imaging – a technology now used throughout the world. We have recently established a “Beacon of Excellence” in this area to ensure we remain a world-leader. Nottingham excels at translational patient-based research and houses a National Institute of Health Research (NIHR) Biomedical Research Centre, a

government investment of £24m in the partnership of the NUH NHS Trust and the University. This year we have won a £9m NIHR Applied Research Centre, jointly with the University of Leicester, which funds the next stage of clinical research. These centres will ensure that translation of our best research into real medical advances continues, and will further strengthen our many partnerships with industry that create wealth for the nation and promote its health.

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

## Sustainability

The University's Sustainability Strategy builds upon our successes and sets out a framework for delivering a truly sustainable University, focusing on six strategic areas:

- Student Experience
- Education for Sustainability
- Research for Sustainability
- Partnership and Engagement
- Operations for Sustainability
- Governance and Quality Assurance

We recognise that we have a responsibility to the local and global environment and, as an educator of future generations, many of whom will be at the cutting-edge of research and captains of industry, we influence our students through our curriculum, teaching and research and also by their surroundings, the campus experience and through the leadership of the University. We were ranked 2<sup>nd</sup> in the University of Indonesia Green Metric rankings in January 2019 and have received further recognition, including securing a Green Flag award for the sixth year in a row on the University's Jubilee Campus and for the 16<sup>th</sup> year on University Park.

In 2018 we were finalists at the Green Gown Awards and were highly commended for 'Project SCENE' which accelerates the adoption of community energy systems, including Europe's largest community energy battery and a solar array to power it in the Trent Basin, Nottingham. Our partners, Enactus Nottingham, were also finalists with their innovative project 'Liter of Light' - a renewable energy project in Nigeria.

The University's #WasteNott campaign began in September 2018 and has actively engaged staff and students in reducing unnecessary plastics – targeting single-use hot drinks cups and reducing their number by over 50,000 in the first 9 months.

In 2018/19 the University's new Teaching & Learning Building on University Park received a Special Award for Sustainability at the Royal Institute of British Architecture (East Midlands) in 2019. As Jubilee Campus continues expansion, carbon emissions will continue to increase and in 2017/18 this equated to a 9% rise. This has been amplified over the last year as the research energy intensive engineering buildings such as the Advanced Manufacturing Building and the Research Acceleration Demonstration Building (even with their BREEAM and Passivhaus designs) have begun operating. This trend will continue when the Power Electronics building is commissioned.

In 2017/18 our Scope 1 and 23 carbon dioxide emissions have shown an absolute reduction of 2.9% or 1,423 from 2016/17 and down 21,051 t from 2009/10 baseline of 67,998 t CO<sub>2</sub>. Since 2010 our CMP has now invested in excess of £18.8m, with estimated annual savings in the region of 14,034 tonnes of CO<sub>2</sub> and £2.3m in annual cash savings.

The University successfully divested from fossil fuel through 2018/19 and continues to actively manage its investment portfolio.

## Governance

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

The University is a corporation formed by Royal Charter and is an educational charity, with exempt status, regulated by the Office for Students (OfS). The Council is the University's governing body and, amongst other matters, it is responsible for overseeing the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The University is committed to best practice in corporate governance. The Council notes the UK Corporate Governance Code and the OfS Accounts Direction requirements. In addition, the University has had regard to the Higher Education Code of Governance (the Code) published by the Committee of University Chairs (CUC). In response to the Code and in accordance with overall good governance the Council periodically reviews the role of the Council and its effectiveness. The most recent review of the Council's effectiveness concluded in January 2016 and confirmed that governance arrangements were well aligned with the Code. Following the review enhancements continue to be introduced. In order to comply with the Code, the Council approved the following Statement of Primary Responsibilities in October 2018.

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

#### Role

The University Council is the governing body of the University. It is responsible for overseeing the University's activities, determining its future direction and developing and sustaining an environment in which its mission is achieved and learning is fostered. Council's work is directed to supporting the success and performance of the University. The Council is responsible for ensuring compliance with the Charter, Statutes and Ordinances regulating the University and its governance framework. Subject to these it makes all final decisions on matters of fundamental concern to the University.

#### Membership and meetings

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

Members of 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 five 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.

### Primary powers and responsibilities:

#### Overall powers and responsibilities

1. To approve the mission and strategy of the University and its academic and business plans;
2. To ensure that processes are in place to monitor the performance and effectiveness of the University against plans and agreed performance indicators and benchmarking against comparable Universities;
3. To appoint the President and Vice-Chancellor, after considering a report from a Joint Committee of Council and Senate (which is chaired by the Chair of Council) and to put in place arrangements for monitoring the President and Vice-Chancellor's performance and providing feedback.
4. To delegate authority to manage the University to the President and Vice-Chancellor, who is the Chief Executive of the University. This includes its corporate, financial, estate and personnel management. The Council will regularly review the policies, procedures and limits for delegated authorities;
5. To act as the principal financial and business authority of the University; including approving annual audited financial statements, appointing external auditors, approving budgets and financial plans, approving transactions, contracts, leases, investments and banking arrangements (subject to approved delegated limits), ensuring the maintenance of proper accounting records, having overall responsibility for the University's assets, property and estate, having overall responsibility for the University's liabilities, including pension liabilities (subject to approved delegated limits) and acting as trustee for legacies endowments, bequests or gifts;
6. To ensure the establishment and monitoring of effective systems of internal control and accountability, including financial and operational controls and the management of conflicts of interest. To establish appropriate procedures for internal audit and monitor the results of internal audit work;
7. To ensure procedures for assessing risk and risk mitigations and controls, consider the assessments arising and ensure that appropriate actions are taken to respond to risk;
8. To receive reports on and consider teaching and research and pastoral care and student development;
9. To be the employing authority for all of the staff employed by the University and to approve and monitor its human resources strategy and practices;
10. To establish and receive reports from a Remuneration Committee, comprising external members, which determines the remuneration of the President and Vice-Chancellor, approves proposals from the President and Vice-Chancellor for the remuneration of senior management and professorial staff and reviews overall remuneration and remuneration policies;
11. To establish delegated procedures for the appointment of staff and the approval of contracts with staff and to appoint external members of Council to Appointment Committees dealing with senior appointments or appointments when the involvement of external members of Council would be appropriate;
12. To appoint Committees for hearing grievances and to consider redundancies and appeals in relation to employment matters and to receive reports from the Committees and, where relevant, approve the recommendations of the Committees;

13. To ensure that non-discriminatory systems are in place to provide Equality and Diversity of opportunity for staff and students and to monitor their effectiveness;
14. To have ultimate responsibility for the Health and Safety of employees, students and others affected by its operations. This responsibility includes ensuring that there is a written statement of policy, arrangements for the implementation of the policy and appropriate monitoring;
15. To be the University's legal authority, ensuring that processes are in place for managing legal obligations arising from contract and legal commitments and ensuring they are complied with;

#### Other powers and responsibilities

16. To propose amendments to the Charter and to draft and enact Statutes, provided that Senate is given the opportunity to submit reports on any proposals for change to the Charter or Statutes, and to approve Ordinances and Regulations;
17. If necessary to appoint an Acting President and Vice-Chancellor;
18. To appoint a Chancellor;
19. To elect the Chair of Council to act as its chair and to elect Pro-Chancellors, the Treasurer and the Vice-Chair of Council;
20. To appoint external members of Council on the recommendation of the Nominations Committee. The Nominations Committee is responsible for succession planning for senior Council officer posts, 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;
21. To establish appropriate procedures for rotation and induction of members;
22. To appoint annually the Chairs and the external members of Council Committees and to approve the terms of reference of Council Committees;
23. To delegate in accordance with Ordinances the appointment of Emeritus Professors and Honorary Professors and Fellows, Honorary Associate Professors and Honorary Assistant Professors, to regulate the conferment of Honorary Degrees and to establish delegated procedures for appointing external examiners;
24. To approve the expulsion of students;
25. To establish processes to monitor and evaluate the effectiveness of Council; including a formal review to be conducted at least every four years;
26. To exercise all such powers as are or may be conferred on the Council by the Charter, Statutes, Ordinances and Regulations and to ensure compliance with the University's Charter, Statutes, Ordinances and Regulations;
27. To appoint a Secretary in accordance with Statutes and Ordinances and ensure that there is a direct and effective line of accountability to the Chair of Council in relation to Council business;
28. To oversee the Students' Union;
29. To select a Seal Arms and a Mace for the University and have the sole custody and use of the Seal.

In 2018/19 the Council of the University comprised the President and Vice-Chancellor, 14 external members, two student and eight academic persons appointed under the University's Statutes, the majority of whom

are non-executive. The role of Chair of Council is separated from the role of the University's Chief Executive, the President and Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the University's Statutes. By custom and under the OfS' Regulatory Framework, the Council is responsible for the University's ongoing strategic direction, approval of major developments and receiving regular reports from Executive Officers on the day-to-day operations of its business and its subsidiaries. The Council met five times during the year and has several Committees, all of which are formally constituted with terms of reference. The key Committees are noted below.

The Finance Committee, *inter alia* recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The Committee also reviews major investment decisions prior to final approval by the Council.

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

The Audit and Risk Committee comprises only external members and advisors and meets at least four times annually. All meetings are attended by the appointed External Auditor to discuss audit findings, and with the Internal Auditors to consider internal audit reports and recommendations for the improvement of the University's systems of risk management, internal control and governance framework. Incorporated into the internal audit reports are management's response and implementation plans. The Director of Planning, Performance and Strategic Change attends these meetings to consider the University Risk Register and the effectiveness of the mitigations to the main risks affecting the activities of the University. The Committee also receives and considers reports from the OfS as they affect the University's business. It considers the form of the annual report on Corporate Governance together with the accounting policies and reviews the implementation of risk management within the University. Whilst senior executives attend meetings of the Audit and Risk Committee as necessary, the President and Vice-Chancellor attending all meetings in 2018/19, 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 six senior external members, determines the salaries of senior staff of the University. The salary of the President and Vice-Chancellor is determined by the external members of the Committee. The Committee also reviews retention and recruitment policies relating to professorial and other senior staff.

The Health and Safety Committee comprises 24 representatives from academic schools and central professional service departments, two members for UNM and UNNC, two members from the Students' Union and one Council Member. Its terms of reference are to formulate safety and environmental policies in order to ensure that the University meets all legislative requirements and best practice standards, and to promote and monitor effective implementation of those policies.

Day-to-day management of the University is overseen by the University Executive Board, comprising the President and Vice-Chancellor, the Provost and Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Faculty Pro-Vice-Chancellors, the Chief Financial Officer, the Registrar, the Chief Marketing and Communications Officer (until 7 December 2018<sup>2</sup>), the Chief Digital Officer and the Director of Human Resources. University Executive Board acts as an executive committee and normally meets monthly, with weekly sub-meetings, to consider the strategic and financial direction of the University. The President and Vice-Chancellor is the principal academic and administrative officer of the University. The Provost and Deputy Vice-Chancellor and the Pro-Vice-Chancellors have specific responsibilities for major policy areas, whilst responsibility for

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<sup>2</sup> The Chief Marketing and Communications Officer ceased to be a member of University Executive Board on 7 December 2018.

Professional Services is largely shared between the Registrar and the Chief Financial Officer. The Council is kept informed of the key decisions and discussions of the University Executive Board including via formal statements presented by the President and Vice-Chancellor, which are 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. An effectiveness review of Senate was undertaken in 2016 for the first time. Senate is intending to undertake another effectiveness review in 2019/20

## Statement of internal control

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

These controls cover the period to the date the financial statements are approved.

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

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

During the year the Internal Audit Service identified a number of weaknesses as a result of their normal audit programme. These were reported to the University's Audit and Risk Committee and are being acted upon by management with regular updates being provided to the Committee.

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

The Council considers the plans and strategic direction for the University on a regular basis, advised by its key Committees.

The Audit and Risk Committee has been requested to provide oversight of risk management. This provides a formalised reporting and appraisal mechanism in addition to management reports noted above.

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

An organisation-wide risk management framework, which implements the University's Risk Management Policy, is maintained and considered regularly by the University Executive Board. The Audit and Risk Committee considers the effectiveness of the mitigations of the main risks to achieving the University's activities, including those reported through the University Risk Register. Risk considerations form part of the annual budgeting and planning cycle and inform the work undertaken by Internal Audit.

Key financial performance indicators and monthly management accounts are presented at each meeting of the Finance Committee.

The annual budget, forward estimates and major investment proposals are approved by both Finance Committee and the Council, following detailed review, challenge and assessment by the University Executive Board.

The review of the effectiveness of the system of internal control is informed by the Internal Audit Service, which operates to the professional standards of the Chartered Institute of Internal Auditors and meets the requirements of the Audit Code of Practice within the OfS terms and conditions of funding for higher education institutions. The Internal Audit Service was last subject to an external review in July 2019.

The review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditor in their management letter and other reports.

## Preparation of the Financial Statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the OfS 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 OfS are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and prevent and detect fraud;
- Secure the economical, efficient and effective management of the University's resources and expenditure.
- The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets; regular reviews of performance and monthly reviews of financial results involving variance reporting and updates of forecast outturn;
- Comprehensive Financial Regulations, approved by the Audit and Risk Committee, Finance Committee and the Council;
- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments, supported by clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- A professional Internal Audit Service whose annual programme is approved by the Audit and Risk Committee;

- Self-assessment Controls Assurance certification completed by managers responsible for key systems of financial control, reviewed by the Internal Audit Service and the results reported to the Audit and Risk Committee.
- Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

# Independent auditor's report to the Council of University of Nottingham

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of University of Nottingham (the 'university') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2019 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the consolidated and university statement of comprehensive income and expenditure;
- the consolidated and university balance sheet;
- the consolidated and university statements of changes in reserves;
- the consolidated cash flow statement;
- the statement of principal accounting policies; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Council's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.



## **Independent auditor's report to the Council of University of Nottingham**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of University of Nottingham (the 'university') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2019 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the consolidated and university statement of comprehensive income and expenditure;
- the consolidated and university balance sheet;
- the consolidated and university statements of changes in reserves;
- the consolidated cash flow statement;
- the statement of principal accounting policies; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Council's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The Council is responsible for the other information. The other information comprises the information included in the Global Review, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of the Council**

As explained more fully in the Council's responsibilities statement, the Council is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group's and the university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the group or the university or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Office for Students (OfS) "Regulatory Advice 9: Accounts Direction"**

In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes during the year ended 31 July 2019 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2019; and
- the requirements of the OfS' accounts direction (applied as described in note 1 in the accounting policies) have been met.

#### **Use of our report**

This report is made solely to the Council in accordance with the Accounts Direction issued by the Office for Students dated 19 June 2018. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of the University as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte LLP*

Deloitte LLP  
Statutory Auditor  
Nottingham, United Kingdom  
29 November 2019

# Statement of Principal Accounting Policies

## 1. Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with both the Statement of Recommended Practice on Accounting for Further and Higher Education 2015 (HEFE SORP) and Financial Reporting Standard 102 (FRS102). They conform to the guidance published by the Office for Students. Early adoption of the VC pay ratio has been included.

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

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

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

## 2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July. The consolidated Statement of Comprehensive Income includes the Group's share of the comprehensive income of associated undertakings and the consolidated balance sheet includes the investment in associated undertakings at the Group's share of their underlying net tangible assets (the 'equity method'). Associated undertakings are those in which the Group has a significant, but not dominant, influence over their commercial and financial policy decisions. The consolidated financial statements do not include those of the University of Nottingham Students' Union as it is a separate body in which the University has no financial interest and no control or significant influence over policy decisions.

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

## 3. Recognition of income

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

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

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

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

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

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

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

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

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

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Nottingham Contributory Pension and Assurance Scheme (CPAS) and the University of Nottingham Contributory Retirement Savings Plan (CRSP). USS and CPAS are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

The Funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the Schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the Schemes. A small number of staff remain in other pension schemes.

The USS scheme is a multi-employer scheme and is accounted for on a defined contribution basis as it is not possible to identify the assets and liabilities of the scheme which are attributable to the group. A liability is recorded within provisions for the University's contractual commitment to fund past deficits as determined by the scheme management. Movements in the provision are charged / credited to the Statement of Comprehensive Income.

CRSP is a defined contribution scheme and the amount charged to Staff Costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

CPAS is accounted for as a defined benefit scheme. For the defined benefit scheme the amounts charged to Staff Costs are the current service costs and gains and losses on settlements and curtailments. The interest cost and the expected return on assets are shown within Interest and Other Finance Costs. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the

scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

## **5. Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. Non-monetary items held at historical cost are translated into sterling using the exchange rate of the date of the transaction. Non-monetary items held at fair value are translated into sterling at the exchange rates on the date the fair value was determined. The resulting exchange differences are dealt with in the Statement of Comprehensive Income for the financial year.

## **6. Leases**

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

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

## **7. Carbon Reduction Commitment Allowances**

Carbon Reduction Commitment Allowances are recognised as an asset at cost until such time as prescribed by Government policy that the allowances are offset against carbon emitted or sold. Liabilities are accrued during the year as energy is consumed. This is multiyear scheme and as such all activity is appropriately recognised in the balance sheet and amortised accordingly.

## **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. Where a reliable estimate of the useful life of goodwill cannot be made, the life shall not exceed five years. Provision is made for any impairment.

## **9. Land and buildings**

Land is stated at deemed cost using the valuation as at 31 July 2014 and will no longer be revalued. The valuation of land was undertaken during the 2012/13 by Fisher Hargreaves Proctor Ltd, Property Consultants. Commercially held land is valued on a triennial basis by suitably qualified chartered surveyors, the last valuation was as 31 July 2016. The basis of valuation being open market value on an existing use basis. Land, with the exception of the Arts Centre and DH Lawrence Pavilion land, which are held on a long lease, is held freehold and is not depreciated as it is considered to have an indefinite useful life.

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

Assets in the Course of Construction are recognised at cost less impairment and are not depreciated.

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

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

## **10. Plant and equipment**

Plant and equipment, including computers and software, costing less than £30,000 per individual item or group of related items is written off in the year of acquisition (unless specified by a grant condition). All other equipment is capitalised.

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

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

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

Heritage Assets are recorded at cost and not depreciated.

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

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

## **11. Government grants**

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

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

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

## **12. Investment properties**

Investment properties are initially included in the Balance Sheet at their fair value at the balance sheet date on the basis of a triennial professional valuation. Mixed use investment property is separated between investment properties and property, plant and equipment. Changes in the fair value of investment properties are recognised immediately within the Statement of Comprehensive Income. The investment properties were revalued in 2018/19.

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

## **13. Investments and endowments**

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

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

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

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

## **14. Financial instruments**

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

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

## **15. Stocks**

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

## **16. Short Term Investments**

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

## **17. Maintenance of premises**

The University has a five year rolling maintenance plan, which is reviewed on an annual basis. The costs of maintenance are charged to the Statement of Comprehensive Income as incurred. Expenditure that is expected to provide incremental future benefits to the University is capitalised and added to the carrying value of the premises. If it is a replacement item the carrying amount relating to those parts replaced is derecognised and debited to expenditure at the date of disposal.

## **18. Taxation status**

The Institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

## **19. Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) The institution has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of economic benefits will be required to settle the obligation;
- and
- (c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the Institution a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Institution. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Institution a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Institution.

Contingent assets and liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes.





# Consolidated and University Statement of Comprehensive Income and Expenditure

For the Year Ended 31 July 2019

	Note	Consolidated		University	
		2019 £m	2018 £m	2019 £m	2018 £m
<b>Income</b>					
Tuition fees and education contracts	2	356.6	334.2	356.6	334.2
Funding body grants	3	90.9	90.1	90.9	90.1
Research grants and contracts	4	124.3	120.1	124.3	120.1
Other income	5	125.1	112.3	116.7	104.7
Investment income	6	2.0	3.7	2.2	3.8
Donations and endowments	7	2.3	3.7	2.3	3.6
<b>Total income</b>		<b>701.2</b>	<b>664.0</b>	<b>693.0</b>	<b>656.5</b>
<b>Expenditure</b>					
Staff costs excluding movement in USS pension liability	8	365.3	347.0	360.9	342.8
Movement in USS pension liability	27	110.0	(4.4)	110.0	(4.4)
<b>Total Staff Costs</b>		<b>475.3</b>	<b>342.6</b>	<b>470.9</b>	<b>338.4</b>
Other operating expenses	9	270.5	256.0	266.6	251.7
Depreciation	14	41.3	35.1	41.1	34.8
Interest and other finance costs	10	4.9	5.0	4.9	5.0
<b>Total expenditure</b>		<b>792.0</b>	<b>638.7</b>	<b>783.5</b>	<b>629.9</b>
(Deficit)/surplus before other (losses)/gains and share of operating surplus in associates		(90.8)	25.3	(90.5)	26.6
Gain/(loss) on disposal of fixed assets		0.1	(0.4)	0.1	(1.4)
Gain/(loss) on investments		5.7	3.9	3.8	4.3
Share of profits/(losses) in associated companies	16	1.6	3.7	1.0	0.0
<b>(Deficit)/surplus for the year</b>		<b>(83.4)</b>	<b>32.5</b>	<b>(85.6)</b>	<b>29.5</b>
Actuarial (Loss)/gain in respect of pension schemes	27	(20.6)	29.3	(20.6)	29.3
<b>Total comprehensive income for the year</b>		<b>(104.0)</b>	<b>61.8</b>	<b>(106.2)</b>	<b>58.8</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year		4.5	3.4	4.5	3.4
Restricted comprehensive income for the year		(0.3)	(0.0)	(0.3)	(0.0)
Revaluation reserves comprehensive income for the year		0.3	(0.6)	0.3	(0.6)
Unrestricted comprehensive income for the year		(108.5)	59.0	(110.7)	56.0
		<b>(104.0)</b>	<b>61.8</b>	<b>(106.2)</b>	<b>58.8</b>

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

## Consolidated and University Statement of Changes in Reserves

For the Year Ended 31 July 2019

Consolidated	Income and expenditure account			Revaluation	Total
	Endowment	Restricted	Unrestricted	Unrestricted	
	£m	£m	£m	£m	
<b>Balance at 1 August 2017</b>	55.1	6.5	367.1	4.2	432.9
Unrestricted surplus from the income and expenditure statement	0.0	0.0	51.1	0.0	51.1
Income from investment of the endowment portfolio	3.7	0.0	0.0	0.0	3.7
New endowments, donations and grants (including research)	0.6	2.0	0.0	0.0	2.6
Release of restricted funds spent in year	(1.3)	(2.0)	3.3	0.0	(0.0)
Unrealised appreciation of endowments, investments and investment properties	0.4	0.0	4.0	0.0	4.4
Transfers between revaluation and income and expenditure reserve	0.0	0.0	0.6	(0.6)	0.0
<b>Total comprehensive income for the year</b>	3.4	(0.0)	59.0	(0.6)	61.8
<b>Balance at 31 July 2018</b>	58.5	6.5	426.1	3.6	494.7
Unrestricted surplus from the income and expenditure statement	0.0	0.0	(111.9)	0.0	(111.9)
Income from investment of the endowment portfolio	2.0	0.0	0.0	0.0	2.0
New endowments, donations and grants (including research)	0.1	2.2	0.0	0.0	2.3
Release of restricted funds spent in year	(1.4)	(2.5)	3.9	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	3.8	0.0	0.0	0.0	3.8
Transfers between revaluation and income and expenditure reserve	0.0	0.0	(0.4)	0.4	0.0
<b>Total comprehensive income / (loss) for the year</b>	4.5	(0.3)	(108.4)	0.4	(103.8)
<b>Balance at 31 July 2019</b>	63.0	6.2	317.7	4.0	390.9

University	Income and expenditure account			Revaluation	Total
	Endowment	Restricted	Unrestricted	Unrestricted	
	£m	£m	£m	£m	
<b>Balance at 1 August 2017</b>	55.1	6.5	339.7	4.2	405.5
Unrestricted surplus from the income and expenditure statement	0.0	0.0	48.1	0.0	48.1
Income from investment of the endowment portfolio	3.7	0.0	0.0	0.0	3.7
New endowments, donations and grants (including research)	0.6	2.0	0.0	0.0	2.6
Release of restricted funds spent in year	(1.3)	(2.0)	3.3	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	0.4	0.0	4.0	0.0	4.4
Transfers between revaluation and income and expenditure reserve	0.0	0.0	0.6	(0.6)	0.0
<b>Total comprehensive income for the year</b>	3.4	(0.0)	56.0	(0.6)	58.8
<b>Balance at 31 July 2018</b>	58.5	6.5	395.7	3.6	464.3
Unrestricted surplus from the income and expenditure statement	0.0	0.0	(118.0)	0.0	(118.0)
Income from investment of the endowment portfolio	2.0	0.0	0.0	0.0	2.0
New endowments, donations and grants (including research)	0.1	2.2	0.0	0.0	2.3
Release of restricted funds spent in year	(1.4)	(2.5)	3.9	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	3.8	0.0	4.0	0.0	7.8
Transfers between revaluation and income and expenditure reserve	0.0	0.0	(0.4)	0.4	0.0
<b>Total comprehensive income / (loss) for the year</b>	4.5	(0.3)	(110.5)	0.4	(105.9)
<b>Balance at 31 July 2019</b>	63.0	6.2	285.2	4.0	358.4

# Consolidated and University Balance Sheet

As at 31 July 2019

	Note	Consolidated		University	
		2019 £m	2018 £m	2019 £m	2018 £m
<b>FIXED ASSETS</b>					
Intangible assets	12	0.0	0.7	0.0	0.7
Fixed assets	14	941.7	929.4	938.2	925.7
Heritage assets	14	1.1	1.0	1.1	1.0
Investments	15	79.5	73.4	79.9	73.8
Investments in associates	16	41.7	37.0	11.6	9.6
		<u>1,064.0</u>	<u>1,041.5</u>	<u>1,030.8</u>	<u>1,010.8</u>
<b>CURRENT ASSETS</b>					
Stock		1.7	1.8	1.3	1.4
Trade and other receivables	17	97.8	86.7	100.7	90.7
Short term investments		0.2	0.2	0.2	0.2
Cash and cash equivalents		6.0	5.8	0.4	0.0
		<u>105.7</u>	<u>94.5</u>	<u>102.6</u>	<u>92.3</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	18	(215.5)	(234.3)	(211.7)	(231.8)
<b>NET CURRENT LIABILITIES</b>		<u>(109.8)</u>	<u>(139.8)</u>	<u>(109.1)</u>	<u>(139.5)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		954.2	901.7	921.7	871.3
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	19	(258.8)	(243.6)	(258.8)	(243.6)
Provisions	20	(304.5)	(163.4)	(304.5)	(163.4)
<b>TOTAL NET ASSETS</b>		<u>390.9</u>	<u>494.7</u>	<u>358.4</u>	<u>464.3</u>
<b>RESTRICTED RESERVES</b>					
Income and expenditure reserve - endowment reserve	21	63.0	58.5	63.0	58.5
Income and expenditure reserve - restricted reserve	22	6.2	6.5	6.2	6.5
		<u>69.2</u>	<u>65.0</u>	<u>69.2</u>	<u>65.0</u>
<b>UNRESTRICTED RESERVES</b>					
Income and expenditure reserve - unrestricted		317.7	426.1	285.2	395.7
Revaluation reserve		4.0	3.6	4.0	3.6
		<u>321.7</u>	<u>429.7</u>	<u>289.2</u>	<u>399.3</u>
<b>TOTAL RESERVES</b>		<u>390.9</u>	<u>494.7</u>	<u>358.4</u>	<u>464.3</u>

The financial statements on pages **51 to 70** were approved by Council on 26 November 2019 and signed on its behalf by:

PROFESSOR SHEARER WEST  
*Vice Chancellor*

STEPHEN WALTON  
*Treasurer and Chairman of Finance Committee*

# Consolidated Cashflow Statement

For the Year Ended 31 July 2019

	Notes	2019 £m	2018 £m
<b>Cash flow from operating activities</b>			
Surplus for the year		(83.4)	32.5
<b>Adjustment for non-cash items</b>			
Depreciation	14	41.3	35.1
(Gain)/loss on investments		(5.7)	(3.9)
(Increase)/decrease in debtors	17	(11.1)	1.1
Increase/(decrease) in creditors		6.7	20.0
Increase/(Decrease) in pension provision		110.0	(5.8)
Share of operating surplus in associate	16	(1.6)	(3.7)
Surrender of carbon dioxide emission allowances	12	0.7	0.7
<b>Adjustment for investing or financing activities</b>			
Investment income - endowments	6	(2.0)	(3.7)
Interest payable	10	0.9	0.5
Endowment income		(0.1)	(0.6)
(Profit)/Loss on the sale of fixed assets		(0.1)	0.4
Capital grants released to income		(14.5)	(13.0)
<b>Net cash inflow from operating activities</b>		<b>41.0</b>	<b>59.6</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		0.1	0.0
Capital grants receipts		24.8	19.3
Disposal of non-current asset investments		0.6	10.7
Proceeds on sale of endowment investments		3.8	15.0
Endowment investment income		2.0	3.7
Payments made to acquire fixed assets		(54.0)	(84.9)
Payments to acquire endowment asset investments		(8.0)	(18.2)
New non-current asset investments		(2.8)	(4.1)
New deposits of endowment investments		(1.4)	(1.4)
<b>Total cash flows from investing activities</b>		<b>(34.9)</b>	<b>(59.9)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(0.9)	(0.5)
Endowment cash received		1.4	1.4
New unsecured loans		300.0	300.0
Repayments of amounts borrowed		(306.4)	(300.6)
<b>Total cash flows from financing activities</b>		<b>(5.9)</b>	<b>0.3</b>
<b>Increase in cash and cash equivalents in the year</b>			
		<b>0.2</b>	<b>(0.0)</b>
Cash and cash equivalents at beginning of the year		5.8	5.8
Cash and cash equivalents at end of the year		6.0	5.8

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

## Notes to the Financial Statements

### For the Year Ended 31 July 2019

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

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

To determine the appropriate values for the USS pension recovery plan the University has applied an accounting model and suggested discount rate developed by the British Universities Finance Director's Group (BUFDG) in conjunction with USS after conducting appropriate review of the recovery plan documentation and the bond market to ensure the model and rates were reasonable and appropriate. The liability for the plan is £167m (2018 £56m). This use of this model enables the University to reduce the level of uncertainty regarding the amount of the liability and is a model which is used by Universities across the board.

To determine the appropriate values for the CPAS pension recovery plan the scheme's independent trustees carry out a formal actuarial valuation on a yearly basis using a number of assumptions that are deemed to be reasonable and appropriate. The liability for the plan is £128.1m (2018 £107.8m). The use of independent trustees in carrying out a formal actuarial valuation reduced the level of estimation involved in determining the liability for the plan.

To determine an appropriate accrual for holiday pay contractually earned but not yet taken a sample of data was taken from holiday records using data within an internally-developed recording system. This data was used to generate a percentage value of staff costs which was then extrapolated to cover all staff. The detailed estimation technique will be periodically re-run. The accrual at 31st July 2019 stands at £12.8m (2018 £13.5m).

#### 2. Tuition fees and education contracts

	Consolidated 2019	2018	University 2019	2018
	£m	£m	£m	£m
Full-time credit bearing courses - home fees	198.9	189.2	198.9	189.2
Full-time credit bearing courses - international fees	124.7	108.4	124.7	108.4
Part-time credit bearing courses	5.8	5.6	5.8	5.6
Other teaching contracts	9.1	14.7	9.1	14.7
Non credit bearing courses and other fees	18.1	16.3	18.1	16.3
	<u>356.6</u>	<u>334.2</u>	<u>356.6</u>	<u>334.2</u>

#### 3. Funding body grants

	Consolidated 2019	2018	University 2019	2018
	£m	£m	£m	£m
Recurrent grants from OfS	86.2	84.4	86.2	84.4
Specific grants from OfS	0.0	0.3	0.0	0.3
Deferred capital grants Released in year				
Buildings	4.3	5.0	4.3	5.0
Equipment	0.4	0.4	0.4	0.4
	<u>90.9</u>	<u>90.1</u>	<u>90.9</u>	<u>90.1</u>

#### 4. Research grants and contracts

	Consolidated 2019	2018	University 2019	2018
	£m	£m	£m	£m
Research councils	54.9	51.3	54.9	51.3
UK based charities	12.5	14.0	12.5	14.0
UK central/local government, health and health authorities	24.7	21.4	24.7	21.4
UK industry, commerce and public corporations	8.4	7.6	8.4	7.6
EU government and other sources	18.6	17.3	18.6	17.3
Other grants and contracts	5.2	6.6	5.2	6.6
RDEC income	0.0	1.9	0.0	1.9
	<u>124.3</u>	<u>120.1</u>	<u>124.3</u>	<u>120.1</u>

#### 5. Other operating income

	Consolidated 2019	2018	University 2019	2018
	£m	£m	£m	£m
Residences, catering and conferences	46.5	45.1	36.5	34.7
Other services rendered	24.6	23.5	22.9	22.1
Health authorities	10.5	10.3	10.5	10.3
Released from deferred capital grants	9.8	1.8	9.8	1.9
Other income	33.7	31.5	37.0	35.7
	<u>125.1</u>	<u>112.2</u>	<u>116.7</u>	<u>104.7</u>

#### 6. Investment Income

	Consolidated 2019	2018	University 2019	2018
	£m	£m	£m	£m
Investment income on endowments (Note 21)	2.0	3.7	2.0	3.7
Other interest receivable	0.0	0.0	0.2	0.1
	<u>2.0</u>	<u>3.7</u>	<u>2.2</u>	<u>3.8</u>

#### 7. Donations and endowments

	Consolidated 2019	2018	University 2019	2018
	£m	£m	£m	£m
New endowments (Note 21)	0.1	0.6	0.1	0.6
Donations with performance conditions	0.4	0.9	0.4	0.9
Donations with restrictions (Note 22)	1.7	1.6	1.7	1.6
Unrestricted donations	0.1	0.6	0.1	0.5
	<u>2.3</u>	<u>3.7</u>	<u>2.3</u>	<u>3.6</u>

**8. Staff**

	<b>Consolidated 2019</b>	<b>2018</b>	<b>University 2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Staff costs:				
Gross pay	291.7	278.3	287.7	274.4
Social security costs	28.8	27.6	28.5	27.4
Other pension costs (Note 27)	44.8	42.2	44.7	42.1
Movement on USS pension provision (Note 20) and interest costs	110.0	(5.5)	110.0	(5.5)
	<u>475.3</u>	<u>342.6</u>	<u>470.9</u>	<u>338.4</u>

	<b>2019 £000</b>	<b>2018 £000</b>
Emoluments of Professor Shearer West Vice-Chancellor (appointed 2 October 2017)		
Basic salary	276	225
Remuneration	<u>276</u>	<u>225</u>
Employers pension contributions	51	41
Total cost	<u>327</u>	<u>266</u>

	<b>2019 £000</b>	<b>2018 £000</b>
Emoluments of Professor Sir David Greenaway Vice-Chancellor (Resigned 30th September 2017)		
Basic salary	0	49
Accommodation allowance	0	7
Taxable expenses and private health policy	0	2
	<u>0</u>	<u>58</u>
In lieu of pension contributions	0	7
Remuneration	<u>0</u>	<u>65</u>
Employers pension contributions	0	0
Total cost	<u>0</u>	<u>65</u>

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

The Vice-Chancellor's salary has been determined according to a number of factors including, but not limited to:

the depth of the Vice-Chancellor's 21 years of leadership, management and academic experience within the higher education section as well as government;

the breadth of leadership responsibilities for one of the UK's largest universities consisting of 47,532 students and approximately 7,000 staff based in campuses across the UK, China and Malaysia; as well as a global community of 270,000 alumni in more than 200 countries;

the financial responsibilities for an institution with an annual turnover of £700 million; and which contributes more than £1 billion to the national economy, £677 million to the regional economy, and supports 18,000 jobs; and

the accountability for sustaining a TEF Gold-ranked educational experience for our students; and a world-leading research portfolio worth £600 million devoted to solving some of the most pressing global challenges, to the benefit of society in the UK and around the world.

Salaries for senior staff and the Vice-Chancellor are set by the Remuneration Committee - part of the University's Council, its governing body - which comprises independent external members of Council, who possess commercial and public sector pay knowledge and expertise. Objectives for the Vice-Chancellor are set annually by the Chair of Council and performance and progress against them reported to and assessed by the Remuneration Committee.

Details of the membership and terms of reference of the Remuneration Committee can be found here: <https://www.nottingham.ac.uk/governance/universitycommittees/remunerationcommittee/remunerationcommittee.aspx>

Details of the Vice-Chancellor's salary have been published on the University website here: <https://www.nottingham.ac.uk/about/vice-chancellor/remuneration.aspx> since she took office.

Professor Shearer West was employed for the full financial year. Her basic salary was 8.07 times the median basic pay of staff, where the median pay is calculated on a full time equivalent basis for the salaries paid by the University to its staff excluding agency staff. Professor Shearer West was employed for 10 months in 2018 but the comparative figure of 8.30 is calculated on a full year equivalent basis.

Professor Shearer West was employed for the full financial year. Her total remuneration was 8.03 times the median total remuneration of staff, where the median total remuneration is calculated on a full time equivalent basis for the total remuneration paid by the University to its staff excluding agency staff. For Professor Shearer West the comparative figure of 7.87 for 2018 calculated on a full year equivalent basis.

	<b>2019 £000</b>	<b>2018 £000</b>
Compensation for loss of office paid (or payable) to employees of the University	<u>1,704</u>	<u>2,488</u>
Number of employees of the University where compensation has been paid (or is payable)	163	188
	<b>2019 £000</b>	<b>2018 £000</b>
Compensation for loss of office paid (or payable) to employees of Subsidiaries of the University	<u>0</u>	<u>28</u>
Number of employees of Subsidiaries of the University where compensation has been paid (or is payable)	0	4

	<b>2019</b>	<b>2018</b>
	<b>FTE</b>	<b>FTE</b>
Average Staff Numbers by Major Category:		
Teaching and Research	3,260	3,180
Technical	596	613
Administrative, Professional and Managerial	2,417	2,280
Other, including Manual	984	1,009
	<b>7,257</b>	<b>7,082</b>

#### Higher paid staff

This lists the number of staff (full time equivalent) with a basic salary, ie excluding employer's pensions contributions, of over £100,000 per annum, broken down into bands of £5,000. It does not include staff who left part way through a year but who would have received salary in these bands for a full year. Where a proportion of the salary is reimbursed by the NHS or Research Council for example, only the portion paid by the institution is disclosed.

In each band, the number of University Executive Board members is indicated as a subset of the total in that band, The membership of the Executive Board can be seen here: <https://www.nottingham.ac.uk/about/structure/university-executive-board/university-executive-board.aspx>

Basic salary per annum	Number (FTE) of staff 2018-19	Of which, University Executive Board members (FTE)
£100,000 - £104,999	19.1	0.0
£105,000 - £109,999	22.8	0.0
£110,000 - £114,999	9.9	0.0
£115,000 - £119,999	8.6	0.0
£120,000 - £124,999	15.1	3.0
£125,000 - £129,999	0.8	0.0
£130,000 - £134,999	2.8	2.0
£135,000 - £139,999	4.0	4.0
£140,000 - £144,999	2.0	0.0
£145,000 - £149,999	3.0	3.0
£150,000 - £154,999	0.9	0.0
£155,000 - £159,999	0.5	0.0
£160,000 - £164,999	1.0	1.0
£165,000 - £169,999	1.0	1.0
£170,000 - £174,999	1.0	0.0
£175,000 - £179,999	2.8	2.0
£275,000 - £279,999	1.0	1.0

Number of staff 2017-18 Restated as FTE	Of which, University Executive Board members (FTE)
21.3	0.0
8.9	0.0
11.5	0.0
9.1	1.0
10.4	1.0
0.5	0.0
0.3	0.0
7.0	5.0
0.0	0.0
3.0	3.0
1.3	1.0
0.2	0.0
1.0	1.0
1.0	0.0
0.0	0.0
2.0	2.0
1.0	1.0

#### University Council

Expenses paid to Council members who are not staff or students (as listed within these financial statements) totalled £10,941 (2018 £9,631).

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

#### Key management personnel

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

At 31st July 2019 there were 17 members (2018: 15 members).

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Compensation paid to key management personnel	<b>2.6</b>	<b>2.3</b>

#### 9. Other Operating Expenses

	<b>Consolidated 2019</b>	<b>2018</b>	<b>University 2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Purchase, hire and repair of equipment	28.5	29.9	28.3	29.6
Consumables and laboratory expenditure	20.9	18.9	20.6	18.7
Published materials	8.7	8.5	8.7	8.5
Travel and subsistence	15.7	13.9	15.6	13.8
Professional and other fees	74.7	59.8	72.1	57.4
Fellowships, scholarships and prizes	56.3	55.8	56.3	55.8
Catering supplies	6.9	7.4	5.8	6.3
Repairs and general maintenance	12.9	14.9	11.2	13.2
Heat, light, water and power	15.9	15.5	16.0	16.0
Rent, rates and insurance	9.1	4.5	9.3	4.8
Grants to University of Nottingham Students Union	2.6	2.7	2.6	2.7
Auditor's remuneration	0.2	0.2	0.2	0.2
Training	2.3	2.6	2.2	2.5
Advertising	1.7	1.7	1.7	1.6
Other expenses	14.1	19.7	16.0	20.6
	<b>270.5</b>	<b>256.0</b>	<b>266.6</b>	<b>251.7</b>



## 10. Interest and Other Finance Costs

	Consolidated 2019	2018	University 2019	2018
	£m	£m	£m	£m
Bank interest on loans	0.9	0.5	0.9	0.5
Finance costs for CPAS pension scheme (Note 27)	2.9	3.4	2.9	3.4
Finance costs in relation to USS pension scheme provision	1.1	1.1	1.1	1.1
	<u>4.9</u>	<u>5.0</u>	<u>4.9</u>	<u>5.0</u>

## 11. Analysis of Expenditure By Activity

### Consolidated

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	2019 Total £m	2018 Total £m
Academic departments	205.3	4.4	72.2	0.0	281.9	266.3
Research grants and contracts	49.9	4.8	40.6	0.0	95.3	93.3
Total teaching and research	<u>255.2</u>	<u>9.2</u>	<u>112.8</u>	<u>0.0</u>	<u>377.2</u>	<u>359.6</u>
Academic services	22.7	2.9	40.8	0.0	66.4	53.2
Administration	55.2	5.3	55.0	0.0	115.5	110.1
Premises	11.0	20.8	30.0	0.1	61.9	59.3
Residences, catering and conferences	12.9	2.8	19.9	0.0	35.6	32.9
Other expenses	118.3	0.3	12.0	4.8	135.4	23.6
Total per income and expenditure account	<u>475.3</u>	<u>41.3</u>	<u>270.5</u>	<u>4.9</u>	<u>792.0</u>	<u>638.6</u>

Auditor's remuneration includes;

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Audit Services	117.8	113.2	71.9	69.0
Other assurance	13.5	13.5	13.5	13.5
Non audit services (Tax advisory)	24.9	24.0	24.9	24.0
	<u>156.2</u>	<u>150.7</u>	<u>110.3</u>	<u>106.5</u>

### University

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	2019 Total £m	2018 Total £m
Academic departments	205.3	4.4	72.5	0.0	282.2	266.3
Research grants and contracts	49.9	4.8	40.6	0.0	95.3	93.3
Total teaching and research	<u>255.2</u>	<u>9.2</u>	<u>113.1</u>	<u>0.0</u>	<u>377.5</u>	<u>359.6</u>
Academic services	22.7	2.9	41.0	0.0	66.6	53.3
Administration	55.2	5.3	55.0	0.0	115.5	110.0
Premises	11.0	20.6	32.4	0.1	64.1	61.4
Residences, catering and conferences	8.8	2.8	15.7	0.0	27.3	24.1
Other expenses	118.0	0.3	9.4	4.8	132.5	21.5
Total per income and expenditure account	<u>470.9</u>	<u>41.1</u>	<u>266.6</u>	<u>4.9</u>	<u>783.5</u>	<u>629.9</u>

Other operating expenses includes USS pension adjustment of £110,008 (2018: (£4,402))

## 12. Intangible assets

	Consolidated and University	
	2019	2018
	£m	£m
Carbon dioxide emission allowances	0.0	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 purchasable at a higher price should emissions exceed the allowances purchased. The redemption is an annual process in April each year, with April 2012 to April 2013 being the first year of the scheme. The University had accrued for the carbon generated in 2017/18 and the liability was settled before the 31st July 2019.

## 13. Goodwill

	Consolidated £m
<b>Cost</b>	
At 1 August 2018 and at 31 July 2019	2.1
<b>Amortisation</b>	
At 1 August 2018	2.1
Charge for the year	<u>0.0</u>
At 31 July 2019	<u>2.1</u>
<b>Net book value</b>	
At 31 July 2019	<u>0.0</u>
At 31 July 2018	<u>0.0</u>

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

#### 14. Tangible fixed assets and heritage assets

	Consolidated						
	Land and buildings			Equipment £m	Assets in course of construction £m	Total £m	Heritage assets £m
	Freehold £m	Long leasehold £m	Investment properties £m				
<b>Cost / deemed cost</b>							
At 1 August 2018	908.2	15.0	4.2	237.4	70.8	1,235.6	1.0
Additions at cost	12.2	0.0	0.3	12.3	29.2	54.0	0.1
Transfers	28.8	0.0	0.0	32.5	(61.3)	0.0	0.0
Disposals	(0.1)	0.0	0.0	(8.4)	0.0	(8.5)	0.0
At 31 July 2019	949.1	15.0	4.5	273.8	38.7	1,281.1	1.1
<b>Depreciation</b>							
At 1 August 2018	154.6	3.4	0.0	148.3	0.0	306.3	0.0
Charge for year	18.6	0.1	0.0	22.6	0.0	41.3	0.0
Eliminated on disposals		0.0	0.0	(8.2)	0.0	(8.2)	0.0
At 31 July 2019	173.2	3.5	0.0	162.7	0.0	339.4	0.0
<b>Net book value</b>							
At 31 July 2019	775.9	11.5	4.5	111.1	38.7	941.7	1.1
At 31 July 2018	753.6	11.6	4.2	89.1	70.8	929.3	1.0

	University						
	Land and buildings			Equipment £m	Assets in course of construction £m	Total £m	Heritage assets £m
	Freehold £m	Long leasehold £m	Investment properties £m				
<b>Cost / deemed cost</b>							
At 1 August 2018	908.3	15.0	4.2	233.3	70.4	1,231.2	1.0
Additions at cost	12.2	0.0	0.3	12.3	29.1	53.8	0.1
Transfers	28.7	0.0	0.0	32.4	(61.1)	0.0	0.0
Disposals	(0.1)	0.0	0.0	(8.4)	0.0	(8.5)	0.0
At 31 July 2019	949.1	15.0	4.5	269.6	38.4	1,276.5	1.1
<b>Depreciation</b>							
At 1 August 2018	154.6	3.4	0.0	147.5	0.0	305.5	0.0
Charge for year	18.6	0.1	0.0	22.4	0.0	41.1	0.0
Eliminated on disposals		0.0	0.0	(8.2)	0.0	(8.2)	0.0
At 31 July 2019	173.2	3.5	0.0	161.7	0.0	338.4	0.0
<b>Net book value</b>							
At 31 July 2019	775.9	11.5	4.5	107.8	38.4	938.1	1.1
At 31 July 2018	753.7	11.6	4.2	85.8	70.4	925.7	1.0

Included in both consolidated and University within freehold land and buildings is £238.1m (2018 £225.8m) of land which is not being depreciated.

Property valuations were made by senior management using the July 2014 report of Savills (L&P) Ltd and commercial land has been valued by Shouler and Son as at 31 July 2017, both firms of Chartered Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose. These were done on FRS 102 transition and used as deemed cost going forward.

#### 15. Investments

	Consolidated 2019	2018	University 2019	2018
	£m	£m	£m	£m
Subsidiary companies	0.0	0.0	1.9	0.4
Investments	16.5	14.9	15.0	14.9
Investments as part of the endowment asset portfolio	63.0	58.5	63.0	58.5
	79.5	73.4	79.9	73.8

Included within consolidated investments are amounts invested in University collaborations and spin out companies. Investments in non listed companies are recognised at fair value using a % of their estimated net asset value. As the companies that are being invested in are at early stage of development there is a degree of financial uncertainty attached to them. The total cost of such investments was £8.5m (2018 £8.5m) with an impairment provision of £2.5m (2018 £1.6m).

The University is also a member of EMMAN Limited, The Manufacturing Technology Centre Limited, CIELivestock Limited, all of which are companies limited by guarantee for which the University's potential liability is limited to £1 each.

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

	<b>Spin out Investments</b>	<b>Medium Term Endowments</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cost / deemed cost			
At 1 August 2018	8.6	8.0	16.6
Additions at cost	0.8	2.0	2.8
Revaluation	(0.3)	0.5	0.2
Disposals	0.0	(0.6)	(0.6)
Write off	0.0	0.0	0.0
Market Value Appreciation	0.0	0.0	0.0
At 31 July 2019	<u>9.1</u>	<u>9.9</u>	<u>19.0</u>
Provisions for impairment			
At 1 August 2018	(1.7)	0.0	(1.7)
Impairment	(0.8)	0.0	(0.8)
Reversal of past impairment	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
At 31 July 2019	<u>(2.5)</u>	<u>0.0</u>	<u>(2.5)</u>
Carrying Value	<u>6.6</u>	<u>9.9</u>	<u>16.5</u>

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

<b>Investment</b>	<b>Type of business</b>	<b>Country of Incorporation</b>	<b>% Holding</b>	
Blueskeye AI Limited	Artificial Intelligence	United Kingdom	60%	Private Limited by Shares
Texture Jet Limited	Innovative surfacing solutions	United Kingdom	60%	Private Limited by Shares
Taraz Metrology Limited	Optical metrology	United Kingdom	57%	Private Limited by Shares
BioCity Group Limited	Accommodation (biotechnology and health companies)	United Kingdom	50%	Limited by Guarantee
Trent Basin ESCO Limited	Community energy scheme	United Kingdom	50%	Private Limited by Shares
Staff Roster Solutions Limited	Software development and application	United Kingdom	48%	Private Limited by Shares
Platelet Solutions Limited	Platelet function testing	United Kingdom	44%	Private Limited by Shares
Nottingham University Architecture and Urban Design Limited	Architectural and design activities	United Kingdom	37%	Private Limited by Shares
N U Vision Biotherapies Limited	Human health activities	United Kingdom	27%	Private Limited by Shares
Ticketing Network East Midlands Limited	Ticket services	United Kingdom	25%	Private Limited by Shares
M4 Technologies Limited	Research and development	United Kingdom	24%	Private Limited by Shares
Surepulse Systems Limited	Heart rate measuring technology	United Kingdom	23%	Private Limited by Shares
Promethean Particles Limited	Inorganic nanoparticle dispersion manufacture	United Kingdom	22%	Private Limited by Shares
Added Scientific Limited	3D printing	United Kingdom	20%	Private Limited by Shares
FAHRAS Limited	Health related software	United Kingdom	18%	Private Limited by Shares
PBD Biotech Limited	Diagnosis of Bacterial Infections	United Kingdom	17%	Private Limited by Shares
Evocell Limited	Research and development	United Kingdom	12%	Public Limited by Shares
Exonate Limited	Specialist Pharmaceutical	United Kingdom	10%	Private Limited by Shares
Locate Bio Ltd	Research and development	United Kingdom	10%	Private Limited by Shares
Footfalls and Heartbeats (UK) Limited	Research and development	United Kingdom	10%	Private Limited by Shares
Azotic Technologies Limited	Research and development	United Kingdom	8%	Private Limited by Shares
EventMAP Limited	Software development and application	United Kingdom	8%	Private Limited by Shares
One Third Stories Limited	Education	United Kingdom	5%	Private Limited by Shares
Oncimmune Holdings Plc	Research and development	United Kingdom	4%	Public Limited by Shares
Scancell Holdings Plc	Research and development	United Kingdom	0%	Public Limited by Shares
Walkin Ltd	Mobile app	United Kingdom	1%	Private Limited by Shares
Appolomics Inc	Biopharmaceutical	United States of America	0%	Private Limited by Shares
Novacyt SA Limited	Research and development	France	0%	Public Limited by Shares
Yoop Tech Limited	Web and mobile app	United Kingdom	0%	Private Limited by Shares

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

<b>Company Name</b>	<b>No of £1 Ordinary Shares</b>
Nottingham University Industrial and Commercial Enterprise Limited (NOTICE)	100,000
East Midlands Conference Centre Limited	100
UNIP Management Limited	2
Ambitious Futures Limited	1
Eminate Limited	1
Nottingham Technology Ventures Limited	2

NOTICE Limited is a provider of services, such as consultancy and power supplies. East Midlands Conference Centre Limited is a provider of facilities for conference and other events. UNIP Management Limited provides rental and property services. Eminate Limited develops products for the food and pharmaceutical sectors. Ambitious Futures Limited operates a training programme for graduates in the Higher Education sector. Nottingham Technology Ventures Limited manages the University's spin out portfolio.

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

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

## 16. Investment in Associated companies

	<b>Consolidated</b>	<b>University</b>
	<b>£m</b>	<b>£m</b>
At 1 August 2018	37.0	9.6
Share of retained profits	1.6	1.0
Exchange movements	3.1	1.0
At 31 July 2019	<u>41.7</u>	<u>11.6</u>

The University owns 37.5% (2018 37.5%) of the University of Nottingham Ningbo, China, a co-operative joint venture established in China. It has a financial year end of 31 December in accordance with Chinese regulations. The consolidated financial statements of the University reflects a carrying value of £27.7m (2018 £30.8m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.9% (2018 29.9%) of the ordinary share capital of the University of Nottingham, Malaysia, a company incorporated in Malaysia. It has a financial year end of 31 December in common with its majority shareholder. The consolidated financial statements of the University reflects a carrying value of £6.0m (2018 £6.3m) equal to 29.9% (2018 29.9%) of the net assets, excluding intellectual property, as at 31 July.

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

## 17. Trade and other receivables

	<b>Consolidated</b>		<b>University</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Amounts falling due within one year:				
Trade receivables	47.0	37.1	45.9	36.3
Amounts due from Subsidiaries	(0.0)	0.0	4.5	5.3
Amounts due from associates (Note 25)	5.5	5.5	5.5	5.5
Prepayments and accrued income relating to research grants	20.8	24.8	20.8	24.7
Prepayments and accrued income	17.5	18.9	17.0	18.5
<b>Amounts falling due after more than one year:</b>				
Debtors	7.0	0.4	7.0	0.4
	<u>7.0</u>	<u>0.4</u>	<u>7.0</u>	<u>0.4</u>
<b>Total trade and other receivables</b>	<u>97.8</u>	<u>86.7</u>	<u>100.7</u>	<u>90.7</u>

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

	<b>Consolidated</b>		<b>University</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank overdraft	0.0	0.0	0.0	1.6
Bank loans (note 19)	3.2	3.2	3.2	3.2
Payments received in advance	3.3	2.4	2.6	1.7
Trade payables	30.6	25.2	30.1	24.1
Social security and other taxation payable	0.9	6.1	0.5	5.9
Amounts due to subsidiaries	0.0	0.0	0.9	1.1
Accruals and deferred income	168.0	197.4	174.4	194.2
	<u>206.0</u>	<u>234.3</u>	<u>211.7</u>	<u>231.8</u>

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

	<b>Consolidated</b>		<b>University</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Donations	0.8	0.7	0.8	0.7
Research grants received in advance	75.7	79.7	75.7	79.7
Deferred capital grants	5.5	14.5	5.5	14.5
	<u>82.0</u>	<u>94.9</u>	<u>82.0</u>	<u>94.9</u>

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

	<b>Consolidated</b>		<b>University</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank loans	70.5	76.5	70.5	76.5
Hefce loans	0.9	1.3	0.9	1.3
Deferred capital grants	187.4	165.8	187.4	165.8
	<u>258.8</u>	<u>243.6</u>	<u>258.8</u>	<u>243.6</u>

At the balance sheet date the University had 2 loans in place with HSBC and the Royal Bank of Scotland totalling £156 million. The total facility with HSBC is for £75 million and is a 5 year revolving credit facility commencing November 2017 at a rate which is 0.45% above LIBOR. The bank loan with the Royal Bank of Scotland is at a rate which is 0.20% above LIBOR. The total facility is for £81 million and is a 20 year revolving credit facility with straight line amortisation of £0.8m per quarter over 25 years which commenced October 2010 with a £30 million bullet repayment at the end. The University has the ability to repay and redraw against both the facilities over the period of the loans and utilises this facility to manage its cash requirements. In addition the University had a multi-option facility for £15 million with the Royal Bank of Scotland.

Before the year end, work had commenced to restructure these facilities and this work completed before these financial statements have been signed. The facilities in place at 31st July 2019 have now been cancelled and replaced with a Private Placement of £100.0m to secure long term funding at a fixed rate, supplemented by a new 10 year £80.0m RCF to manage cash fluctuations and create additional headroom.

The University has maintained, not increased its net debt position as a result of these new facilities and there are no plans to increase current debt levels beyond this.

The HEFCE loan does not have a fixed repayment profile, repayments being dependent on the individual project. The University does not currently hold any finance lease arrangements.

## 20. Provisions

	Consolidated and University		Pension Total £m	Other £m	Total £m
	Obligation to fund USS deficit £m	CPAS deficit £m			
At 1 August 2018	55.6	107.8	163.4	0.0	163.4
Utilised in year	(1.7)	(0.2)	(1.9)	0.0	(1.9)
Additions in year	112.9	20.6	133.5	9.5	143.0
Other provisions					
At 31 July 2019	<u>166.8</u>	<u>128.2</u>	<u>295.0</u>	<u>9.5</u>	<u>304.5</u>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 27.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £55.6 million to £166.8 million. £111.2 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 8 in respect of significant one-off pension costs / gains. More details on the 2017 actuarial valuation are set out in note 27.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 27. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £96.1 million, a decrease of £70.7 million from the current year end provision.

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

During the year the University made a provision of £9.5m in relation to the ITO transformation project.

## 21. Endowments

	Consolidated and University			2018 Total £m
	2019 Restricted Expendable £m	2019 Restricted Permanent £m	2019 Restricted Total £m	
Balance as at 1 August 2018	5.0	53.5	58.5	55.1
Additions	0.0	0.1	0.1	0.6
Transfers	0.0	0.0	0.0	0.0
Appreciation of Endowment Asset Investments	0.2	3.5	3.8	0.4
Income for the Year	0.3	1.7	2.0	3.7
Expenditure for the Year	(0.6)	(0.7)	(1.4)	(1.3)
Balance as at 31 July 2019	<u>4.9</u>	<u>58.1</u>	<u>63.0</u>	<u>58.5</u>

Represented by:

Capital value	4.9	53.3	58.2	53.9
Accumulated income	0.0	4.8	4.8	4.6
	<u>4.9</u>	<u>58.1</u>	<u>63.0</u>	<u>58.5</u>

Analysis by type of purpose:

Academic staff	0.3	32.6	32.9	30.2
Prizes, scholarships and student support	2.6	14.7	17.3	16.4
Subject specific	2.0	2.0	4.0	3.6
Research	0.0	2.7	2.7	2.5
Other	0.0	6.1	6.1	5.8
	<u>4.9</u>	<u>58.1</u>	<u>63.0</u>	<u>58.5</u>

Analysis by asset

Current and non-current asset investments			<u>63.0</u>	<u>58.5</u>
			<u>63.0</u>	<u>58.5</u>

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

## 22. Restricted reserves

	Consolidated and University			2018 Total £'000
	2019 Research £m	2019 Donations £m	2019 Restricted Total £m	
Balance as at 1 August 2018	1.6	4.9	6.5	6.5
New grants	0.6	0.0	0.6	0.5
New donations	0.0	1.6	1.6	1.6
Expenditure	(0.8)	(1.7)	(2.5)	(2.1)
Balance as at 31 July 2019	<u>1.4</u>	<u>4.8</u>	<u>6.2</u>	<u>6.5</u>

Analysis by type of purpose

Prizes, scholarships and student support			2.6	2.1
Subject specific			1.9	2.6
Research			1.4	1.7
Other			0.3	0.1
			<u>6.2</u>	<u>6.5</u>

### 23. Operating lease commitments

	Consolidated		University	
	2019	2018	2019	2018
	£m	£m	£m	£m
Total rentals payable under operating leases in respect of equipment:				
Within one year	3.3	0.3	3.3	0.3
Between two and five years	6.8	0.6	6.8	0.6
Over five years	0.0	0.0	0.0	0.0
	<u>10.1</u>	<u>0.9</u>	<u>10.1</u>	<u>0.9</u>

### 24. Capital Commitments

	Consolidated		University	
	2019	2018	2019	2018
	£m	£m	£m	£m
Commitments contracted at 31 July	<u>23.2</u>	<u>24.8</u>	<u>23.2</u>	<u>24.7</u>

The University has continued a period of significant infrastructure development. At the financial year end, the largest capital commitment of £14m related to the Power Electronics & Machine Centre (PEMC), sited on the Jubilee campus. Most other commitments relate to refurbishment and redevelopment works.

### 25. Related party transactions

Due to the nature of the University's operations and the composition of the Council (being drawn from commerce, industry and the public sector) and senior management team, it is inevitable that transactions will take place with organisations in which a member of the Council or the senior management team may have an interest. All transactions involving organisations in which a member of Council or the senior management team may have an interest are conducted at arm's length and in accordance with the University's financial regulations and usual procurement procedures. Total expenses paid direct to members of the University's Council, who are also the University's Trustees, are shown at note 8. Transactions with wholly owned subsidiaries which have been consolidated in the Group financial statements are not disclosed below, in accordance with the exemption given in FRS102 Section 33 (Related Party Disclosures).

In the current year the University continued a sponsorship arrangement with NOVA Education Trust for £0.7m (2018 £0.7m). NOVA Education Trust is a multi-academy trust which has taken over the business of NUSA (Nottingham University Samworth Academy) and NUAST.

Relevant significant relationships held by members of Council or the senior management team are:

- 1) Professor Sarah O'Hara is a Company Director of NUSAT (Nottingham University Samworth Academy Trust), which provides education to 11 to 18 year olds. As noted above the University entered into a Sponsorship Agreement in 2017/2018 with NOVA Education Trust relating to NUAST.
- 2) John Mills is Chairman of NOVA Educational Trust

The University of Nottingham owns a 29.9% (2018 29.9%) stake in the University of Nottingham, Malaysia, a 37.5% (2018 37.5%) stake in the University of Nottingham, Ningbo China both of which are accounted for as associated entities (see note 16).

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.

	2019	2019	2018	2018
	Malaysia	China	Malaysia	China
	£m	£m	£m	£m
Net charges by the University:				
Costs	0.6	1.2	0.5	1.0
Management fee	1.6	7.0	1.6	6.0
Owed to the University at 31 July	0.5	5.3	0.6	4.9

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

Note 8 sets out the grants paid to the University of Nottingham Student's Union. Two senior elected Officers of the Student's Union are also members of the University Council.

### 26. Cash and cash equivalents

	At	Cash Flows	At
	At 1 August 2018		At 31 July 2019
	£m	£m	£m
Consolidated			
Cash and cash equivalents	5.8	0.2	6.0
	<u>5.8</u>	<u>0.2</u>	<u>6.0</u>

### 27. Pension Schemes

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

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

	2019	2018
	£m	£m
Contributions to USS	37.7	34.9
USS deficit recovery adjustment	110.0	0.0
Charge to I&E account re CPAS	3.1	3.5
Contributions to Other Pension Schemes	4.0	3.8
Total Pensions Cost (Note 8)	<u>154.8</u>	<u>42.2</u>

## USS

The institution participates in the Universities Superannuation Scheme (USS). The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed 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. As required by Section 28 of FRS102 'Employee Benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost charged to the income and expenditure account is £37.7m (2018: £34.9m)

The latest available complete actuarial valuation of the scheme was at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 is underway but not yet complete. Since the institution cannot identify its share of the scheme's assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for scheme 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. At the valuation date, the value of the assets of the scheme was £60.6 billion and the value of the scheme's technical provision was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21+: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table:

Male members mortality	Pre retirement: 71% of AMC00 (duration 0); Post retirement: 96.5% of SAPS S1NMA "light"
Female members mortality	Pre retirement: 112% of AFC00 (duration 0); Post retirement: 101.3% of RFV00

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	0.0244	0.0264
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	0.0211	0.0202

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £96.1 million, a decrease of £70.7 million from the current year end provision and a lower face of the Statement of Comprehensive Income of £40.5 million.

## CPAS

The University sponsors the University of Nottingham Contributory Pension and Assurance Scheme, a funded defined benefit pension scheme in the UK. The Scheme is a separate trust independent of the University and is supervised by independent trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the Scheme is appropriately funded and that the Scheme assets are appropriately invested.

Active members of the Scheme pay contributions at the rate of 7.5% of salary and the University pays the balance of the costs as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

A formal actuarial valuation was carried out as at 31 July 2017. The results of that valuation have been projected to 31 July 2019 with an allowance for cash flows during the period and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

Under the current Recovery Plan the University has agreed to make annual contributions in accordance with the Schedule of Contributions dated October 2015, payable in equal monthly instalments. The University expects to contribute £8.5m to the Scheme during the year ended 31 July 2019 to address the funding shortfall and cost of accrual. On top of this the University will pay an amount equal to the aggregate contributions that would otherwise have been payable by those members who have elected to pay their contributions by salary sacrifice. In addition to these contributions the University will pay the cost of early retirement strains and all Scheme expenses attributable to the University under the terms of the Operating Costs protocol, including the cost of death-in-service benefits.

**CPAS - FRS102 Disclosure**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>The amounts recognised in the balance sheet are as follows:</b>		
Present value of funded obligations	(366.2)	(323.5)
Fair value of Plan assets	238.1	215.7
Deficit	<u>(128.1)</u>	<u>(107.8)</u>

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>The amounts recognised in staff costs and comprehensive income are as follows:</b>		
Service cost (recognised in staff costs)		
Current service cost	3.3	3.8
Gains on curtailments, settlements and business combinations.	2.5	0.0
Net interest expense/(credit)	2.8	3.2
Operating charge/(credit)	<u>8.6</u>	<u>7.0</u>
Experience gains and losses	(36.5)	25.1
Expected return on plan assets	<u>16.0</u>	<u>4.3</u>
Actuarial gain recognised as comprehensive income	<u>(20.6)</u>	<u>29.3</u>
Total defined benefit (credit)/charge	<u>(11.9)</u>	<u>36.3</u>

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>The return on plan assets was:</b>		
Interest income	5.8	5.1
Return on plan asset (excluding amount included in net interest)	<u>16.0</u>	<u>4.5</u>
Actual return on plan assets	<u>21.8</u>	<u>9.6</u>

**Reconciliation of scheme assets and liabilities**

	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 August 2018	215.7	(323.5)	(107.8)
Benefits paid	(8.8)	8.8	0.0
Administration expenses	(0.1)	0.0	(0.1)
Current service cost	0.0	(3.3)	(3.3)
Employer contribution	9.1	0.0	9.1
Employee contribution	0.4	(0.4)	0.0
Interest income/(expense)	5.8	(8.7)	(2.9)
Return on assets (excluding amount included in net interest)	16.0	0.0	16.0
Actuarial gains/(losses)	0.0	(36.6)	(36.6)
Gain/(Loss) on plan introductions and changes	0.0	(2.5)	(2.5)
At 31 July 2019	<u>238.1</u>	<u>(366.2)</u>	<u>(128.1)</u>

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

	<b>2019</b>	<b>2018</b>
Liability discount rate	2.10%	2.70%
Inflation assumption - RPI	3.20%	3.15%
Inflation assumption - CPI	2.20%	2.15%
Rate of increases in salaries	2.20%	2.15%
Revaluation of deferred pensions:		
benefits accrued prior to May 2003	2.20%	2.15%
benefits accrued after May 2003	3.20%	3.15%
Increases for pensions in payment		
benefits accrued prior to May 2003	3.50%	3.45%
benefits accrued after May 2003	3.20%	3.15%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	80.00%	80.00%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	87.5	87.9
Female aged 65 at year end:	89.4	89.9
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	89.2	89.6
Female aged 45 at year end:	91.3	91.7

The major categories of scheme assets are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Return Seeking Assets	130.7	118.9
Bonds	54.0	51.1
Diversified Alternatives	22.2	20.7
Index Linked	25.1	19.3
Insured annuities	4.5	5.1
Cash	1.6	0.7
Total Market value of assets	<u>238.1</u>	<u>215.8</u>

The Scheme has no investments in the Company or in property occupied by the University

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

	<b>31 July 2019</b>	<b>31 July 2018</b>	<b>31 July 2017</b>	<b>31 July 2016</b>	<b>31 July 2015</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Defined benefit obligation	(366.2)	(323.5)	(340.3)	(326.2)	(269.8)
Plan assets	238.1	215.7	201.7	186.6	164.6
Deficit	<u>(128.1)</u>	<u>(107.8)</u>	<u>(138.6)</u>	<u>(139.6)</u>	<u>(105.2)</u>
Experience adjustments on plan liabilities	(36.5)	25.0	(10.7)	50.4	27.3
Experience adjustments on plan assets	16.0	4.3	10.6	14.9	6.0



#### Guaranteed Minimum Pension

The University's defined benefit pension scheme will be affected by the ultimate resolution of the equalisation of benefits for men and women in relation to Guaranteed Minimum Pension provisions. The method of equalisation may ultimately increase the University's pension liabilities in respect of the CPAS Pension Fund and in so doing increase the pension deficit carried on the balance sheet. A review of the potential impact on the introduction of GMP legislation has been made by XPS on the University's behalf and a provision of £2.5m has been included for the associated costs of compliance.

#### CRSP

Following the closure of CPAS to new entrants on 1 September 2006, the University engaged Legal & General to operate a defined contribution pension scheme for the benefit of members. The Contributory Retirement Savings Plan (CRSP) is designed as the primary pension plan for members of staff who are not already in another pension scheme, but all members of staff can join CRSP. The University makes contributions equivalent to twice the employee's contribution, up to a maximum of 10%. As at 31 July 2019 the University owed £344,920 in respect of contributions to the scheme (2018: £313,742).

### 28. Financial Instruments

#### Financial Assets

	Consolidated		University	
	2019 £m	2018 £m	2019 £m	2018 £m
<b>Measured at fair value through profit and loss</b>				
Investments (including endowments) (Note 15)	79.5	73.4	79.9	73.8
Short term investments	0.2	0.2	0.2	0.2
<b>Measured at undiscounted amount receivable</b>				
Trade and other receivables (Note 17)	59.5	43.0	62.9	47.5
	<u>139.2</u>	<u>116.6</u>	<u>143.0</u>	<u>121.5</u>
<b>Measured at undiscounted amount payable</b>				
Payments received in advance (Note 18)	(3.3)	(2.4)	(2.6)	(1.7)
Trade payables (Note 18)	(30.6)	(25.2)	(30.0)	(24.2)
Social security and other taxation payable (Note 18)	(0.9)	(6.2)	(0.5)	(5.9)
Amounts due to subsidiaries (Note 18)	0.0	0.0	(0.9)	(1.1)
Accruals and deferred Income (Note 18)	(177.5)	(197.4)	(184.0)	(194.2)
<b>Measured at amortised cost</b>				
Bank loans (Note 18,19)	(73.7)	(79.7)	(73.7)	(79.7)
HEFCE loan (Note 19)	(0.9)	(1.3)	(0.9)	(1.3)
	<u>(286.9)</u>	<u>(312.2)</u>	<u>(292.6)</u>	<u>(308.1)</u>

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

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

### 29. Access Funds

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

	2019 £m	2018 £m
Balance at 1 August	(1.0)	(1.0)
Funding Council Grants	0.0	0.0
Interest Earned	0.0	0.0
	<u>(1.0)</u>	<u>(1.0)</u>
Disbursed to Students	0.0	0.0
Balance Unspent at 31 July	<u>(1.0)</u>	<u>(1.0)</u>

### 30. Connected Charitable Institutions

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

	2019 £m	2018 £m
<b>Children's Play Activities Trust Fund</b>		
<b>Reserves</b>		
Balance as at 1 August	0.3	0.3
Balance as at 31 July	<u>0.4</u>	<u>0.3</u>
<b>Non-Operating Charities</b>		
JH Tomlin Scholarship Fund		
The Dean Moore Scholarship Fund		
The AF Bird Memorial Award		

### **31. Sport England grant**

Sport England has granted the University funds to provide opportunities for students to take part in sport and activity. £8,126 (2018 £8,040) has been spent, in collaboration with Nottingham Trent University.

### **32. Guaranteed Minimum Pension**

The University's defined benefit pension schemes will be affected by the ultimate resolution of the equalisation of benefits for men and women in relation to Guaranteed Minimum Pension provisions. The method of equalisation may ultimately increase the University's pension liabilities in respect the CPAS and the USS schemes and in doing so increase the pension deficit carried on the balance sheet. As both the final legal position and the method of equalisation are still unclear it is not possible to estimate the amount of any potential increase in pension liabilities.

### **33. Events after the reporting period**

As set out in Note 27 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £70.7 million in the provision for the Obligation to fund the deficit on the USS pension which would instead be £96.1 million. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.