



University of  
Nottingham

UK | CHINA | MALAYSIA

A large, glowing blue digital globe composed of many small dots and lines, set against a dark blue background with faint grid lines. The globe is centered in the upper half of the page.

# Global Review and Financial Statements 2017

# Council membership

1 August 2016 to 31 July 2017

The Council is the University's governing body and, among 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.

## President of Council and Pro-Chancellor

John Mills

## Vice-President of Council

Dame Elizabeth Fradd

## Members ex-Officio

### Pro-Chancellor

Dr Hamid Mughal OBE

### Vice-Chancellor

Professor Sir David Greenaway

### Deputy Vice-Chancellor

Professor Karen Cox

### Treasurer

Stephen Walton

### Pro-Vice-Chancellors

Professor Sarah O'Hara

Professor Dame Jessica Corner

## Members of staff

Professor Tony Avery

Professor Neil Crout

Dr Rachel Gomes

Professor Kevin Lee  
(from 21 February 2017)

Dr Gabriele Neher

## External members appointed by the Council

Simon Amess

Baroness Brenda Dean

John Finch

Lynette Eastman  
(from 1 November 2016)

Carolyn Morgan

Trevor Moss

Jeff Randall  
(to 30 November 2016)

David Ross

Nora Senior  
(from 1 December 2016)

David Tilly

Neil Watkinson

## Appointed by the Students' Union

From 1 July 2016 to 30 June 2017

### President

Ismail Sadurdeen

### Education Officer

Beth Massey

From 1 July 2017

### President

Alan Holey

### Education Officer

Catherine O'Boyle

## Other Senior Officers

### Chancellor

Sir Andrew Witty

### Registrar

Dr Paul Greatrix  
(Secretary to Council)

### Pro-Vice-Chancellors

Professor Graham Kendall

Professor Dame Jessica Corner

Professor Nick Miles OBE

Professor Chris Rudd

### Faculty Pro-Vice-Chancellors

Professor John Atherton

Professor Jeremy Gregory

Professor Todd Landman

Professor Andrew Long

Professor Kevin Shakesheff

### Chief Financial Officer

Margaret Monckton  
(from 28 November 2016)

### Chief Estates and Facilities Officer

Chris Jagger

### Chief Marketing and Communications Officer

Kerry Law

### Chief Information Officer

Mary Visser  
(to 8 January 2017)

### Director of Human Resources

Jaspal Kaur

### Chief Student Management Officer

Breda Walls

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# President and Vice-Chancellor's Welcome

“As the University’s new Vice-Chancellor, I am delighted to present this summary of our achievements across the academic year and the dedicated work of my colleagues to take teaching, learning and research to new levels.”

“Our research has a global impact, and in 2017 we committed to the most significant planned investment in the University’s history. Our Research Vision underlines our commitment to world-leading, transformational discovery.”

At a time of unprecedented change in higher education, and in the wider world, the University of Nottingham is a thriving institution offering an outstanding student experience, world-changing research and a global reputation for excellence.

As the University’s new President and Vice-Chancellor, I am delighted to present this summary of our achievements across the academic year and the dedicated work of my colleagues to take teaching, learning and research to new levels.

It was particularly gratifying to see the University awarded a gold rating in the first Teaching Excellence Framework (TEF). Achieving the gold standard reflects the excellent education offered at Nottingham, investment in world-class facilities and students’ access to truly global opportunities. It is a resounding endorsement of the Nottingham student experience and an institutional culture which rewards excellent teaching. Above all, it is recognition of the professionalism and dedication of our staff who are involved in every aspect of teaching and learning at the University.

The success of our graduates was also recognised this year with the University being named the University of the Year for Graduate Employment by *The Times and Sunday Times Good University Guide 2017*. This reflects the attention we pay to providing career guidance, skills workshops, application support, employer and alumni engagement, and placement development, as well as continued development of the Nottingham Advantage Award.

Our research has a global impact, and an unprecedented investment in our Research Vision announced in 2017 will position the University as an institution that recruits and retains the best people and creates practical solutions to today’s global challenges. This will support 100 early career fellowships throughout the University over the next five years, as well as six multidisciplinary Beacons of Excellence which will deliver transformative research in the fields of human rights, healthcare, food, advanced materials and transport, bio-manufacturing, and smart industries.

Our world-leading facilities and equipment, libraries and professional services are dedicated to supporting our researchers and translating their discoveries into applications with real impact for people across the world. We are also working hard to ensure they have the best research environment, with significant investment in facilities and infrastructure, such as the GlaxoSmithKline Carbon Neutral Laboratory for Sustainable Chemistry, which had its official opening during the year.

The new vision for research dovetails with our Global Engagement Strategy, connecting activities across all our campuses and internationally to maximise our impact and reputation. This continues apace with further growth and development at the University of Nottingham Malaysia Campus and the University of Nottingham Ningbo China, recognised with the award for International Strategy of the Year at the *Times Higher Education Leadership & Management Awards 2017*.

New strategic and teaching partnerships have been developed with key overseas institutions in China, Sweden and the USA, providing enhanced opportunities for teaching and research collaboration. In the UK, the successful embedding of the University of Nottingham International College has expanded undergraduate foundation and pre-masters provision.

The University’s global family of alumni also played their part in *Impact: The Nottingham Campaign* – the most successful development campaign in the institution’s history. The campaign engaged alumni, staff, partners and friends of the University on a scale not seen before, and raised more than £242m over a six-year period. Its funding is making a huge contribution in many areas, including our world-leading research into breast cancer, children’s brain tumours and dementia research.

There is much to celebrate, but also much more to do as we position the University for continued success. As I commence my first year as President and Vice-Chancellor, I look forward to getting to know colleagues and working together to start the next chapter in the history of the University of Nottingham.



**Professor Shearer West**  
President and Vice-Chancellor  
University of Nottingham

# Global Strategy 2020 Review

During the year, the University's Global Strategy 2020 has been through a review and refresh to ensure the key themes remain relevant to the University in 2017 and beyond.

## Core Strategy: Excellence in Education and Student Life

Education transforms lives – and it is this belief upon which the University of Nottingham is founded. It is a belief which drives a commitment to teaching and learning of the very highest quality, unlocking students' potential and preparing them to shape the world for the better.

Recognition came in 2017 in the form of a gold award in the first Teaching Excellence Framework (TEF) – a rigorous assessment of teaching and learning across UK higher education. Achieving the gold standard reflects the excellent education offered at the University, and an outstanding all-round student experience that helps to make our graduates some of the most sought-after by leading employers.

The TEF panel judged that the University delivers "...consistently outstanding teaching, learning and outcomes for our students... of the highest quality found in the UK."

TEF gold encompasses many aspects of student life, including excellent teaching and academic support, investment in world-class facilities and access to truly global opportunities.

It also recognises the systematic evaluation of student feedback at the University; the role of students as change agents; levels of contact time;

an embedded culture of personalised learning; student engagement with advanced technology-enhanced learning; focused, discipline-specific careers support; and an institutional culture that rewards excellent teaching – our academic staff hold more than 1,000 Higher Education Academy Fellowships between them.

At an institutional level, the award is a resounding endorsement of one of the University's core strategies: providing excellence in education and student life. Systematic delivery in this area has been achieved through the University's Transforming Teaching Programme, commended by the UK Quality Assurance Agency which stated that it "...has a central role and is particularly effective in enhancing the student learning experience."

Professor Sarah O'Hara, Pro-Vice-Chancellor for Education and Student Experience, said: "We're absolutely delighted that we have received a TEF gold rating. This reflects the hard work and creativity of our teaching staff and support colleagues across our UK campuses. Every single one of them has contributed to this institutional award."

TEF success followed data from the national Longitudinal Educational Outcomes (LEO) study which found that our students are among the highest earners in the UK and progress in their careers faster than graduates from other universities.

Their success reflects the availability of individual career guidance, skills workshops, application support, employer and alumni engagement, and, more recently, placement development, as well as continued development of the Nottingham Advantage Award. The services available to students helped to make the University *The Times and Sunday Times Good University Guide* University of the Year for Graduate Employment. We are also regularly named as one of the most targeted universities by Britain's leading graduate employers in the annual UK Graduate Careers Survey, ranking either first or second in four of the last five years.

Of course, excellence requires institutional commitment – and we have invested significantly in facilities and infrastructure to create the best possible student experience, transforming spaces, places and programmes. This includes the new Student Service Centres, which support students on their journey, improvements to our Portland Building (the focal point of student life), to our libraries and sporting facilities with the construction of the David Ross Sports Village (DRSV). The DRSV provides a superb platform for the development of a sports leadership academy, greater engagement from our community in support of general health wellbeing, and the opportunity to improve on its best-ever position in the British Universities and Colleges Sports league table.

**"We're absolutely delighted that we have received a TEF gold rating. This reflects the hard work and creativity of our teaching staff and support colleagues across our UK campuses."**

**Professor Sarah O'Hara**  
Pro-Vice-Chancellor for Education and Student Experience



“By building upon our past endeavours, and looking firmly to the future, we will continue to transform the lives of people and societies across the world.”

Professor Dame Jessica Corner  
Pro-Vice-Chancellor for Research and Knowledge Exchange

Consistent improvement in recent National Student Survey (NSS) and Nottingham Student Experience Survey (NSES) scores underline an increasing focus on the student experience. Students have reported some of our highest-ever levels of satisfaction with teaching, learning and student life at our University.

The coming year will see a renewed focus on digital learning programmes, the delivery of Higher Degree Apprenticeships, the development of global programmes for undergraduates at all three locations and the implementation of a global Nottingham Advantage Award – all helping to ensure delivery of the gold standard in teaching and learning.

### Core Strategy: World-Changing Research

An unprecedented investment in research will build on the University’s reputation as an institution that creates solutions to today’s global challenges.

A new Research Vision, unveiled in 2017, will ensure that as a research-led university we continue to produce exceptional research of the very highest quality by bringing together talented and passionate staff and investing in a world-class environment for them to thrive.

At the heart of the new Vision is a major research investment programme, announced at a high-profile event attended by the Minister of State for Universities, Science, Research and Innovation. Particular areas of focus for investment include:

- six Beacons of Excellence
- world-class researchers and teams
- industrial collaborations
- international collaborations
- transdisciplinary research
- a world-class research environment
- the University of Nottingham World Institute

Professor Dame Jessica Corner, Pro-Vice-Chancellor for Research and Knowledge Exchange, said: “We are making an unprecedented investment in both our people and our research.

“I’m excited by what lies ahead for research at our great University, and the opportunities offered by this significant investment. By building upon our past endeavours, and looking firmly to the future, we will continue to transform the lives of people and societies across the world.”

The Beacons of Excellence will deliver transformative work of global importance, with transdisciplinary teams working in six broad areas:

- **Future Food:** exploring new ways to feed the world
- **Rights Lab:** helping to end global slavery
- **Precision Imaging:** transforming healthcare with pioneering imaging
- **Propulsion Futures:** at the heart of a revolution in greener transport

- **Green Chemicals:** securing the low carbon bio-economy of the future
- **Smart Industrial Systems:** towards smart production of smart products

The six Beacons cover all the United Nations’ Sustainable Development Challenges, and together they will help to raise the profile of our research. As one element of a robust and diverse research portfolio worth £600m – complementing the work of our Research Priority Areas, Global Research Themes, centres, groups and institutes – they will also provide a model approach to attracting increased funding, strengthening international partnerships and accelerating the impact of new discoveries. Because the Beacons are challenge-led, their outputs are aligned to government and funder strategies, boosting access to sources of investment.

People are fundamental to the success of the new Research Vision. We are committed to attracting and retaining the very best researchers and their teams, and have pledged to recruit 100 fellows over the next five years to expand our prestigious fellowship schemes.

The right environment is crucial too – which is why this year has seen a continuation of investment in research infrastructure such as the GSK Carbon Neutral Laboratory for Sustainable Chemistry, which had its official opening in 2017.

World-leading facilities and equipment, libraries and professional services are dedicated to supporting our researchers

and translating their discoveries into applications with real impact for people across the world. Allied to this is a new strand of work to deliver the Digital Research Environment project, which will support researchers in three key areas: research data management, analytics and communication/collaboration.

As a pioneer in international education – and the first to establish an overseas campus – we also recognise that international collaboration is vital in the delivery of globally significant research. Our Research Vision dovetails with our Global Engagement Strategy, connecting activities across our campuses, and internationally, to maximise impact and reputation. We have reaffirmed our dedication to world-class research with international partners, and we are determination to build successful relationships with current and future EU/international researchers.

As we embark on an exciting new chapter in our proud history of world-changing research, we will bring a new level of focus to attracting and retaining outstanding researchers at all career stages; supporting the Beacons of Excellence; developing the World Institute; and preparing for the Research

Excellence Framework (REF) submissions in 2021.

### Global engagement

A global outlook is part of the University of Nottingham’s DNA. A pioneering spirit that led to the establishment of campuses in Malaysia and China, and the forging of lasting partnerships around the world to extend our global reach, impact and networks of education, research and industrial engagement.

2017 has been no exception. New strategic and teaching partnerships have been developed with key overseas institutions in China and Sweden, providing enhanced opportunities for teaching and research collaboration. In the UK, the successful embedding of the University of Nottingham International College has expanded undergraduate foundation and pre-masters provision, in partnership with Kaplan UK Ltd. Working with Kaplan is enabling a significant increase in the number of international students coming to the University through undergraduate foundation programmes and pre-masters programmes.

These and other partnerships are helping to develop our world-class offering in the UK, China and Malaysia, providing

exceptional opportunities for staff, students and stakeholders. And activity like this brings recognition at the highest level: we won the International Strategy of the Year category at the 2017 *Times Higher Education* Leadership & Management Awards (THELMAs).

The *Times Higher* accolade was awarded for our Creative Hub, which brings together science, technology and the arts to respond to changes in government policy in China and the UK. The Hub links government, universities and businesses in China and the UK to ensure that cutting-edge ideas can be applied to new products and services and subsequently reach the market.

Our students are global citizens, and international experience adds to their employability after graduation. Inter-campus student mobility – between China, Malaysia and the UK – is a core goal of our Global Engagement strategy as part of an overall vision to have at least 25% of Nottingham students adding an international experience to their studies. This commitment to global mobility reached a new milestone in 2016/17, with the largest-ever number of UK students visiting the University of Nottingham Ningbo China (UNNC).

A global outlook is part of the University of Nottingham’s DNA

## Impact: The Nottingham Campaign

# raised £242m – exceeding all expectations

Professor Nick Miles OBE, Pro-Vice-Chancellor for Global Engagement, said: “Our global connections are at the heart of what we do as a University. We are proud to be a global University, working hard to encourage collaboration and partnerships to mutual benefit.”

The University’s family of 270,000 alumni are a key part of our global presence – a network of successful, talented individuals who continue to play a part in Nottingham’s success. Nowhere more so than with *Impact: The Nottingham Campaign*, our biggest-ever fundraising initiative launched in 2011 with a target of £150m.

The campaign has engaged alumni, staff, partners and friends of the University at a global level, and closed in 2017 after raising an incredible £242m – far beyond all expectations. Campaign funding is making a huge contribution in many areas, including world-leading research into breast cancer, children’s brain tumours and dementia research.

Looking to the future, we seek to further develop our curriculum and extracurricular activity to match our aspirations for a truly tri-campus model – further enhancing international employability options for all our students.

Brexit will change the external environment for UK higher education institutions in ways that are not yet clear. It will also present opportunities in terms of collaboration with organisations and funding bodies around the world. But while external factors may change, the principles upon which our great University was founded will not: our international community of students and staff remains one of our greatest strengths.

We remain committed to bringing the brightest and best to our University to study, teach, research and work – whether they are from the UK, other countries in Europe or beyond.

## Reputation and recruitment

The higher education landscape is evolving. The national and global environment in which the University operates is changing at an unprecedented rate – with increasing student expectations, the globalisation of higher education, disruptive new technologies and increased competition for the very best talent.

To thrive and succeed in the face of such change, we must share our vision and highlight our success with the world so that we remain a first choice for students and staff. This imperative drove a review of reputation and positioning which culminated in the launch of a refreshed global brand and dynamic reputation campaign – *Discover our World*. This focuses on research to tell the story and takes a proactive approach to articulate what is special and unique about the institution.

The University’s brand has been reviewed and refreshed to strengthen our profile in an increasingly competitive environment. We have implemented a new approach to marketing with the introduction of a Global Student Recruitment Campaign.

Kerry Law, Chief Marketing and Communications Officer said: “We have seen increased competition in UK higher education, and a growing need to differentiate ourselves and be distinctive. The work that has been started to reposition the University and build our reputation will help to meet these challenges and secure the University’s long-term success.”

The hugely successful Nottingham in Parliament Day saw more than 100 partners from across the city, county and wider region ‘take over’ the Houses of Parliament. The event brought together 45 events in Westminster to showcase and celebrate the institutions, businesses and people that make Nottingham great, and went on to win a number of awards from

the Council for Advancement and Support of Education (CASE).

An improvement in Nottingham’s league table position has seen it in the top 20 of all three major UK rankings: *The Guardian*, *Complete University Guide* and *The Times and Sunday Times Good University Guide* – which also named Nottingham best in the UK for graduate employment.

Student recruitment targets up to 2020 have been set with schools, departments and faculties following a review of our ‘size and shape’. To support the achievement of these targets, domestic and international recruitment teams have been aligned to deliver both efficiency and synergy.

Looking ahead, further work will improve how the most talented students are targeted, attracted and recruited, to ensure we achieve student numbers and quality applicants. Other developments include producing coordinated recruitment plans, boosting outreach and liaison activity, and enhancing the admissions policy.

## Foundations

The University’s two core strategies – Excellence in Education and Student Life, and World-Changing Research – and its two enabling strategies – Global Engagement and Reputation and Recruitment – need a solid base to ensure they can be fully realised as Global Strategy 2020 moves into its final stage. Extensive work took place in 2017 to strengthen that base and provide the foundations needed for a successful institution.

## People

The successful delivery of any strategy needs talented people who are empowered, supported and motivated to make it succeed. Our staff are at the heart of the University’s success, and work to nurture their extraordinary talents has taken major steps forward during 2017.

Professor Sir Martyn Poliakoff with Minister of State for Universities, Science, Research and Innovation, Jo Johnson at Nottingham in Parliament Day



The launch of the Academic Profile Tool for academic colleagues is helping support effective performance and development conversations by bringing key performance related metrics into one central space, while the creation of a Talent Dashboard is supporting us to identify and manage talent across the Research and Teaching family. The launch of a Staff Career Development Hub has provided staff with a clear understanding of career pathways across the University while also providing a source of guidance on career progression and growth that staff can interact with to support their development.

The newly created Leadership and Management Academy (LMA) focuses on improving the capability of leaders, with eight new leadership programmes and a wealth of online resources to help develop staff in their leadership roles, as well as preparing new leaders early in their careers. In addition, coaching and mentoring has been expanded and moved onto a more sustainable footing, enabling more staff the opportunity to benefit from these important development approaches.

New Equality Diversity and Inclusion (EDI) structures have been embedded, with the creation of an EDI Board underpinned by faculty and professional services EDI groups. Programmes have been delivered across the People and Culture events calendar to raise awareness of diversity and inclusive working practices and the University published our Equality Objectives for 2017-2020, defining and guiding our ambitions in this important area.

The Staff Engagement Survey highlighted the need to work hard to communicate and engage with all staff across the University, to support them in developing successful and fulfilling careers, and to contribute to the future success of the University.

Brexit continues to provide some challenges and uncertainty, but our commitment to attracting the very best from around the world is undiminished.

Through the People Strategy, colleagues are working hard to ensure the institution can both attract and retain a highly talented and motivated community,

celebrating diversity and supporting the continuing professional development of all staff.

## Being a digital university

To thrive and grow in the age of digital, we must transform the way in which staff and students connect, communicate and collaborate – creating the digital university of the future.

The institution’s digital strategy is driving continuous improvement across the estate, with multiple projects aiming to provide a responsive and global service which supports education and research. To improve the service provided to students, we have installed Lecture Capture in 326 teaching rooms globally, with the UK installation the largest of its kind in Europe.

Five Smart Bars have been established in libraries, offering a one-stop shop for staff and students with IT questions. Eduroam is now the core Wi-Fi service at our UK, China and Malaysia campuses for staff, students, researchers, associates and

Global Strategy 2020 is being supported through a prioritised capital investment programme, recent highlights of which include the following projects:

- George Green Library refurbishment and extension
- David Ross Sports Village
- GSK Carbon Neutral Laboratory for Sustainable Chemistry
- Refurbishment of the existing Chemistry building
- Sir David and Lady Susan Greenaway Building at the University of Nottingham Ningbo China
- Tuanku Zara Salim Teaching Centre at the University of Nottingham Malaysia Campus

George Green Library, University Park



## Award winning green spaces

Our UK campuses have won 16 prestigious Green Flag Awards

visiting academics. We are continuously modernising our infrastructure to increase network resilience and reduce the number of incidents that affect services, and transforming the way staff, students and researchers can engage and work together.

The Smarter Computing project completed the foundation work for upgrades to Windows 10, enablement of Office 365 online applications and the use of Skype for Business for instant messaging, online meetings and voice calls.

As the power, reach and capability of digital technologies continues to grow, we must evolve and adapt our digital capabilities to become a digital exemplar in higher education. There is much more to come as a digital approach is fully embedded in all the University's global activities, and it seeks to become a digital exemplar for the higher education sector.

An important element of becoming a digital institution will be delivered through the roll out of functionality relating to the student lifecycle project – project transform. This will start a phased go live in October 2017, with the majority of functionality expected during January 2018.

### Building on a world-class estate

The University's campuses, buildings and facilities are unrivalled, providing stunning spaces and places to inspire our staff and students. Investment is continuous, to ensure this world-class estate is enhanced and meets the rising expectations of students and staff.

Keeping pace with student and staff expectations of the environment in which they research, study and live requires a huge programme of work in infrastructure and facilities. Following a review of halls of residence this will include a

rolling programme of refurbishment and investment in our catered halls, improving the accommodation offer to prospective students, and supporting recruitment. Estates teams will also be working hard to ensure that physical and digital infrastructure are developed in partnership, to ensure integration and alignment.

An external review of performance this year concluded that the estate is of a high quality overall; energy and sustainability metrics are above average and that there is more academic space per staff and student than the average for its peer group. Overall, we are well-positioned for the future with a well-maintained estate and land available to support further development. An estates masterplan will be developed to create a 10-year roadmap in support of strategic aspirations beyond 2020.

### Creating resources for long-term success

Delivering Global Strategy 2020 requires long-term investment supported by a strong financial plan. The plan needs to focus on generating income and managing costs, increasing our profits for investing in strategic priorities.

The University has been able to make major investments to support its strategic objectives, while continuing to return financial surpluses and retaining a strong financial position relative to relevant comparator institutions.

One element of our financial plan deals with Contribution Based Budgeting, which was introduced as a means of more closely and transparently aligning faculty income to faculty expenditure. Contribution Based Budgeting targets each faculty to deliver a percentage of their income as their contribution to the central running costs of the University.

During 2016/17 a financial sustainability

task force has supported the new Chief Financial Officer in developing a financial strategy focused on long-term sustainability, supported by a more detailed medium-term financial plan for the period 2017/18 to 2021/22. It is anticipated that there will be significant inflationary pressures on both pay and non-pay budgets through the remainder of the period until 2022.

Tuition fees remain a significant proportion of the University's income and the impact of the recently announced tuition fee freeze provide further challenges in future years.

The implications of Brexit continue to be closely monitored as the situation develops, with particular attention being paid to developments relating to EU student demand and to EU research funding. Both directly and through sector bodies, the University continues to lobby for the best possible outcomes.

The University's financial strategy has been reviewed over the course of the past year as part of the Global Strategy 2020 refresh process. The agreed strategy places financial sustainability at its centre and is supported by a medium-term financial plan.

## Key highlights

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

# Treasurer's Report

2017

**£646m**

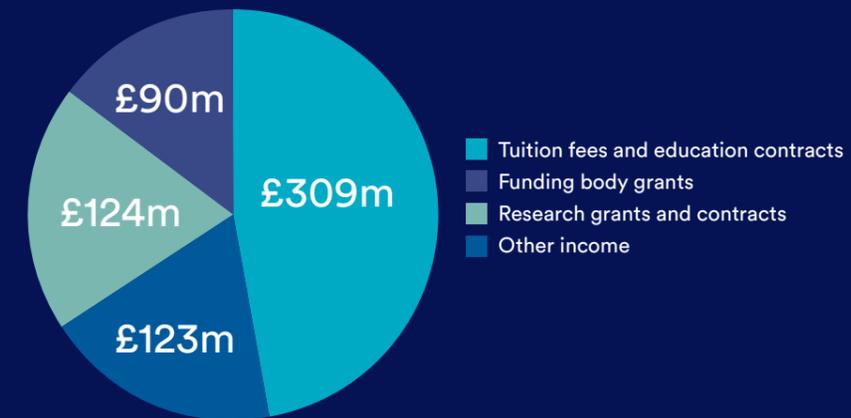
Total income

**+£33m**

Surplus

**£433m**

Total net assets



2016

**£635m**

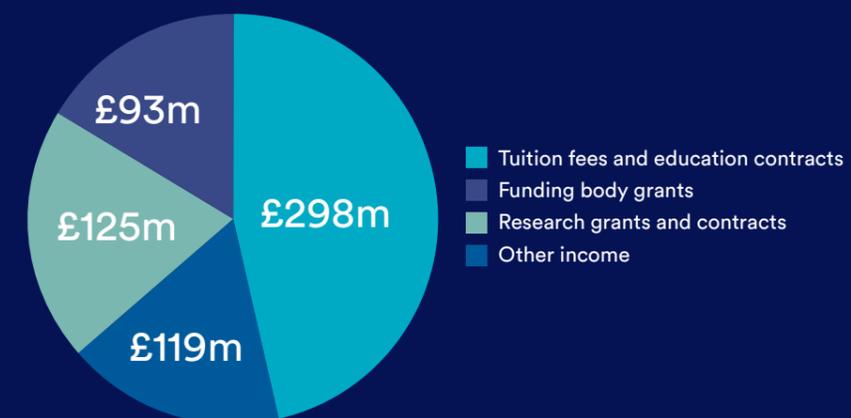
Total income

**+£18m**

Surplus

**£400m**

Total net assets



**45,537**  
students  
worldwide

The University of Nottingham is a Russell Group university and one of the largest universities in the country, with

**34,055**  
students in the UK

including:

**23,984**  
undergraduates,

**8,722**  
postgraduates

and **1,349**  
no award students  
(those electing to take additional modules)

Unique among UK higher education institutions, the University of Nottingham has two overseas campuses run as joint ventures with local partners.

**6,601**

students at the University of Nottingham Ningbo China

**4,881**

students at the University of Nottingham Malaysia Campus

The University also employs

**6,977** staff  
worldwide

The University of Nottingham has retained its position among the best in the world – appearing 75th in the 2017 QS World University Rankings – the 13th highest placed UK university.



Total expenditure for the year  
**£621m**  
(up £28m from 2015/16)



This figure includes  
**£54m**  
scholarships and bursaries

- £28m** to postgraduate students
- £14m** to international students
- £12m** to students from low-income families

**Earnings Before Interest, Tax, Depreciation and Amortisation**

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

The University's performance against this measure has dipped compared to the prior year to 7.7% of adjusted income. However, 2015/16 was the transition year for the Further and Higher Education Statements of Recommended Practice (SORP) that saw large scale releases in income on

donations and deferred capital grants, so cannot be considered altogether representative of future performance.



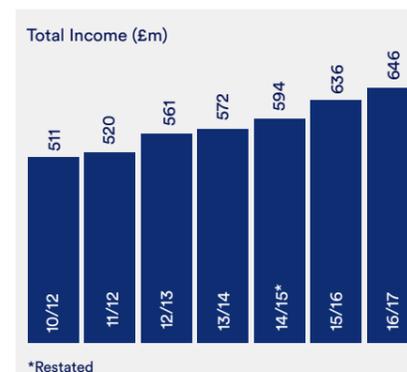
The new fee regime continues to place additional pressure on University finances, largely due to the timing of funding from the Students Loans Company as fees are paid in three tranches, October, February and May. This provides some challenges in relation to cash as it creates peaks and troughs that need to be managed accordingly.

Despite these challenges, the University consistently delivers strong financial results, has generated good levels of operating cash and at the same time has made substantial investments, not only in infrastructure, but also in research.

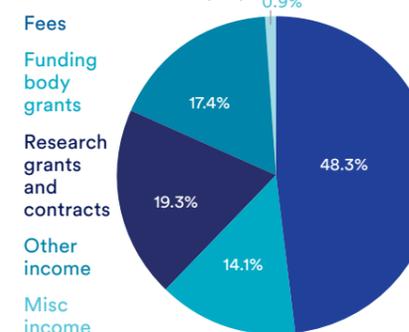
2016/17 saw an Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") of £49.5m, which is better than the University's performance for a number of years. Operating cash flows were £59m, compared to £45m in 2015/16 – supporting the University's investment plans.

Cash continues to be tightly managed, with balances (cash at bank and short term investments) of £6m at 31 July 2017 compared to £16.7m at 31 July 2016. As with the prior year, the University has made more use of its credit facilities to support the ongoing investment programme. At the year-end the University had £80m of bank borrowing, (£69m in 2015/16). In spite of £98m in year capital investment, borrowings increased by just £11m. This is reflective of a concerted effort to focus on sustainability and effective management of resources while maintaining significant investment levels. This results in a net borrowing position (excluding cash held by the endowment fund) of £73.9m at 31 July 2017 compared to net borrowings of £52.3m at 31 July 2016.

**Income**



**Income breakdown (£m)**



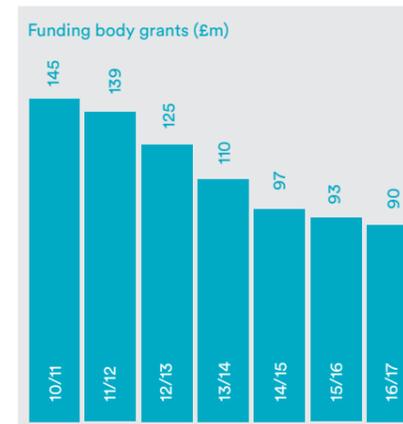
Income has increased by £11m compared to the prior year. The main drivers of this increase are increased student numbers, for both home and international cohorts as a result of recruitment initiatives, offset by lower grant receipts from the Higher Education Funding Council for England (HEFCE).

The Orchard Hotel, opened by the University in November 2012 to complement the East Midlands Conference Centre on University Park,

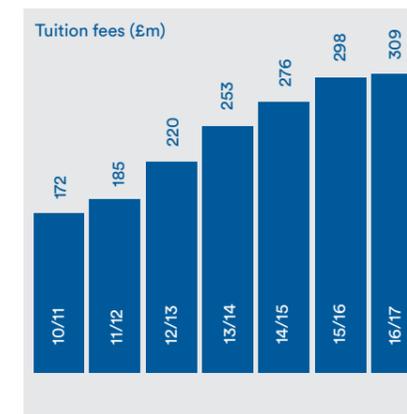
has now been accompanied by the Jubilee Conference Centre, an in year acquisition by the University to provide additional hotel and conferencing facilities on Jubilee Campus. In aggregate, these venues have contributed £11.7m (2015/16 – £10.3m) to total income. Surpluses from the hotel and conferencing facilities have dipped from last year to £1m (2015/16 – £2.2m), largely due to the bedding in of the new acquisition, but under the stewardship of the De Vere Group, expectations are that this will improve.

**Funding Body Grants**

Funding body grants – which consist mainly of funding for Home/EU undergraduates who are on high cost subjects and support for research remains largely flat. Funding body grants in total were down £3m on 2015/16 to £90m and now make up almost 14% of total University income. This reduction in income in year relates to one-off funding initiatives, rather than that specifically for teaching and research.



**Tuition Fees**

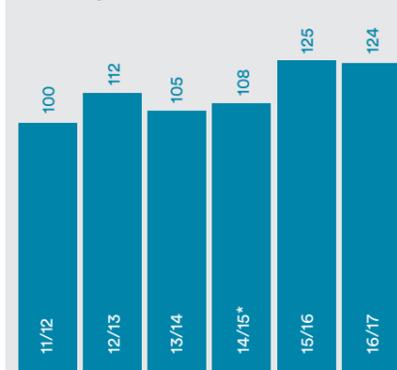


The University continues to maintain high levels of demand for places, with student number and income targets achieved for the September 2016 intake with slight over recruitment among home/EU students offsetting slight under recruitment of overseas students.

Tuition fees are £11m (4%) up on 2015/16 and now represent almost half of total University income. Since 2014/15 there has been an increase in income relating to real growth in student numbers within faculties that have the capacity and capability to grow, both in home/EU and international. These increases continue to be partially offset by reductions in Funding Body Grants.

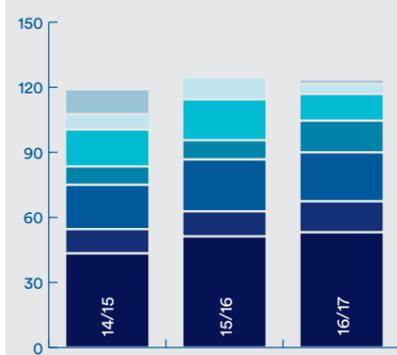
### Research Grants and Contracts Income

Research grants and contracts income (£m)



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

Research grants and contract income by funder (£m)



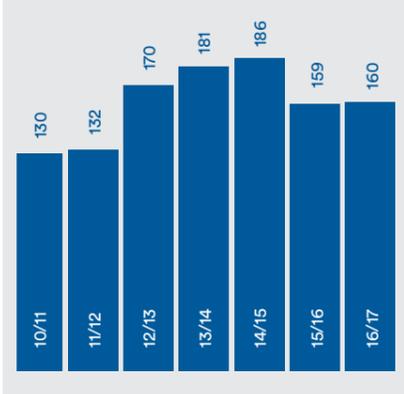
- RDEC income
- Other grants and contracts
- EU government and other sources
- UK industry, commerce and public corporations
- UK central/local government, health and health authorities
- UK based charities
- Research councils

Income from Research Grants and Contracts is the recognition of income as research is conducted and is £124m for the year, approximate to the prior year.

There has been a significant shift in funding in year from EU funded research to that funded from within the UK.

Research awards are the order book which sustains the University's research base. Total awards won in 2016/17 was £160m, similar to that in 2015/16.

Research awards (£m)



Although there seems to be a change in mix of the research awarded, being more UK focused, this will continue to provide a stable platform for the Research Vision with many of the secured awards generating research income for three to five years, while also mitigating against the risk of EU funded research.

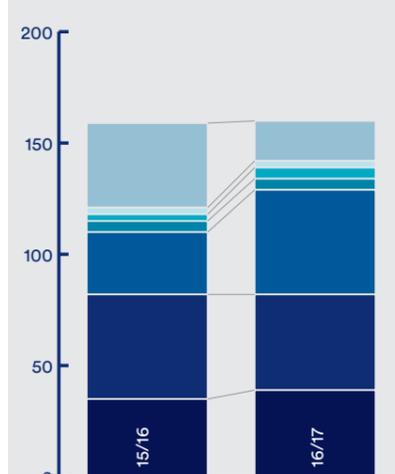
The University has a large and complex research portfolio with 1,037 new awards won from multiple funders during the year. The three largest grants are: £9.4m from HEFCE for the development of a Research Innovation Centre; £7.9m from the Engineering and Physical Sciences Research Council (EPSRC) to fund a Futures Composites Manufacturing Hub

and £5m from a Local Authority Growth Fund. There are also a further 17 financial awards, each in excess of £1m totalling more than £36m.

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

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

Research awards by faculty (£m)

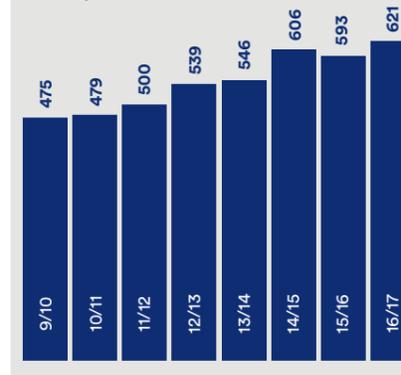


- Science
- Medicine and Health Sciences
- Engineering
- Social Sciences
- Arts
- Other
- Research related (inc Doctoral Training)

### Expenditure

Total expenditure rose in year by £28m (4.7%) in 2016/17 to £621m. This is due in large part to the increased costs of staff (£17m) and professional fees (£7m) to support the teaching of a larger cohort of students and depreciation (£3m) as some large scale projects have completed.

Total expenditure (£m)



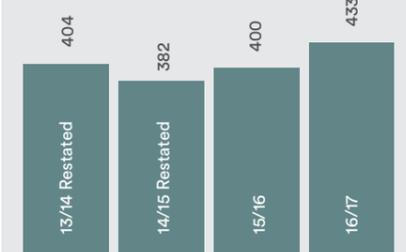
Included within the University's costs are £54m (£55m in 2015/16) of scholarships and bursaries to a wide range of students, including:

- £12m to students from low income families in the form of bursaries and stipends
- £14m to international students to encourage the most talented students to come to Nottingham
- £28m to postgraduate students to help those with the ability to further their studies at Nottingham. Postgraduate scholarships and bursaries are often supported by external funding

**£28m**  
invested in postgraduate students to help those with the ability to further their studies at Nottingham

### Balance Sheet

Net assets (£m)



NB: historic data not comparable due to SORP changes

Between 2015/16 and 2016/17, the University's net assets grew by £33m to £433m.

### Staff Costs

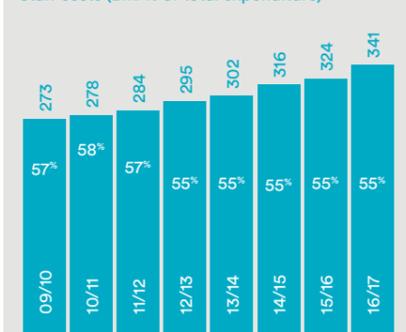
Underlying staff costs (excluding pension provision adjustments) rose to £341m in 2016/17. This is an increase of £15m on the prior year, which represents a 5% rise from that seen in 2015/16 (£324m). Staff costs remain consistent as a proportion of total costs with prior years, and continue to be the largest element of total costs at 55% of total expenditure.

The University continues to invest in Project Transform – a large scale change programme investing in systems and people to enhance the student lifecycle, and in addition will make a significant investment in research, starting in 2016/17. In spite of these initiatives total staff costs remain consistently 55% of total costs.

Staff costs were also affected by the full year effect of the rise in both employer's National Insurance and employer's

pension contributions for the Contributory Pension and Assurance Scheme (CPAS) and the Universities Superannuation Scheme (USS).

Staff costs (£m/% of total expenditure)



# £98m capital investments to enhance student experience



The GSK Carbon Neutral Laboratory for Sustainable Chemistry exterior, Jubilee Campus

## Endowments and Donations

The University continues to build a strong endowment portfolio, building on the successes of recent years. The University received a total of £6.3m (2015/16: £7.4m) in gifts for the year, of which £2.7m has been classified as either permanent or expendable endowments.

The University's endowment fund continues to grow and has now been supplemented with a medium term investment fund to offer more flexibility to donors. The endowment fund increased by £5m in the year to £55.1m as a result of new endowments, capital growth of the assets and investment income retained within the fund.

Investment income of £4.9m was received in the year of which £1m was expended by the University.



Of the £6.3m received during the year, £1.7m (27% of the total) came from legacy bequests and £3.4m (54% of the total) came from 32 gifts of £25k or over. A further £0.9m (14% of the total) came from some 208 donations of between £1k and £25k. The remaining £0.3m (5%) came from a large number of donations of less than £1k – with a significant number of people and organisations donating for the first time.

## Pensions

The latest triennial actuarial valuation for the CPAS was conducted as at 31 July 2017, but the outcome has yet to be published. Therefore the valuation used for the year ending 31 July 2017 remains that as at 31 July 2014.

On an FRS102 basis at 31 July 2017, the CPAS deficit (as included in these Financial Statements) has remained largely stable at £139m (2016: £140m). During the year, the value of the scheme's assets rose by £15m (8%), lower than in prior years (2016: £22m, 13%) but a further reduction in the discount rate applied to the liability (linked to lower expected future investment returns) increased the liability by £14m (4%), prior year (2016: £56m, 21%).

As with CPAS, the latest triennial actuarial valuation for the Universities Superannuation Scheme (USS) was carried out as at 31 March 2017, but as yet the report hasn't been published. Therefore the valuation used to 31 July 2017 remains that as at 31 March 2014.

This year has seen the full year effect of the changes implemented in April 2016, namely;

- The final salary section of the USS scheme closed on 31 March 2016 with accrued benefits at that date revalued in line with CPI in the future. All future accruals are in the form of Career Revalued Benefits (CRB) which are intended to provide pension benefits in line with an employee's average salary over their career.
- The capping of CRB benefits at a pensionable salary level of £55,000. Benefits above this salary level are now provided through a new defined contribution section of the USS.
- A 2% increase in employer's contributions to 18% of pensionable pay.
- An increase in employee's contributions to 8% of pensionable pay from previous rates of 7.5% for members of the final salary section and 6.5% for members of the CRB section.

In line with CPAS, the estimated deficit on the USS pension has decreased by £2m as a result of the deficit recovery plan implemented in 2016, in spite of the fall in bond yields. Expectations are that the 2017 valuation will show a worsening position and therefore a need to review the current arrangements.

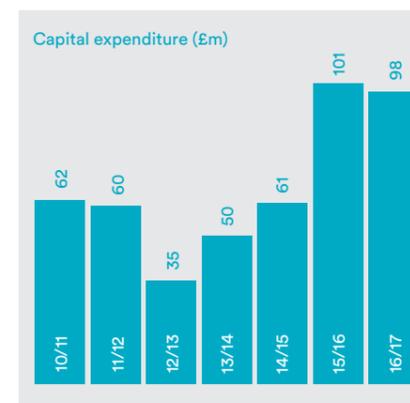
## Capital Expenditure

The University continues to make significant capital investments to enhance the student experience. Capital expenditure in the year at £98m remains at a record high and consistent with that seen in 2015/16. This represents a sustained period of investment not seen for many years and is a fundamental shift from the average of around £60m investment a year seen in prior years.

Significant projects in the year include:

- the David Ross Sports Village (£40m) completed in year
- the Jubilee Conference Centre (£12.5m) acquired in year
- the Advanced Manufacturing Building (£23m) that commenced in year
- Energy Research Accelerator (£13m) that commenced in year
- Teaching Building (£20m) that commenced in year

The University plans to make significant investment going forward, but in doing so will be changing the emphasis of that investment. Investments in research and digital will be made as well as continued investment on the estate.



## Financing

At 31 July 2017 the University had £6m of cash and short-term deposits (31 July 2016: £16.7m).

The University has continued its policy of holding minimal cash balances while retaining a significant and flexible borrowing facility available to support both short and long term financing requirements.

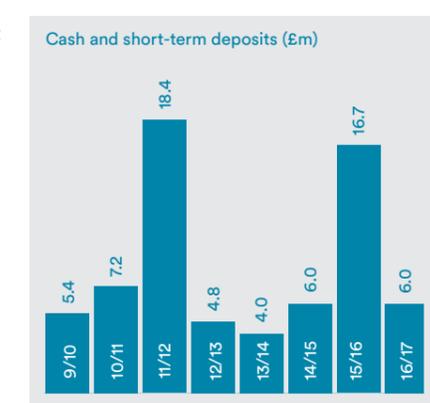
Borrowing has increased by only £11m in year to £80m at the year-end (£69m: 2015/16) as a result of the £98m in year capital investment. Operating cashflows for the year were £59m (£45m: 2015/16).

As at 31 July 2017, overall net borrowing excluding cash held within the endowment fund was £73.9m compared to net borrowing of £52.3m at 31 July 2016.

At the balance sheet date, the University has a committed facility to borrow up to £139m. This consists of two revolving credit facilities and a £15m multi-option facility. Interest on the University's loans from the Royal Bank of Scotland is at a rate linked to the London Interbank Offered Rate (LIBOR). Of the two revolving credit facilities, one is an £89m facility reducing to nil on a straight-line basis over 25 years, from October 2010, and the other a £35m facility, expiring

in December 2017. The University has begun discussions with various banks to determine the best source of financing to fund future investment plans.

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



Investment income of **£4.9m** was received in the year of which **£1m** was expended by the University

The University received

# £160m



in research awards  
2016/17



### Looking Forward

The University continues to perform well financially and now has in place a new Financial Strategy supported by a medium term Financial Plan to deliver sustainable financial performance into the future under the stewardship of our new President and Vice-Chancellor.

There are however significant challenges ahead:

- The UK's decision to leave the European Union continues to create uncertainty across the Higher Education sector. Although the impact on student and staff recruitment, as well as access to research funding, has been minimal to date, it remains unclear how this will develop in the longer term.
- Recruitment of UK students continues to be strong, but challenges remain to diversify the University's income and increase the proportion of income that is earned from overseas students. The challenge caused by the Government's student visa policy is compounded by competition from other UK universities and increasingly from highly ranked universities in other English speaking countries across the world.
- Project Transform continues to progress and has gone live in China and Malaysia. In the UK, there has been some further delay, however, some major functionality will go live during October 2017 with the remaining system expected to follow during 2018.
- Competition for research income continues to increase among the UK's leading universities, with margins under pressure and greater expectations of match-funding from grant awarding bodies. This combines with the increasing trend for large consortium based awards, such as the Nottingham led Energy Research Accelerator, which require a new approach because of their size, complexity and combination of public and private funding.
- In year there has been a large scale

review and refresh of Global Strategy 2020 in order that it remains relevant. This work continues to highlight the need for investment in infrastructure and systems to support the University in its vision, in order to address some of the underlying issues and constraints experienced as a result of legacy systems.

- The cost of pensions, both the University's own CPAS and the University's share of the USS, is a significant cost to the University. We await the result of the 2017 triennial actuarial valuations but the expectation is that both the deficit and cost of providing future pensions will be substantially higher than the last valuation. This will pose a challenge not only to our University, but to the sector as a whole.

The University is working hard to deal with these challenges:

- Our international reputation, as evidenced by the University's world ranking, remains strong, making the University in Nottingham, Ningbo and Malaysia attractive to students across the world.
- Student recruitment remains strong. Targets for 2016/17 were largely met and early indications for 2017/18 are positive. The University plans for a significant expansion of international recruitment underpinned by the international foundation year have been re-assessed and deliverable, yet challenging targets have been agreed.
- The University has refreshed and re-prioritised its Global Strategy 2020 so that it remains relevant today and through to 2020. Early work continues on developing the University's strategy to 2030.
- The University has developed a medium term financial plan that looks 10 years into the future. Inbuilt are significant assumptions for investments, including

£80m for digital initiatives that will look at modernising our infrastructure and updating systems to better support students and academics in the 21st century; significant investments in research in order to improve our research standing and power both in the UK and globally; as well as substantial continued investment in the estate.

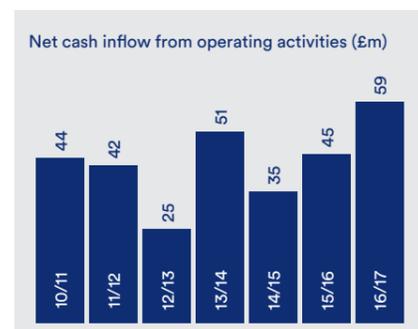
### Conclusion of the Treasurer

The University continues to report strong financial performance and has had an exceptional year, while making significant investments and announcing ambitious plans to invest further to strengthen our research, accelerate our digital strategy and continue to upgrade our first class estate. Income levels have steadily increased, and, although there are challenges ahead with the uncertainty of Brexit, international recruitment and the falling number of 18-year-olds, we believe the University is in a good position to face them head on. Cost pressures in all areas continue to build and significantly so in respect of staff. In response, however, the University has refreshed its strategy underpinned by a forward thinking plan that focuses on diversification and increasing the efficiency of its operations, which will help ensure that we can continue to generate the funds to invest in core teaching, research and the student experience.

**Stephen Walton**  
Treasurer and Chair of Finance Committee

### Cash and Liquidity

Net cash in-flow from operating activities rose by £18m in the year to £59m (2015/16: £45m).



The 2016/17 performance reflects strong underlying financials and a continued improvement in cash generation in line with that planned.

### Credit Rating

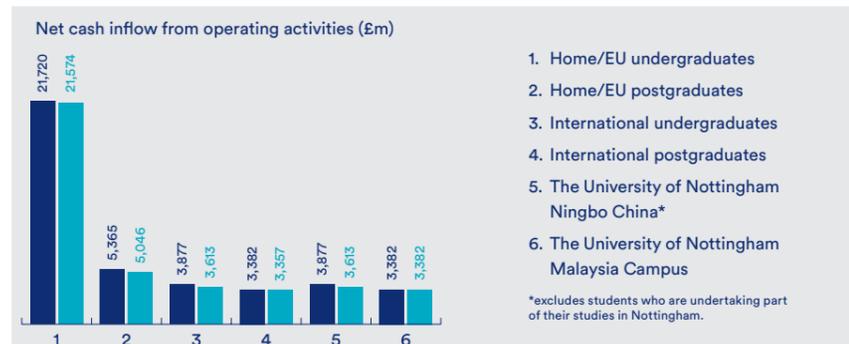
The University's credit rating from Standard and Poor's consists of two components, a Stand Alone Credit Profile (SACP) and the published rating which adjusts the SACP to reflect any government support that the University may receive in the event of a default.

Following an exercise conducted in year, the University's SACP and the published rating remained unchanged at 'A+ – Outlook Stable'. This rating has been constant for over 10 years.

### Student Analysis

The total number of students enrolled across all campuses in 2016/17 increased by 573 to 45,522, with the largest proportion of this increase being at the campus in China (347), due to an increase in undergraduates, both home

and overseas. The remaining increase is in the UK campuses where growth relates to postgraduate enrolments while undergraduate numbers have remained largely static. A breakdown, including no award students, can be seen below.



# Risk

## Risk Management

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

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

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

The University Risk Register comprises six strategic risks and three operationally-based risks which impact the international university. The latter are the risks around achieving a significant change to our core student administration systems, risks around information management and security, and risks around undergraduate recruitment to the UK campus in light of uncertainties caused by the UK exit from the EU.

Since responses to implications of the UK exit from the EU are embedded in day-to-day activities, the University has initially chosen to embed mitigation activities in existing risks, rather than articulate a separate, specific risk.

A University Executive Board 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

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

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

Across higher education, funding availability – whether markets for student recruitment, research funding, or government funding – continues to be increasingly competitive and unpredictable and unreliable. The potential impact of the UK exit from the EU is significant for student recruitment, research funding and our ability to recruit and retain staff; likewise, the impact of the Higher Education and Research Act.

The University's Global Strategy 2020 remains part of its response to this with its focus on long-term sustainability, income diversification, and prioritising excellence in our core teaching, learning and research activities. It was confirmed this year by a mid-strategy review and refresh. Our Risk Management Framework supports

our ability to respond to uncertainty by encouraging a focus on actively managing and measuring our response, and on identifying where opportunities exist.

Both the University's pension schemes, USS and CPAS, completed their 2017 valuations during the year. We await the outcome of these valuations, therefore the 2014 valuations have been incorporated into the financial statements. It is anticipated that current market conditions mean that the 2017 valuations may result in significantly increased deficits which may require further changes.

Other principal risks to achieving Global Strategy 2020 continue to be the impact of our major transformation programme covering core student administration systems at all campuses; and our ability to protect our information assets sufficiently and appropriately in the face of increasing external attacks, online fraud and information theft. Our Risk Management Framework is structured to enhance our ability to monitor the risks we face and respond quickly to any issues that arise.



The University's presence in the UK, Malaysia and China offers significant opportunities to our staff and our students

# Public Benefit Statement

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

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

## Our vision

The vision for the University set out in Global Strategy 2020 builds on the words of Sir Jesse Boot in 1928 at the opening of the University:

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

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



offering an outstanding, broad-based, international education to talented students



developing skilled, reflective global citizens and leaders



undertaking fundamental and transformative discovery



being committed to excellence, enterprise and social responsibility



sustaining and improving the places and communities in which we are located



being engaged internationally to enhance industry, health and well-being, policy formation, culture and purposeful citizenship

Firbeck KS1 pupils locating Spanish speaking countries during an Arts and Humanities Wow day



## Widening Participation

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

Since 2010 our widening participation outreach activity has more than quadrupled its outputs through Nottingham Potential, a £7m expansion of our work with learners from less advantaged backgrounds. Working with local schools, communities and individual young people, and in partnership with London-based charity IntoUniversity, the University of Nottingham seeks to have an immediate effect on participants as well as help establish a culture that values education and plans for progression. Highlights over the past five years include the following:

- The opening of three Nottingham Potential Learning Centres, in partnership with IntoUniversity, in less advantaged communities across Nottingham, to provide after-school homework support and other activities
- The doubling of places from 200 to 400 on our July summer schools for higher achieving students
- The extension of our Ambition Nottingham programme, which provides extra-curricular support for higher achieving students, so that it now runs from the first year of secondary school through to sixth form

- The introduction of the Pathways to Law and Pathways to science, technology, engineering and maths (STEM) programmes, in partnership with the Sutton Trust
- The expansion of our primary schools' programme in terms of both scale and reach, with a particular focus on discovering university and engaging with learning through curriculum-linked activities
- The extension of our long-standing work with mature students to include more measures to aid successful transition to Nottingham and retention

Other activities of longer standing include our schools and colleges service, which has been providing information and advice about higher education in over 100 local schools annually for over 15 years.

In 2016-17, school students took up well over 83,000 places on our activities, significantly over our target. The rate of increase has steadied, with our focus increasingly on improving the quality and impact of our programmes. Our own students assist on many activities, acting as role models and gaining valuable skills in the process.

# 30%

of UK undergraduate students received means-tested financial support from the University in 2016-17

# 83,000

places on our activities, well over our target

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

The University's flexible admissions arrangements provide contextual information about every UK applicant. On the basis of this information, admissions staff may preference applicants for a standard offer or make a slightly lower offer. 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 terms of our own intake, the University has made excellent progress in widening participation over the last ten years. 24% of UK students entering the University in September 2016 were from low-income backgrounds, up from 17% in 2004, though down from a high point of 26.5% in 2014. The target for 2019-20 is 28.25%.

In 2016-17 the University provided means-tested financial support to 30% of UK undergraduate students. This is a drop from the previous year, due to a reduction in the upper eligibility threshold for our bursaries. Additional funds were also provided to international students. We surveyed our first-year core bursary recipients in January 2017; of the recipients who knew before choosing us the level of bursary they would receive at Nottingham, 71% said this influenced them. The survey also provided clear evidence of the value of financial support in enabling students to benefit from their university education: 85% reported that our bursaries reduced the need for them to work part-time during study.

The University has the ongoing aim of maintaining non-continuation rates for students from low participation neighbourhoods at no more than 4%.

Figures for 2008-09 to 2014-15 have ranged from 5.4% to 3.0%. The most recent figure is 5.4%, up from the previous year, and twice the rate for students from other neighbourhoods. The continuation rate for mature students with no previous qualification improved to 10.9%. Our Teaching Transformation Programme seeks to improve retention for all students, and we are augmenting this with measures to ensure that mature students and those from minority ethnic backgrounds and less advantaged backgrounds benefit.

Widening participation is supported by funds from a range of sources: additional fees income, philanthropic support and the HEFCE Student Opportunity funding. HEFCE provided the latter – about £500,000 annually – for the last time in 2016-17, but the Office for Fair Access (OFFA) expects all universities to find the funds to continue the outreach work it supported. Philanthropic support currently provides about one-third of the budget for outreach, helping even more local learners to reach their potential. It also allows us to enhance the financial support we provide our own students, ensuring that a University of Nottingham education provides all our students with fair and equal opportunity to succeed, both as undergraduates and subsequently within society.

OFFA requires universities recruiting lower proportions of low-income students to spend at least 30% of higher fees income on widening participation. The University of Nottingham's total OFFA-countable expenditure on access and widening participation in 2015-16 was £16.8m, or 30.2% of higher fees income. Of this, £13.3m was allocated to means-tested bursaries for new and continuing students.

Summer school Pharmacy session



## Academy Relationships

The University continues to co-sponsor three academies, working with educational partner the Nova Education Trust (formerly the Torch Academy Group), which manages the schools on a day-to-day basis.

In its most recent full Ofsted inspection in October 2015, NUSA was judged to be an Academy which requires improvement. This was a positive development from the previous inspection two years earlier and the most recent interim inspection showed that NUSA continues to make progress towards becoming a 'Good' Academy\*. Over the last two academic years, NUSA has been focusing on improving standards of teaching and levels of attainment, so it has been pleasing to note that the GCSE results in the summer of 2017 were the academy's best results to date. Post-16 take up at the school is small, but those who did stay on achieved credible results this summer and four students achieved places at the University of Nottingham.

NUAST had its first Ofsted inspection in June 2017 and achieved a very pleasing overall rating of 'Good', with its sixth form judged to be 'Outstanding'. NUAST's first two cohorts of Year 13 students have achieved outstanding A level and BTEC results. In summer 2017, students achieved a 100% pass rate in all subjects, with over 46% of A level students having achieved A\* or A in at least one subject and the A\*-C pass rate was 84%. Students studying vocational courses in engineering and ICT achieved excellent results, with the average grade being Distinction. NUAST students have secured places at top UK universities in science, computing and engineering; others have been accepted onto prestigious Level 3 apprenticeships with local and national companies and entry to the armed forces at officer level. NUAST's partnership with the University of Nottingham has helped to equip its students for applications to Russell Group universities – and 17% of this year's Year 13 cohort have gained places at the University of Nottingham. NUAST's GCSE results were also their best ever and well above the national average across all subjects, with particularly strong results in maths, science and engineering. 45% of students

gained a strong pass (grades 5-9) in English and maths, putting NUAST among the highest performing schools in the city of Nottingham.

Firbeck is also on an upward trajectory. In its most recent OFSTED Inspection – December 2016 – Firbeck was judged to be requiring improvement. This demonstrates progress from Ofsted's previous rating of the school. Standards of teaching and learning in the school and attainment levels continue to improve. Firbeck, like NUSA in the secondary phase, offers specialist provision for deaf children. The schools cater for the needs of deaf children from across the city as an integral part of the mainstream school.

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. Since September 2016, University of Nottingham colleagues involved in academies meet termly to share information and discuss strategic support; and they receive half-termly written updates.

Examples of the enrichment support offered by the University include: students visiting academic faculties and enjoying lectures; use of lab facilities; academic mentoring from University undergraduates; involvement in bespoke projects; an extensive programme of workshops run by our partner organisation, IntoUniversity; large-scale science demonstrations to whole year groups; higher education focused 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.

### NUSA

The Nottingham University Samworth Academy (NUSA) provides a high-quality educational facility for pupils from one of the country's most deprived areas with one of the lowest rates nationally of progression to higher education. NUSA is co-sponsored by Sir David Samworth CBE, his family and The Samworth Foundation, together with the University of Nottingham.

### Firbeck Primary

In 2013, the NUSA Trust took on the sponsorship of Firbeck Primary School, one of NUSA's 'feeder' primary schools, as a step towards encouraging an all-through approach to education in the locality.

### NUAST

Nottingham University Academy for Science and Technology (NUAST) opened fully in January 2015, near the University Park Campus in Nottingham. Originally designed as an inspiring and business-focused educational choice for around 650 students aged 14-18, from September 2018 it will admit Year 7 students to become an 11-18 Academy. NUAST will maintain its specialism in science, engineering and IT, but will function as a non-selective community school serving an area of the city of Nottingham that is currently short of school places.

In the coming year, UNIP celebrates its **10th anniversary** reflecting a decade of tangible investment in business engagement and knowledge exchange in Nottingham

## Business Engagement

### University of Nottingham Innovation Park

University of Nottingham Innovation Park (UNIP) enables tech-driven and knowledge-intensive businesses to co-locate with University research expertise, talent, and facilities.

The Innovation Park allows the University to engage with a community of 100 businesses with many of these companies engaging in collaborative research, the commissioning of research, or providing internships and graduate employment opportunities for the local economy.

UNIP continues to be one of only four pilot University Enterprise Zones supported by the Department for Business, Energy & Industrial Strategy with the specific aim of supporting companies to start-up and grow.

### Ingenuity Centre

Since opening in October 2016, the new Ingenuity Centre has also been home to 26 independent technology-driven start-ups, the University's IP and consultancy teams, the technology Demonstrator, and the Haydn Green Ingenuity Lab. These businesses have benefitted from easier access to the University expertise, facilities, research, and talent that has fuelled their growth.

### Space Incubation Programme

UNIP also contains a first wave Space Incubation Programme, housed in the Ingenuity Centre, supported by the UK Space Agency, which has already assisted nine start-up companies to join the UK's Space Sector.

### 10th Anniversary

In the coming year, UNIP will celebrate its tenth anniversary with a number of events and a vision, which reflects both the decade of tangible investment in business engagement and knowledge exchange in Nottingham by the University and an intention to develop into the future.

### Small and Medium-Sized Enterprise Engagement

At the University of Nottingham we appreciate that small and medium-sized businesses (SMEs) need help with business development and in reaching their full potential. We work with local businesses every day in a variety of ways, such as identifying academic expertise in a specialist subject, placing a student into a business to work on a particular project, or providing bespoke training.

### Ingenuity Programme

Ingenuity, our local business network, offers businesses the chance to network with each other and to hear about some of the latest academic ideas about business and leadership, through the Ingenuity Knowledge Xchange seminar programme.

The Ingenuity programme includes an events programme covering our popular Ingenuity breakfasts, workshops, conferences and business events; a business directory of local and regional SMEs connected through the Ingenuity Network; a website and newsletter, and links to other University resources.

More than 1800 SMEs are part of the Ingenuity Network with over 100 regularly joining us for breakfast seminars.

More than **1800** SMEs are part of the Ingenuity Network



### Enabling Innovation

Enabling Innovation is a three-year collaborative programme with Nottingham Trent University and the University of Derby funded by the EU which will provide support to over 2,000 local SMEs during 2016-2019. It will stimulate an innovation ecosystem designed to commercialise cutting edge R&D; support product and process innovation within SMEs; and drive innovation through supply chains.

It offers in-depth support for businesses in sectors such as manufacturing, materials engineering, computing and data, aerospace, food and drink, chemistry and satellite navigation, providing unprecedented access to university expertise and graduate talent. A separate strand of the programme delivers support for student and alumni entrepreneurship through the Ingenuity Lab.

We deliver an ongoing programme of workshops designed to help businesses to innovate, explore new ideas and unlock their growth potential through leadership and management development. We also offer opportunities for businesses to take on graduates via placement opportunities, allowing them to explore the benefits of employing graduates.

## 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.

The University's Impact Campaign closed on 31 July 2017 having surpassed both its financial and volunteering targets, raising

**£242m**  
in charitable donations  
(target £200m)

and with

**1,678**  
volunteers  
(target 1000)

participating in the University's 'Giving Time' programme.

During FY2016-17 there were 5,902 donors to the Campaign, compared with 5,145 in FY2015-16 and 6,360 in FY2014-15. First time donor renewal continues to be an area of focus for FY2017-18.

Significant pledges secured during FY2016-17 include £1m from Sir Andrew P Witty to support Witty Scholarships, £1m from Sir Harry A Djanogly towards the Portland Hill Fountain Garden and Amphitheatre and £100,000 from The David Ross Foundation to establish the Greenaway Sports Scholarships. A number of significant pledges for continued support include £300,000 from ABInBev for the Chair in Brewing Science, £300,000 from Santander Universities for scholarships, Cascade and the Santander Enterprise Lab and £300,000 from BP plc for the BP STEM Scholarship Programme.

Cash received from legacies to 31 July 2017 was £1.7m, representing 24% of the total cash gifts received within the financial year. Significant legacy bequests received include £1m from Elizabeth Ratcliff to support the John Mortimer Shipstone Ratcliff Medical Scholarships, £382,000 from Friends of the University of Nottingham: America Inc. to support the Ethel & Kevin B Malone Scholarship Fund (supported by FUN America Inc.) and £200,000 from Edmund B Wootten to support the Department of Electrical and Electronic Engineering.

The University's Cascade Fund is maintained through charitable donations and awards up to £25,000 to students at our UK, China and Malaysia campuses to fund projects that will enrich the lives of our students and people across the

world. The total Cascade fund disbursed during FY2016-17 was £163,000 to fund 37 student projects. The University Nigerian Students' Society used funding to launch their 'Liter of Light Nigeria' outreach initiative to make sustainable solar lighting accessible to impoverished regions of Nigeria. Funding for Project Myemyela enabled a team of students from the Department of Architecture and Built Environment to design and build a nursery school in the village of Lephepane, South Africa. The Vet School's #lookoutforeachother project raises awareness of mental health and encourages a culture of support for each other.

The University continues to have strong internal and external support for its Life Cycle fundraising initiatives. As of July 2017, Life Cycle 7 had raised £420,000 towards its £500,000 target to give children battling brain tumours a brighter future, bringing the total for all seven Life Cycle events to over £3m (LC1: £245,000; LC2: £254,000; LC3: £271,000; LC4: £785,000; LC5: £386,000; LC6: £700,000).



## Arts and Culture

2017 heralded the 25th anniversary of the founding of Lakeside Arts with the opening of the Djanogly Gallery on the site of the Highfields Lido.

Lakeside flagged this landmark year with a celebratory digital installation returning the main gallery space to its roots as a lido complete with interactive elements, and a celebratory dinner to which the major donors to the original arts centre campaign were invited.

The Victor Pasmore exhibition attracted the greatest amount of national press and media coverage of any exhibition in the gallery's history with features in broadsheets, specialist magazines, and regional media, including being featured on the New Year pick of the year on Radio 4's *Saturday Review*.

Chinese New Year rang the changes at the end of January with a hugely successful digital commission Jixiang (Propitious) using the south face of the Trent Building as a giant canvas. The resultant 17 minute

long projection and music piece was seen by a capacity audience of 3000 people over two nights.

Lakeside premiered an evening of commissions by female composers including a new work by Dr Elizabeth Kelly, Music Department; and the ongoing research programme into Midlands Alabasters involving Dr Philip Weller and Professor Andrew Kirkman (University of Birmingham) was brought to life with an enhanced series of digital projections in the theatre.

Lakeside's strong programme of student engagement included an Albert Hall concert with Philharmonia and Choir performing Beethoven Symphony No9 which also featured 23 members of the alumni community; and a professional development programme with

Nottingham New Theatre culminating in six capacity performances of *Blue Stockings* by Jessica Swale in the Djanogly Theatre.

Lakeside took 20 actors and musicians from the University to the third Tri-Campus Arts festival in Ningbo in June, where they had the opportunity to perform to audiences of 4,500 members of the local community in the new auditorium across a period of one week.

Students are also involved in delivering and supporting Lakeside's Learning programme as volunteers and paid assistants, including the UPP funded Grand Day Out which attracted 40 classes from 20 schools to participate in a day long curriculum related programme at Lakeside.



## Healthcare

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

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

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

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

**600 nurses**  
**330 doctors**  
**135 physios**  
**78 midwives**  
**are trained at the University of Nottingham each year.**

## Sustainability

**The University's position as a leader in the field of sustainability saw it ranked 2nd in the 2017 UI GreenMetric World University Ranking and maintaining a top two placing since its inception in 2010.**

We have a longstanding commitment to institution-wide social responsibility as set out in Global Strategy 2020. The University's Research Vision sets out commitment to global challenges and sustainability and the research Beacons are aligned with the United Nation's Sustainable Development Goals. We have significant internationally recognised research strengths and teaching and learning in the field of sustainability and our estates operations are built on a strong environmental ethos and by adopting progressive environmental strategies in our capital projects we have embedded sustainability at the heart of our operations.

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

- The University of Nottingham has secured a prestigious Green Flag award for the fifth year in a row on the University's Jubilee Campus and for the 14th year on University Park
- In 2016 we were finalists at the Green Gown Awards for our investment in Diamond Wood – a new woodland for biodiversity and the community near to the Sutton Bonington Campus – and in the Continuous Improvement category for our work on sustainable transport
- In 2017 we have five nominations for the Green Gown Awards across the following categories: Carbon Reduction; Enterprise; Food & Drink; Student Engagement; and Leadership

In 2016/17 the University continued to invest in its infrastructure to reduce its

environmental impact and maximise its positive contribution to the local, national and international community. Particular note should be taken of the following:

- The creation of newly landscaped areas including at Sutton Bonington Campus to enhance public amenity, biodiversity and enhance the student experience
- The formal opening of the GSK Carbon Neutral Laboratory for Sustainable Chemistry, which incorporates the latest technologies to allow it to be carbon-neutral over its lifetime
- The 2017 #beastsofUoN limited edition calendar was a great success and a photographic competition was held promoting wildlife and biodiversity across both the UK, China and Malaysia campuses ahead of the 2018 calendar launch and showcased at Wonder
- Targeted investment at the Sutton Bonington Campus to reduce carbon emissions, costs and improve reliability with the installation of combined heat and power (CHP) unit to simultaneously produce heat and electricity for use in our buildings. The CHP delivered 40% of the sites electrical and heating demand has achieved annual savings of £0.3m and over 1000t CO2 for a total installed cost £1.4m
- The University's Medical School was identified as a key strategic investment to assist in achieving carbon reduction, improving resilience and reducing costs. Investment of over £3m targeted heating and cooling infrastructure, controls, and the building fabric. The Chilled Water Project and part of the voids ventilation work was funded by SALIX 'revolving green fund 4' while the reminding areas of work were funded direct by the University's carbon management programme. The overall annual cost saving achieved is £0.6m as a result of reduced steam consumption (despite an increase in electrical cost to power the new chilled water plant).

There was also a reduction in site mains water consumption following removal the evaporative cooling towers saving an average 3,850m<sup>3</sup> of water a year

Further investments in combined heat and power and solar are being planned for development in 2018 subject to funding approval. A decision to withdraw a planning application for a wind turbine at Sutton Bonington was taken following consultation with the Civil Aviation Authority. Alternative schemes are being considered.

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



# Governance

**The University is a corporation formed by Royal Charter and is an educational charity, with exempt status, regulated by the Higher Education Funding Council for England (HEFCE) in its capacity as Principal Regulator.**

The Council is the University's governing body and, among 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.

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

The University is committed to best practice in corporate governance. The Council notes the Combined Code on Corporate Governance and the HEFCE Accounts Direction requirements. In addition, the University has had regard to the Higher Education Code of Governance (the Code) published by the Committee of University Chairs (CUC). In response to the Code and in accordance with overall good governance the Council periodically reviews the role of the Council and its effectiveness. The most recent review of the Council's effectiveness concluded in January 2016 and confirmed that governance arrangements were well aligned with the updated Code. 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 2016.

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

### Role

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

achieved and learning is fostered.

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

### Membership and meetings

■ 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, although if elected as an Officer of the University their previous service is disregarded for the purpose of calculating terms.

### Primary powers and responsibilities: Overall powers and responsibilities

1. To approve the mission and strategy of the University and its academic and business plans;
2. To ensure that processes are in place to monitor the performance and effectiveness of the University against plans and agreed performance indicators and benchmarking against comparable universities;
3. To appoint the 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



## 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.

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



# Governance continued



DH Lawrence Auditorium looking over the lake, China Campus

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 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, Honorary Associate Professors, Honorary Assistant Professors or Fellows, to regulate the conferment of Honorary Degrees and to establish delegated procedures for appointing external examiners;
24. To approve the expulsion of students;
25. To establish processes to monitor and evaluate the effectiveness of 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 2016/17 the Council of the University comprised the President and Vice-Chancellor, up to 14 external, two student and eight academic persons appointed under the University's Statutes, the majority of whom are non-executive. The role of 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 Higher Education Funding Council for England (HEFCE) Financial Memorandum, the Council is responsible for the University's ongoing strategic direction, approval of major developments and receiving regular reports from Executive Officers on the day-to-day operations of its business and its subsidiaries. The Council met 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 Senior Strategy and Risk Analyst 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 HEFCE as they affect the University's business. It considers the form of the annual report on Corporate Governance together with the accounting policies and reviews the implementation of risk management within the University. While senior executives attend meetings of the Audit and Risk Committee as necessary, with the President and Vice-Chancellor attending at least once per annum, they are not members of the Committee, and the Committee meets with the External and Internal Auditors on their own for independent discussions.

- **The Remuneration Committee**, which comprises five senior external members and the President and Vice-Chancellor,

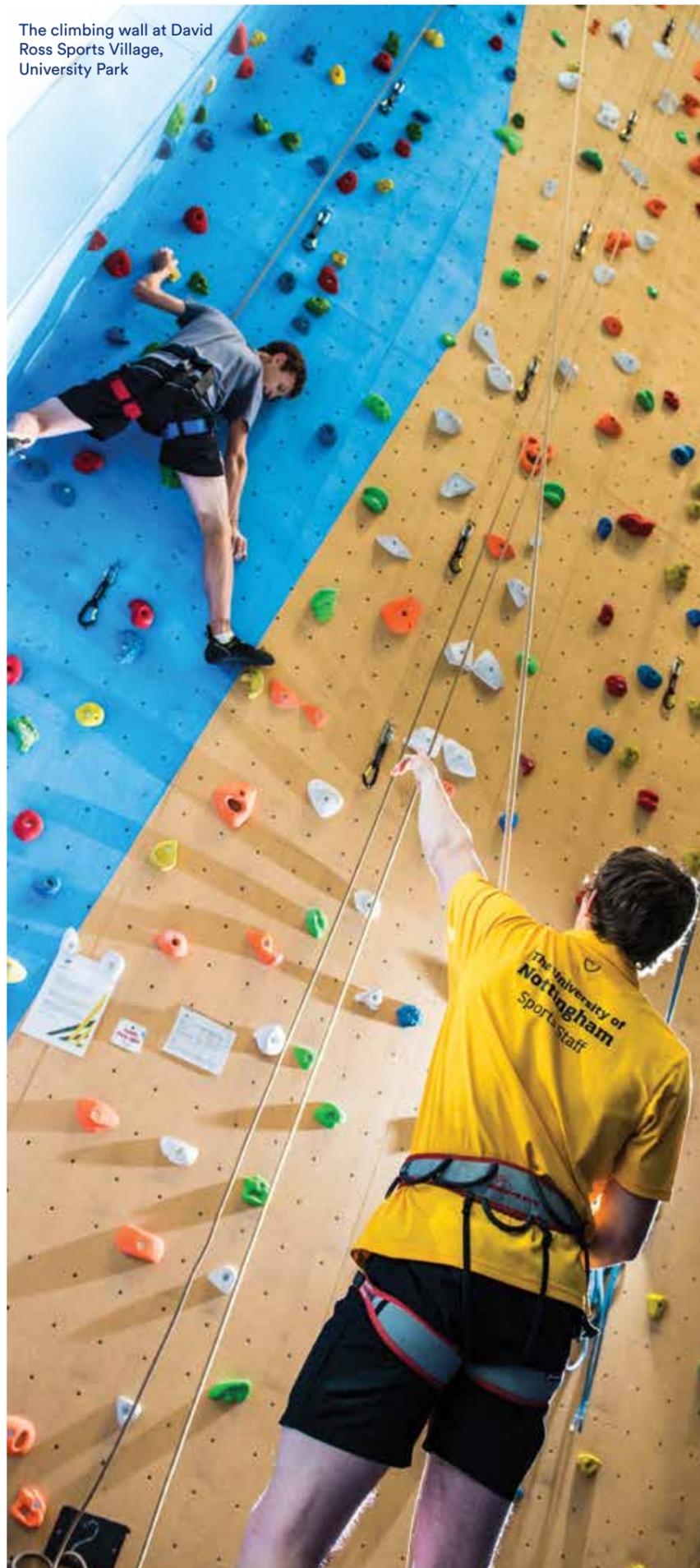
determines the salaries of senior staff of the University. The salary of the President and Vice-Chancellor is determined by the external members of the Committee. The Committee also reviews retention and recruitment policies relating to professorial and other senior staff.

- **The Safety Committee** comprises 15 representatives from academic schools and central support service departments and two members from the Students' Union and one Council Member. Its terms of reference are to formulate safety and environmental policies in order to ensure that the University meets all legislative requirements and best practice standards, and to promote and monitor effective implementation of those policies.
- Day to day management of the University is via **the University Executive Board**, comprising the President and Vice-Chancellor, the Deputy President and Vice-Chancellor, the Pro-Vice-Chancellors, the Faculty Pro-Vice-Chancellors, the Chief Financial Officer, the Registrar and the Chief Estates and Facilities Officer, the Chief Marketing and Communications Officer, the Chief Information Officer, the Director of Human Resources and the Chief Student Management Officer. University Executive Board acts as an executive committee and normally meets monthly, with weekly sub-meetings, to consider the strategic and financial direction of the University. The President and Vice-Chancellor is the principal academic and administrative officer of the University. The Deputy

President and Vice-Chancellor and the Pro-Vice-Chancellors have specific responsibilities for major policy areas, whilst responsibility for Professional Services is largely shared between the Registrar and the Chief Financial Officer. The Council are kept informed of the key decisions and discussions of the University Executive Board including via formal statements presented by the President and Vice-Chancellor statement, which is also delivered at the University's Senate meetings.

- **Senate**, membership of which includes senior academics from across the University (in the UK, Malaysia and China) as well as student members, meets three times a year. Inter alia, it has the power, subject to the Statutes and Ordinances, to oversee teaching, education and research and is responsible for the academic quality and standards of the University. In July 2017, Council approved title changes to the posts of Vice-Chancellor and Chair of Council to ensure that the roles are better understood internationally. The post of Vice-Chancellor has become President and Vice-Chancellor. The role of President of Council has become Chair of Council. The title changes are now in effect and will be reflected in the Statement of Role and Primary Powers and Responsibilities of University Council to be considered and noted at the next meeting of Council.

The climbing wall at David Ross Sports Village, University Park



## Governance continued

### Statement of internal control

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

These controls cover the period 1 August 2016 to 31 July 2017, and up 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 HEFCE Audit Code of Practice within the Memorandum of Assurance and Accountability. The Internal Audit Service was last subject to an external review in July 2012.
- The review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditor in their management letter and other reports.

### Preparation of the Financial Statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended

Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the HEFCE and the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

- Ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and prevent and detect fraud;
- Secure the economical, efficient and effective management of the University's resources and expenditure.
- The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets; regular reviews of performance and monthly reviews of financial results involving variance reporting and updates of forecast outturn;
- Comprehensive Financial Regulations, approved by the Audit and Risk Committee, Finance Committee and the Council;
- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments, supported by clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- A professional Internal Audit Service whose annual programme is approved by the Audit and Risk Committee;
- Self-assessment Controls Assurance certification completed by managers responsible for key systems of financial control, reviewed by the Internal Audit Service and the results reported to the Audit and Risk Committee.
- Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

# Independent Auditor's Report

to the Members of the Council of the University of Nottingham

## Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the University's affairs as at 31 July 2017 and of the group's and the University's income and expenditure, gains and losses and changes in reserves and of the group's cash flows for the year then ended;
- 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.

## Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)

In our opinion, in all material respects:

- funds from HEFCE administered by the university for specific purposes during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

We have audited the financial statements of the University of Nottingham (the 'University') and its subsidiaries (the 'group') which comprise:

- the group and University statement of comprehensive income;
- the group and University balance sheet;
- the group and University statements of changes in reserves;
- the consolidated cash flow statement;
- the statement of principal accounting policies; and
- the related notes 1 to 31.

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 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 and Financial Statements, 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 Statement of the role and primary powers and responsibilities of University Council, the Council is responsible for the preparation of the financial statements that give a true and fair view, 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Council in accordance with the Memorandum of Assurance and Accountability 2016. 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

**Deloitte LLP**  
Chartered Accountants and  
Statutory Auditor Nottingham

# Statement of Principal Accounting Policies

## 1. Accounting Convention

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

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

These policies have been reviewed by the Audit Committee and are considered appropriate to the University's activities. They have been applied consistently in the current and prior 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 12 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.

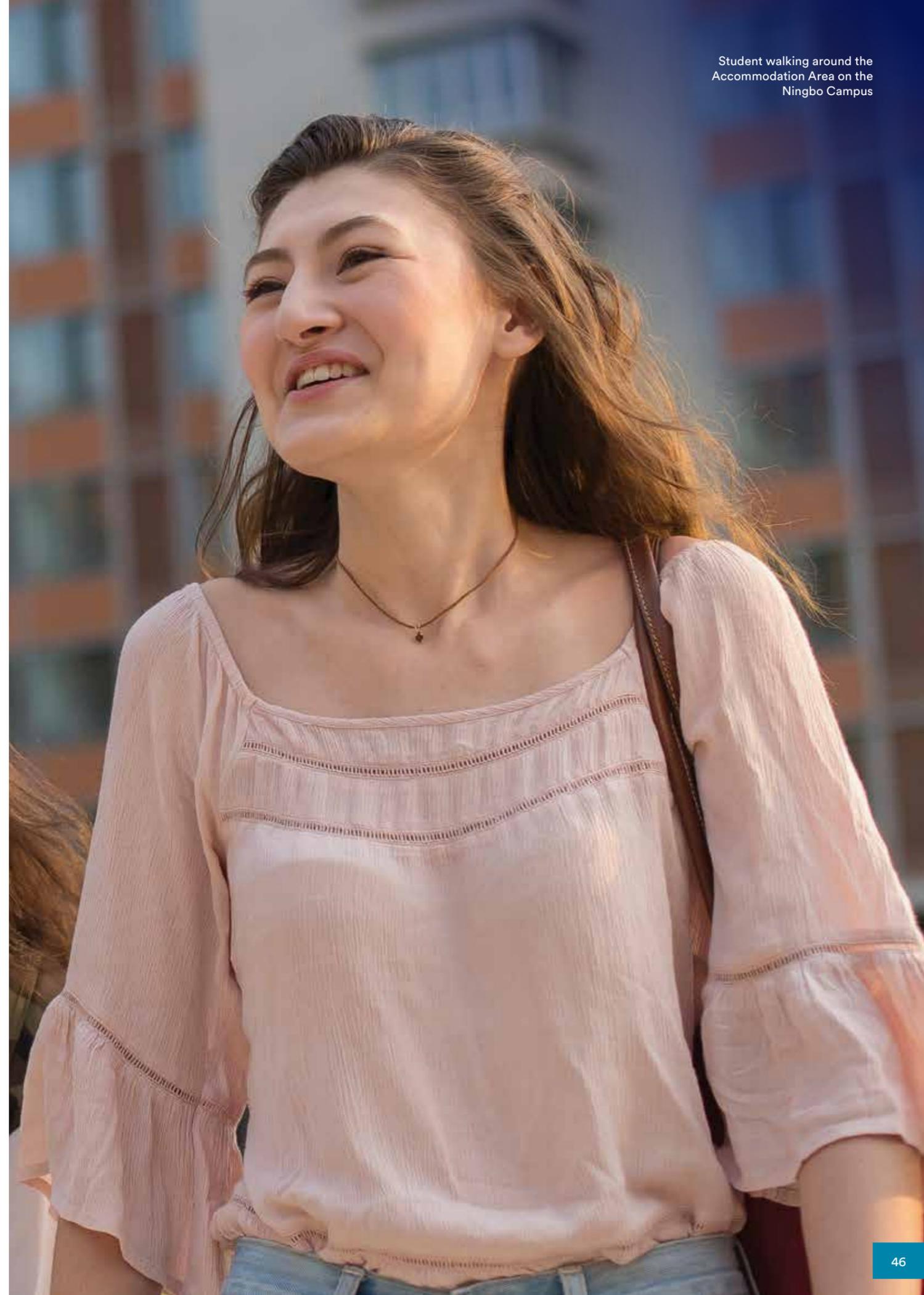
Other key income streams of this type are consultancy, accommodation, catering

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'.



## Statement of Principal Accounting Policies Continued

### 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 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

### 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 a 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 an annual basis by suitably qualified chartered surveyors. The basis of valuation being open market value on an existing use basis. Land, with the exception of the Arts Centre and DH Lawrence Pavilion land, which are held on a long lease, is held freehold and is not depreciated as it is considered to have an indefinite useful life.

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

Assets in the Course of Construction are not depreciated.

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

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

### 10. Plant and Equipment

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

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

- IT Equipment – 3-5 years
- IT Software – 3 years



Researchers working in a Tissue Culture Laboratory, Nottingham Medical School, Queens Medical Centre

## Statement of Principal Accounting Policies Continued

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

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

Heritage Assets are recorded at cost and not depreciated.

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

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

### 11. Government Grants

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

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

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

### 12. Investment Properties

Investment properties are initially included in the Balance Sheet at their fair value at the balance sheet date on the basis of an 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.

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.



Student celebrating graduation

# Consolidated and University Statement of Comprehensive Income and Expenditure

	Note	Consolidated		University	
		2017	2016	2017	2016
		£m	£m	£m	£m
<b>Income</b>					
Tuition fees and education contracts	2	309.3	298.3	309.3	298.3
Funding body grants	3	90.1	93.2	90.1	93.2
Research grants and contracts	4	123.7	124.6	123.7	124.6
Other income	5	111.7	110.4	103.1	103.6
Investment income	6	5.0	1.4	5.1	1.5
Donations and endowments	7	6.3	7.5	6.3	7.4
<b>Total income</b>		<b>646.1</b>	<b>635.4</b>	<b>637.6</b>	<b>628.6</b>
<b>Expenditure</b>					
Staff costs	8	341.4	324.0	337.4	321.1
Other operating expenses	9	243.1	235.9	238.8	234.2
Depreciation	14	31.1	27.7	30.8	27.6
Interest and other finance costs	10	5.0	5.7	5.0	5.7
<b>Total expenditure</b>		<b>620.6</b>	<b>593.3</b>	<b>612.0</b>	<b>588.6</b>
Surplus before other gains/(losses) and share of operating surplus/(deficit) in associates		25.5	42.1	25.6	40.0
Gain/(loss) on disposal of fixed assets		3.3	8.3	3.3	8.3
Gain/(loss) on investments		3.4	1.6	4.2	2.5
Share of profits/(losses) in associated companies	16	0.5	1.8	(0.2)	(0.2)
Surplus (deficit) for the year		32.7	53.8	32.9	50.6
Actuarial gain/(loss) in respect of pension schemes	27	0.0	(35.5)	(0.0)	(35.5)
<b>Total comprehensive income for the year</b>		<b>32.7</b>	<b>18.3</b>	<b>32.9</b>	<b>15.1</b>
Represented by:					
Endowment comprehensive income for the year		5.2	6.0	5.2	6.0
Restricted comprehensive income for the year		1.1	0.0	1.1	0.0
Revaluation reserves comprehensive income for the year		(0.0)	(1.3)	(0.0)	(1.3)
Unrestricted comprehensive income for the year		26.4	13.6	26.6	10.4
		<b>32.7</b>	<b>18.3</b>	<b>32.9</b>	<b>15.1</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 Balance Sheet

	Note	Consolidated		University	
		2017	2016	2017	2016
		£m	£m	£m	£m
<b>Fixed assets</b>					
Intangible assets	12	1.4	3.0	1.4	3.0
Goodwill	13	0.0	0.0	0.0	0.0
Fixed assets	14	881.2	815.1	877.6	811.4
Heritage assets	14	0.5	0.5	0.5	0.5
Investments	15	72.0	60.1	71.8	59.9
Investments in associates	16	33.7	34.3	9.5	9.8
		<b>988.8</b>	<b>913.0</b>	<b>960.8</b>	<b>884.6</b>
<b>Current assets</b>					
Stock		1.8	1.8	1.3	1.5
Trade and other receivables	17	87.8	86.5	90.0	89.5
Short term investments		0.2	0.2	0.2	0.2
Cash and cash equivalents		5.8	16.5	1.9	12.5
		<b>95.6</b>	<b>105.0</b>	<b>93.4</b>	<b>103.7</b>
<b>Creditors: amounts falling due</b>					
Within one year	18	(239.5)	(209.9)	(236.7)	(207.8)
Net current liabilities		(143.9)	(104.9)	(143.3)	(104.1)
<b>Total assets less current liabilities</b>		<b>844.9</b>	<b>808.1</b>	<b>817.5</b>	<b>780.5</b>
<b>Creditors: amounts falling due after</b>					
More than one year	19	(213.4)	(208.4)	(213.4)	(208.4)
Pension provisions	20	(198.6)	(199.5)	(198.6)	(199.5)
<b>Total net assets</b>		<b>432.9</b>	<b>400.2</b>	<b>405.5</b>	<b>372.6</b>
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment reserve	21	55.1	49.9	55.1	49.9
Income and expenditure reserve – restricted reserve	22	6.5	5.4	6.5	5.4
		<b>61.6</b>	<b>55.3</b>	<b>61.6</b>	<b>55.3</b>
<b>Unrestricted reserves</b>					
Income and expenditure reserve – unrestricted		367.1	340.7	339.7	313.1
Revaluation reserve		4.2	4.2	4.2	4.2
		<b>371.3</b>	<b>344.9</b>	<b>343.9</b>	<b>317.3</b>
<b>Total reserves</b>		<b>432.9</b>	<b>400.2</b>	<b>405.5</b>	<b>372.6</b>

The financial statements on pages 51–80 were approved by Council on 21 November 2017 and signed on its behalf by:

Professor Shearer West  
President and Vice-Chancellor

Stephen Walton  
Treasurer and Chairman of Finance Committee

# Consolidated and University Statement of Changes in Reserves

For the year ended 31 July 2017

	Consolidated				
	Income and expenditure account			Reserve	Total
	Endowment	Restricted	Unrestricted	Unrestricted	
	£m	£m	£m	£m	£m
<b>Balance at 1 August 2015</b>	43.9	5.4	327.1	5.5	381.9
Unrestricted surplus/(deficit) from the income and expenditure statement	0.0	0.0	9.7	0.0	9.7
Income from investment of the endowment portfolio	1.3	0.0	0.0	0.0	1.3
New endowments, donations and grants (including research)	2.3	2.8	0.0	0.0	5.1
Release of restricted funds spent in year	(1.1)	(2.8)	3.9	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	3.5	0.0	0.0	(1.3)	2.2
Transfers between revaluation and income and expenditure reserve	0.0	0.0	0.0	0.0	0.0
<b>Total comprehensive income for the year</b>	<b>6.0</b>	<b>(0.0)</b>	<b>13.6</b>	<b>(1.3)</b>	<b>18.3</b>
<b>Balance at 31 July 2016</b>	<b>49.9</b>	<b>5.4</b>	<b>340.7</b>	<b>4.2</b>	<b>400.2</b>
Unrestricted surplus/(deficit) from the income and expenditure statement	0.0	0.0	22.6	0.0	22.6
Income from investment of the endowment portfolio	4.9	0.0	0.0	0.0	4.9
New endowments, donations and grants (including research)	0.5	3.5	0.0	0.0	4.0
Release of restricted funds spent in year	(1.4)	(2.4)	3.8	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	1.2	0.0	0.0	0.0	1.2
Transfers between revaluation and income and expenditure reserve	0.0	0.0	0.0	0.0	0.0
<b>Total comprehensive income for the year</b>	<b>5.2</b>	<b>1.1</b>	<b>26.4</b>	<b>0.0</b>	<b>32.7</b>
<b>Balance at 31 July 2017</b>	<b>55.1</b>	<b>6.5</b>	<b>367.1</b>	<b>4.2</b>	<b>432.9</b>

	University				
	Income and expenditure account			Reserve	Total
	Endowment	Restricted	Unrestricted	Unrestricted	
	£m	£m	£m	£m	£m
<b>Balance at 1 August 2015</b>	43.9	5.4	302.7	5.5	357.5
Unrestricted surplus/(deficit) from the income and expenditure statement	0.0	0.0	6.5	0.0	6.5
Income from investment of the endowment portfolio	1.3	0.0	0.0	0.0	1.3
New endowments, donations and grants (including research)	2.3	2.8	0.0	0.0	5.1
Release of restricted funds spent in year	(1.1)	(2.8)	3.9	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	3.5	0.0	0.0	(1.3)	2.2
Transfers between revaluation and income and expenditure reserve	0.0	0.0	0.0	0.0	0.0
<b>Total comprehensive income for the year</b>	<b>6.0</b>	<b>0.0</b>	<b>10.4</b>	<b>(1.3)</b>	<b>15.1</b>
<b>Balance at 31 July 2016</b>	<b>49.9</b>	<b>5.4</b>	<b>313.1</b>	<b>4.2</b>	<b>372.6</b>
Unrestricted surplus/(deficit) from the income and expenditure statement	0.0	0.0	22.8	0.0	22.8
Income from investment of the endowment portfolio	4.9	0.0	0.0	0.0	4.9
New endowments, donations and grants (including research)	0.5	3.5	0.0	0.0	4.0
Release of restricted funds spent in year	(1.4)	(2.4)	3.8	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	1.2	0.0	0.0	0.0	1.2
Transfers between revaluation and income and expenditure reserve	0.0	0.0	0.0	0.0	0.0
<b>Total comprehensive income for the year</b>	<b>5.2</b>	<b>1.1</b>	<b>26.6</b>	<b>0.0</b>	<b>32.9</b>
<b>Balance at 31 July 2017</b>	<b>55.1</b>	<b>6.5</b>	<b>339.7</b>	<b>4.2</b>	<b>405.5</b>

# Consolidated Cashflow Statement

For the year ended 31 July 2017

		2017	2016
	Note	£m	£m
<b>Cash flow from operating activities</b>			
Surplus / (deficit) for the year		32.7	53.8
<b>Adjustment for non-cash items</b>			
Depreciation	14	31.1	27.7
Amortisation of intangibles	12	0.0	0.0
Amortisation of goodwill	13	0.0	0.1
Loss/(gain) on investments		(3.4)	(6.6)
Decrease/(increase) in stock		0.0	(0.0)
Decrease/(increase) in debtors		(2.3)	(3.4)
Increase/(decrease) in creditors		16.3	(8.4)
Increase/(decrease) in pension provision	20	(0.8)	(1.5)
Share of operating (surplus)/deficit in associate	16	(0.5)	(1.8)
Surrender of carbon dioxide emission allowances		1.6	0.9
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(0.1)	(0.1)
Investment income – endowments	6	(4.9)	(1.3)
Interest payable	10	0.3	0.2
Endowment income		(0.5)	(2.3)
(Profit)/Loss on the sale of fixed assets		(3.3)	0.2
Capital grants released to income		(7.2)	(12.3)
<b>Net cash inflow from operating activities</b>		<b>59.0</b>	<b>45.2</b>

	2017	2016
	£m	£m
<b>Cash flows from investing activities</b>		
Proceeds from sales of fixed assets	4.1	0.1
Capital grants receipts	17.3	16.2
Proceeds on sale of endowment investments	3.8	8.5
Endowment investment income	4.9	1.3
Investment income	0.1	0.1
Payments made to acquire fixed assets	(97.2)	(100.8)
Payments to acquire endowment asset investments	(11.0)	(12.2)
Purchase of carbon dioxide emission allowances	0.0	(2.2)
New non-current asset investments	(2.2)	(2.3)
New deposits of short term investments	(0.0)	0.0
New deposits of endowment investments	(0.5)	(1.2)
<b>Total cash flows from investing activities</b>	<b>(80.7)</b>	<b>(92.5)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(0.3)	(0.1)
Endowment cash received	0.5	1.2
New secured loans	189.0	193.4
Repayments of amounts borrowed	(178.2)	(136.5)
Capital element of finance lease and service concession payments	0.0	0.0
<b>Total cash flows from financing activities</b>	<b>11.0</b>	<b>58.0</b>
Effect of retranslation of foreign currency cash balances	0.0	0.0
<b>Increase in cash and cash equivalents in the year</b>	<b>(10.7)</b>	<b>10.7</b>
Cash and cash equivalents at beginning of the year	16.5	5.8
Cash and cash equivalents at end of the year	5.8	16.5

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 2017

## 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. In addition estimates and material judgements are used in assessing the recoverability of debtors, the recognition and calculation of provisions and taxation accounting.

To determine the appropriate values for the USS recovery plan the University has applied an accounting model and suggested discount rate developed by the British Universities Finance Director's Group (BUFDG) in conjunction with USS after conducting appropriate review of the recovery plan documentation and the bond market to ensure the model and rates were reasonable and appropriate. The liability for the plan is £60m (2016 £59.8m).

To determine an appropriate accrual for holiday pay contractually earned but not yet taken a sample of data was taken from holiday records using data within an internally-developed recording system. This data was used to generate a percentage value of staff costs which was then extrapolated to cover all staff. The detailed estimation technique will be periodically re-run. The accrual stands at £10.8m (2016 £12.4m).

	Consolidated		University	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>2. Tuition fees and education contracts</b>				
Full-time credit bearing courses – home fees	175.5	166.7	175.5	166.7
Full-time credit bearing courses – international fees	95.3	93.3	95.3	93.3
Part-time credit bearing courses	5.0	4.6	5.0	4.6
Other teaching contracts	14.6	13.9	14.6	13.9
Non credit bearing courses and other fees	18.9	19.8	18.9	19.8
	<b>309.3</b>	<b>298.3</b>	<b>309.3</b>	<b>298.3</b>

## 3. Funding body grants

Recurrent grants from HEFCE	82.6	81.7	82.6	81.7
Specific grants from HEFCE	0.2	2.8	0.2	2.8
Grants from TA	1.1	1.9	1.1	1.9
Deferred capital grants Released in year				
Building	5.7	6.7	5.7	6.7
Equipment	0.5	0.1	0.5	0.1
	<b>90.1</b>	<b>93.2</b>	<b>90.1</b>	<b>93.2</b>

## 4. Research grants and contracts

Research councils	53.2	51.3	53.2	51.3
UK based charities	14.3	11.5	14.3	11.5
UK central/local government, health and health authorities	23.2	23.9	23.2	23.9
UK industry, commerce and public corporations	8.9	8.9	8.9	8.9
EU government and other sources	16.4	18.8	16.4	18.8
Other grants and contracts	6.3	10.2	6.3	10.2
RDEC income	1.4	0.0	1.4	0.0
	<b>123.7</b>	<b>124.6</b>	<b>123.7</b>	<b>124.6</b>

	Consolidated		University	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>5. Other operating income</b>				
Residences, catering and conferences	44.1	40.8	34.3	32.0
Other services rendered	22.1	18.2	20.8	17.1
Health authorities	10.1	9.8	10.1	9.8
Released from deferred capital grants	0.3	12.6	0.3	12.6
Other income	35.1	29.0	37.6	32.1
	<b>111.7</b>	<b>110.4</b>	<b>103.1</b>	<b>103.6</b>

## 6. Investment Income

Investment income on endowments (Note 21)	4.9	1.3	4.9	1.3
Other interest receivable	0.1	0.1	0.2	0.2
	<b>5.0</b>	<b>1.4</b>	<b>5.1</b>	<b>1.5</b>

## 7. Donations and endowments

New endowments (Note 21)	0.5	2.3	0.5	2.3
Donations with performance conditions	0.6	0.8	0.6	0.7
Donations with restrictions (Note 22)	2.3	2.0	2.3	2.0
Unrestricted donations	2.9	2.4	2.9	2.4
	<b>6.3</b>	<b>7.5</b>	<b>6.3</b>	<b>7.4</b>

## Notes to the Financial Statements continued

	Consolidated		University	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>8. Staff</b>				
Staff costs:				
Gross pay	274.7	266.3	271.1	263.7
Social security costs	26.5	22.6	26.1	22.4
Other pension costs (Note 27)	41.1	37.1	41.1	37.0
Movement on USS pension provision (Note 20)	(0.9)	(2.0)	(0.9)	(2.0)
	<b>341.4</b>	<b>324.0</b>	<b>337.4</b>	<b>321.1</b>

	2017	2016
	£000	£000
Emoluments of the Vice Chancellor		
Basic salary	295	295
Accommodation allowance	42	42
Taxable expenses and private health policy	3	3
	<b>340</b>	<b>340</b>
In lieu of pension contributions	41	41
Remuneration	<b>381</b>	<b>381</b>
Employers pension contributions	0	0
Total cost	<b>381</b>	<b>381</b>

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

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

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

Average Staff Numbers by Major Category:

	2017	2016
	Number	Number
Teaching and Research	3,189	3,188
Technical	612	595
Administrative, Professional and Managerial	2,225	2,106
Other, including Manual	951	926
	<b>6,977</b>	<b>6,815</b>

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

	2017	2016
	Number	Number
£100,000 – £109,999	29	33
£110,000 – £119,999	26	22
£120,000 – £129,999	9	15
£130,000 – £139,999	14	13
£140,000 – £149,999	11	12
£150,000 – £159,999	13	12
£160,000 – £169,999	13	9
£170,000 – £179,999	14	10
£180,000 – £189,999	4	6
£190,000 – £199,999	5	6
£200,000 – £209,999	2	1
£210,000 – £219,999	2	1
£220,000 – £229,999	1	1
£230,000 – £239,999	0	0
£240,000 – £249,999	0	0
£250,000 – £259,999	0	0
£260,000 – £269,999	0	0
£270,000 – £279,999	0	0
£280,000 – £289,999	1	0
£290,000 – £299,999	1	1

#### University Council

Expenses paid to Council members who are not staff or students (as listed within these financial statements) totalled £12,281 (2016 £2,847).

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.

## Notes to the Financial Statements continued

## Key management personnel

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

The University's Executive Board was significantly expanded in the 2015/16 financial year following a re-shape in the 2014/15 financial year. At 31 July 2017 there were 20 members (2016: 21 members).

	2017	2016
	£m	£m
Compensation paid to key management personnel	3.1	2.9

	Consolidated		University	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>9. Other Operating Expenses</b>				
Purchase, hire and repair of equipment	30.6	37.6	30.5	37.4
Consumables and laboratory expenditure	17.9	18.0	17.7	17.8
Published materials	8.0	6.9	7.9	6.9
Travel and subsistence	14.5	13.2	14.4	13.1
Professional and other fees	52.2	45.1	49.7	42.6
Fellowships, scholarships and prizes	53.9	55.0	53.9	55.0
Catering supplies	7.5	7.3	6.3	6.3
Repairs and general maintenance	14.8	13.6	13.0	12.1
Heat, light, water and power	14.7	13.0	15.1	13.7
Rent, rates and insurance	5.2	5.2	5.5	5.6
Grants to University of Nottingham Students' Union	2.7	2.7	2.7	2.7
Auditor's remuneration	0.1	0.3	0.1	0.3
Training	2.2	2.4	2.1	2.4
Advertising	1.6	1.4	1.6	1.4
Amortisation of goodwill arising on consolidation	0.0	0.1	0.0	0.0
Other expenses	17.2	14.1	18.3	16.9
	<b>243.1</b>	<b>235.9</b>	<b>238.8</b>	<b>234.2</b>

	Consolidated		University	
	2017	2016	2017	2016
	£m	£m	£m	£m

## 10. Interest and Other Finance Costs

Loans not wholly repayable within five years	0.3	0.2	0.3	0.2
Finance costs for CPAS pension scheme (Note 27)	3.6	3.9	3.6	3.9
Finance costs in relation to USS pension scheme provision	1.1	1.6	1.1	1.6
	<b>5.0</b>	<b>5.7</b>	<b>5.0</b>	<b>5.7</b>

## Consolidated

	Staff costs	Dep'n	Other Operating Expenses	Interest Payable	2017 Total	2016 Total
	£m	£m	£m	£m	£m	£m
<b>11. Analysis of Expenditure By Activity</b>						
Academic departments	186.4	4.4	64.0	0.0	254.8	253.4
Research grants and contracts	51.8	5.2	39.1	0.0	96.1	96.0
Total teaching and research	238.2	9.6	103.1	0.0	350.9	349.4
Academic services	22.5	2.3	24.8	0.0	49.6	49.1
Administration	50.4	0.2	53.4	0.0	104.0	89.4
Premises	10.8	16.8	30.3	0.0	57.9	54.4
Residences, catering and conferences	12.5	1.6	18.4	0.0	32.5	28.5
Other expenses	7.0	0.6	13.1	5.0	25.7	22.5
Total per income and expenditure account	<b>341.4</b>	<b>31.1</b>	<b>243.1</b>	<b>5.0</b>	<b>620.6</b>	<b>593.3</b>

Auditor's remuneration includes:

	Consolidated		University	
	2017	2016	2017	2016
	£m	£m	£m	£m
Audit Services	0.12	0.12	0.08	0.08
FRS102 Transition Work	0.00	0.02	0.00	0.02
Other Assurance Services	0.02	0.02	0.02	0.01
Non audit services (Tax advisory)	0.00	0.13	0.00	0.13
	<b>0.14</b>	<b>0.29</b>	<b>0.10</b>	<b>0.24</b>

## University

	Staff costs	Dep'n	Other Operating Expenses	Interest Payable	2017 Total	2016 Total
	£m	£m	£m	£m	£m	£m
Academic departments	186.4	4.4	64.1	0.0	254.9	253.4
Research grants and contracts	51.8	5.2	39.1	0.0	96.1	96.0
Total teaching and research	238.2	9.6	103.2	0.0	351.0	349.5
Academic services	22.5	2.3	24.9	0.0	49.7	49.3
Administration	50.4	0.2	53.4	0.0	104.0	89.5
Premises	10.8	16.5	32.6	0.0	59.9	56.2
Residences, catering and conferences	8.8	1.6	13.3	0.0	23.7	22.0
Other expenses	6.7	0.6	11.4	5.0	23.7	22.2
Total per income and expenditure account	<b>337.4</b>	<b>30.8</b>	<b>238.8</b>	<b>5.0</b>	<b>612.0</b>	<b>588.6</b>

Other operating expenses include

Operating lease rentals – other	232.0	296.0
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## Notes to the Financial Statements continued

	Consolidated and University	
	2017	2016
	£m	£m
<b>12. Intangible assets</b>		
Carbon dioxide emission allowances purchased in year	1.4	3.0
	1.4	3.0

Carbon allowances are purchased annually from the Department of Energy and Climate Change. They may be redeemed against the internal production of carbon, with additional allowances purchasable at a higher price should emissions exceed the allowances purchased. The redemption is an annual process in April each year, with April 2012 to April 2013 being the first year of the scheme. The University has accrued for the carbon generated in the months August 2016 to July 2017 and the liability is included within accruals and deferred income in note 18.

	Consolidated
	£m
<b>13. Goodwill</b>	
<b>Cost</b>	
At 1 August 2016 and at 31 July 2017	2.1
<b>Amortisation</b>	
At 1 August 2016	2.1
Charge for the year	0.0
At 31 July 2017	2.1
<b>Net book value</b>	
At 31 July 2017	0.0
At 31 July 2016	0.0

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

	Land and buildings						Consolidated
	Freehold	Long leasehold	Investment properties	Equipment	Assets in course of construction	Total	Heritage assets
	£m	£m	£m	£m	£m	£m	£m
<b>14. Tangible fixed assets and heritage assets</b>							
<b>Cost / deemed cost</b>							
At 1 August 2016	777.7	15.0	4.2	179.7	93.9	1,070.5	0.5
Additions at cost	25.4	0.0	0.0	21.1	51.5	98.0	0.0
Transfers	59.4	0.0	0.0	5.7	(65.1)	0.0	0.0
Disposals	(1.1)	0.0	0.0	(7.0)	0.0	(8.1)	0.0
At 31 July 2017	861.4	15.0	4.2	199.5	80.3	1,160.4	0.5
<b>Depreciation</b>							
At 1 August 2016	124.5	3.2	0.0	127.8	0.0	255.5	0.0
Charge for year	15.4	0.1	0.0	15.6	0.0	31.1	0.0
Transfers	0.0	0.0	0.0	(0.0)	0.0	(0.0)	0.0
Eliminated on disposals	(0.7)	0.0	0.0	(6.7)	0.0	(7.4)	0.0
At 31 July 2017	139.2	3.3	0.0	136.7	0.0	279.2	0.0
<b>Net book value</b>							
At 31 July 2017	722.2	11.7	4.2	62.8	80.3	881.2	0.5
At 31 July 2016	653.2	11.8	4.2	51.9	93.9	815.1	0.5

## Notes to the Financial Statements continued

	Land and building						University
	Freehold	Long leasehold	Investment properties	Equipment	Assets in course of construction	Total	Heritage assets
							£m
<b>14. Tangible fixed assets and heritage assets</b>							
<b>Cost / deemed cost</b>							
At 1 August 2016	777.7	15.0	4.2	176.3	93.4	1,066.7	0.5
Additions at cost	25.4	0.0	0.0	21.1	51.3	97.8	0.0
Transfers	59.4	0.0	0.0	5.4	(64.7)	0.0	0.0
Disposals	(1.1)	0.0	0.0	(7.1)	0.0	(8.2)	0.0
At 31 July 2017	861.4	15.0	4.2	195.7	80.0	1,156.3	0.5
<b>Depreciation</b>							
At 1 August 2016	124.5	3.2	0.0	127.6	0.0	255.3	0.0
Charge for year	15.4	0.1	0.0	15.3	0.0	30.8	0.0
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminated on disposals	(0.7)	0.0	0.0	(6.7)	0.0	(7.4)	0.0
At 31 July 2017	139.2	3.3	0.0	136.2	0.0	278.7	0.0
<b>Net book value</b>							
At 31 July 2017	722.2	11.7	4.2	59.5	80.0	877.6	0.5
At 31 July 2016	653.2	11.8	4.2	48.7	93.4	811.4	0.5

Included in both consolidated and University within freehold land and buildings is £225.8m (2016 £225.8m) of land which is not being depreciated.

Property valuations as at 31 July 2017 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.

The opening valuation has been designated as deemed cost and valuations will be updated every three years.

	Consolidated		University	
	Restated		Restated	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>15. Investments</b>				
Subsidiary companies	0.0	0.0	0.4	1.9
Investments	16.9	11.3	16.2	9.2
Investments as part of the endowment asset portfolio	55.1	48.8	55.1	48.8
	<b>72.0</b>	<b>60.1</b>	<b>71.8</b>	<b>59.9</b>

Included within investments are amounts invested in University collaborations and spin out companies. The majority of the investments have been written down to nil. The total cost of such investments was £13.6m (2016 £11.1m) with an impairment provision of £3.5m (2016 £3.9m). The total amount invested in the year was £0.1m (2016 £9.0m) and the impairment charge in the year was £0.1m (2016 £0.3m). The University is also a member of EMMAN Limited, The Manufacturing Technology Centre Limited, CIELivestock Limited, all of which are companies limited by guarantee for which the University's potential liability is limited to £1 each.

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

	2017
	£m
<b>Cost / deemed cost</b>	
At 1 August 2016	11.1
Additions at cost	0.0
Revaluation	3.0
Disposals	(0.5)
At 31 July 2017	13.6
<b>Provisions for impairment</b>	
At 1 August 2016	3.9
Impairment	0.1
Reversal of past impairment	(0.5)
Disposals	(0.5)
At 31 July 2017	3.0
Carrying Value	10.6

## Notes to the Financial Statements continued

Investment	Type of business	Country of Incorporation	% holding
BioCity Nottingham Limited	Accommodation (biotechnology and health companies)	UK	50% Limited by Guarantee
Staff Roster Solutions Limited	Software development and application	UK	48% Private Limited by Shares
Platelet Solutions Limited	Platelet function testing	UK	44% Private Limited by Shares
Nottingham University Architecture and Urban Design Limited	Architectural and design activities	UK	37% Private Limited by Shares
N U Vision Biotherapies Limited	Human health activities	UK	32% Private Limited by Shares
Promethean Particles Limited	Inorganic nanoparticle dispersion manufacture	UK	26% Private Limited by Shares
Ticketing Network East Midlands	Ticket services	UK	25% Private Limited by Shares
M4 Technologies Limited	Research and development	UK	24% Private Limited by Shares
Surepulse Systems Limited	Heart rate measuring technology	UK	23% Private Limited by Shares
Locate Therapeutics Limited	Research and development	UK	20% Private Limited by Shares
Added Scientific Limited	3D printing	UK	20% Private Limited by Shares
PBD Biotech Limited	Diagnosis of Bacterial Infections	UK	20% Private Limited by Shares
FAHRAS Limited	Health related software	UK	19% Private Limited by Shares
Oncimmune Holdings plc	Specialist Pharmaceutical	UK	13% Private Limited by Shares
Evocell Limited	Research and development	UK	12% Public Limited by Shares
Exonate Limited	Specialist Pharmaceutical	UK	12% Private Limited by Shares
Footfalls and Heartbeats (UK) Limited	Research and development	UK	11% Private Limited by Shares
Azotic Technologies Limited	Research and development	UK	9% Private Limited by Shares
Critical Pharmaceuticals Limited	Novel drug delivery devices	UK	9% Private Limited by Shares
EventMAP	Software development and application	UK	4% Private Limited by Shares
Crown Bioscience Inc	Translational platforms and drug discovery solutions	USA	1% Private Limited by Shares
Pharminox Limited	Human health activities	UK	1% Private Limited by Shares
Juniper Pharmaceuticals Inc	Research and development	USA	1% Public Limited by Shares
Scancell Holdings plc	Research and development	UK	1% Public Limited by Shares
Crown Bioscience Therapeutics	Biopharmaceutical	USA	1% Private Limited by Shares
Novacyt SA	Research and development	France	0% Public Limited by Shares

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

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

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

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

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

	Consolidated £m	University £m
<b>16. Investment in Associated companies</b>		
At 1 August 2016	34.3	9.8
Share of retained profits/(losses)	0.5	(0.2)
Exchange movements	(1.1)	(0.1)
At 31 July 2017	33.7	9.5

The University owns 37.5% (2016 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 (2016 £28.0m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.9% (2016 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 £6m (2016 £6.3m) equal to 29.9% (2016 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.

## Notes to the Financial Statements continued

	Consolidated		University	
	Restated		Restated	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>17. Trade and other receivables</b>				
Amounts falling due within one year:				
Trade receivables	30.3	26.3	29.6	25.5
Amounts due from Subsidiaries	0.0	0.0	3.5	4.0
Amounts due from associates (Note 25)	6.4	10.3	6.4	10.3
Prepayments and accrued income relating to research grants	29.5	32.4	29.5	32.4
Prepayments and accrued income	21.6	17.5	21.0	17.3
<b>Total trade and other receivables</b>	<b>87.8</b>	<b>86.5</b>	<b>90.0</b>	<b>89.5</b>

	Consolidated		University	
	Restated		Restated	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>18. Creditors: amounts falling due within one year</b>				
Bank loans (see 19)	3.2	3.2	3.2	3.2
Payments received in advance	7.4	2.3	6.9	1.7
Trade payables	18.9	14.0	18.4	13.6
Social security and other taxation payable	13.3	13.4	13.2	13.3
Amounts due to subsidiaries	0.0	0.0	1.1	1.5
Accruals and deferred Income	196.7	177.0	193.9	174.5
	<b>239.5</b>	<b>209.9</b>	<b>236.7</b>	<b>207.8</b>

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

Donations	0.7	0.8	0.7	0.8
Research grants received in advance	76.1	72.5	76.1	72.5
Deferred capital grants	11.4	10.2	11.4	10.2
	<b>88.2</b>	<b>83.5</b>	<b>88.2</b>	<b>83.5</b>

	Consolidated		University	
	Restated		Restated	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>19. Creditors: amounts falling due after more than one year</b>				
Bank loans	76.7	65.6	76.7	65.6
Hefce loans	1.8	2.0	1.8	2.0
Deferred capital grants	134.9	140.8	134.9	140.8
	<b>213.4</b>	<b>208.4</b>	<b>213.4</b>	<b>208.4</b>

The bank loans are with the Royal Bank of Scotland at a rate which is 0.20% above LIBOR. The total facility is for £91m and is a 20 year revolving credit facility with straight line amortisation of £0.8m per quarter over 25 years which commenced October 2010 with a £30m bullet repayment at the end. The University has the ability to repay and redraw against the facility over the period of the loans and utilises this facility to manage its cash requirements. In addition the University has a multi-option facility for £15m. The HEFCE loan does not have a fixed repayment profile, repayments being dependent on the individual project. The University does not currently hold any finance lease arrangements.

At the balance sheet date the University had two loans in place with the Royal Bank of Scotland totalling £124m. The University has the ability to repay and redraw against the facilities over the period of the loans and utilise this facility to manage its cash requirements. In addition the University has a multi-option facility for £15m. The HEFCE loan does not have a fixed repayment profile, repayments being dependent on the individual project. The University does not currently hold any finance lease arrangements.

	Consolidated and University		
	Obligation to fund USS deficit	CPAS deficit	Total
	£m	£m	£m
<b>20. Pension provisions</b>			
At 1 August 2016	59.8	139.7	199.5
Utilised in year	(3.0)	(1.0)	(4.0)
Additions in year	3.2	0.0	3.2
At 31 July 2017	<b>60.0</b>	<b>138.7</b>	<b>198.6</b>

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for payments to be made in accordance with the scheme's recovery plan. This plan began in March 2015 and covers the period to 31 March 2031. Management have assessed future employees within the scheme and inflation on salary payments (3.3%) over the contractual period in assessing the value of the provision. The discount rate for the calculation is based on an average of the yields from AA Corporate Bonds over the relevant period, 1.85%.

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.

## Notes to the Financial Statements continued

	Consolidated and University			
	2017	2017	2017	2016
	Restricted Expendable	Restricted Permanent	Restricted Total	Total
	£m	£m	£m	£m
<b>21. Endowments</b>				
Balance as at 1 August 2016	2.5	47.4	49.9	43.9
Additions	0.0	0.5	0.5	2.3
Transfers	1.7	(1.7)	0.0	0.0
Appreciation of Endowment Asset Investments	0.0	1.2	1.2	3.5
Income for the Year	1.5	3.4	4.9	1.3
Expenditure for the Year	(0.4)	(1.0)	(1.4)	(1.1)
Balance as at 31 July 2017	<b>5.3</b>	<b>49.8</b>	<b>55.1</b>	49.9
<b>Represented by:</b>				
Capital value	5.3	45.4	50.7	45.7
Accumulated income	0.0	4.4	4.4	4.2
	<b>5.3</b>	<b>49.8</b>	<b>55.1</b>	49.9
<b>Analysis by type of purpose:</b>				
Academic staff	0.4	28.1	28.5	26.5
Prizes, scholarships and student support	3.2	12.1	15.3	12.7
Subject specific	1.7	1.1	2.8	2.6
Research	0.0	2.4	2.4	2.5
Other	0.0	6.1	6.1	5.6
	<b>5.3</b>	<b>49.8</b>	<b>55.1</b>	49.9
<b>Analysis by asset:</b>			<b>2017</b>	<b>2016</b>
Fixed assets				
Current and non-current asset investments			55.1	49.9
Cash and cash equivalents				
			<b>55.1</b>	49.9

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

	Consolidated and University			
	2017	2017	2017	2016
	Research	Donations	Restricted total	Total
	£m	£m	£m	£'000
<b>22. Restricted reserves</b>				
Balance as at 1 August 2016	1.0	4.4	5.4	5.4
New grants	1.2	0.0	1.2	0.6
New donations	0.0	2.3	2.3	2.0
Expenditure	(0.6)	(1.8)	(2.4)	(2.6)
Balance as at 31 July 2017	<b>1.6</b>	<b>4.9</b>	<b>6.5</b>	5.4
<b>Analysis by type of purpose</b>				
Prizes, scholarships and student support			2.4	2.2
Subject specific			2.4	2.2
Research			1.6	1.0
Other			0.1	0.0
			<b>6.5</b>	5.4

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<b>23. Operating lease commitments</b>				
Total rentals payable under operating leases in respect of equipment:				
Within one year	0.2	0.3	0.2	0.3
Between two and five years	0.4	0.9	0.4	0.9
Over five years	0.1	0.1	0.1	0.1
	<b>0.7</b>	1.3	<b>0.7</b>	1.3

	Consolidated		University	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>24. Capital Commitments</b>				
Commitments contracted at 31 July	35	37	35	37

The University is undergoing a period of significant infrastructure development. The University's Innovation Park was added to with significant buildings, a new sports village and student, teaching and research facilities were extended and upgraded to benefit a number of faculties. The University plans to make significant investment going forward, but in so will change the emphasis of that investment. Investments in research and digital will be made as well continued investment on the estate.

## Notes to the Financial Statements continued

### 25. Related party transactions

Due to the nature of the University's operations and the composition of the Council (being drawn from commerce, industry and the public sector) and senior management team, it is inevitable that transactions will take place with organisations in which a member of the Council or the senior management team may have an interest. All transactions involving organisations in which a member of Council or the senior management team may have an interest are conducted at arm's length and in accordance with the University's financial regulations and usual procurement procedures. Total expenses paid direct to members of the University's Council, who are also the University's Trustees, are shown at note 7. Transactions with wholly owned subsidiaries which have been consolidated in the Group accounts are not disclosed below, in accordance with the exemption given in FRS102 Section 33 (Related Party Disclosures).

Relevant significant relationships held by members of Council are:

1. Until his resignation of 1st April 2017, Mr John Mills was a Company Director of NUSA (Nottingham University Samworth Academy), which provides education to 11 to 18 year olds, of which the University is a sponsor. In 2016/17 there was a donation by the University of £NIL (2015/16 £60k).
2. Mr Chris Jagger is a Company Director of NUSA (Nottingham University Samworth Academy) which provides education to 11 to 18 year olds, of which the University is a sponsor, in 2016/17 there was a donation by the University of £NILk (2015/16 £60K). Mr Chris Jagger is also a Company Director of Nottingham Contemporary Trading limited, which in 2016/17 received a donation from the University of £NIL (2015/16 £57k).
3. Mr David Ross has donated £NIL 2016/17 (£0.3m 2015/16) to the University of Nottingham to support Nottingham Potential, an outreach programme to support young people from lower socio-economic backgrounds in reaching their academic potential.

The University of Nottingham owns a 29.9% (2016 29.9%) stake in the University of Nottingham, Malaysia, a 37.5% (2016 37.5%) stake in the University of Nottingham, Ningbo China both of which are accounted for as associated entities (see note 15).

Academic quality in both China and Malaysia is controlled by The University of Nottingham, for which it receives management fees and certain members of staff are seconded to both overseas campuses for periods of up to 3 years. In addition certain costs incurred by the University are rechargeable between each associate and the University in accordance with signed agreements.

	2017	2017	2016	2016
	Malaysia	China	Malaysia	China
	£m	£m	£m	£m
<b>Net charges by the University:</b>				
Costs	(0.1)	0.7	1.4	(0.5)
Management fee	1.6	5.2	1.6	4.9
Owed to the University at 31 July	0.4	6.0	2.2	8.1
Additional share capital acquired				

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 Students' Union are also members of the University Council. are also members of the University Council.

	At 1 August 2016	Cash Flows	At 31 July 2017
	£m	£m	£m
<b>26. Cash and cash equivalents</b>			
Consolidated	16.5	(10.7)	5.8
Cash and cash equivalents	16.5	(10.7)	5.8

At 31 July 2017, total cash and cash equivalents included cash amounting to £nil (2016: £12.3m) that was held in an escrow account in relation to the purchase of the National College building which took place on 1st August 2016 and was therefore not available for immediate use by the Group.

### 27. Pension schemes

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

#### USS

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement benefits" and FRS102 Section 28 'Employee Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2017, which was carried out using the projected unit method. The outcome of this valuation is yet to be received and therefore the 2014 valuation continues to be used.

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

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

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

Standard mortality tables were used as follows:

Male members mortality S1NA light YoB tables – no age rating  
Female members mortality S1NA light YoB tables – rated down 1 year

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

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

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

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

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

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

#### New entrants

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

#### Normal pension age

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

## Notes to the Financial Statements continued

### 27. Pension schemes continued

#### Flexible retirement

Flexible retirement options were introduced.

#### Member contributions increased

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

#### Cost sharing

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

#### Pension increase cap

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

The actuary has estimated that the funding level as at 31 March 2015 under the scheme specific funding regime has fallen from 75% to 72%. This estimate is based on the funding level at 31 March 2014, allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2015 estimation.

On the FRS102 basis, using an AA bond discount rate of 3.3% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2015 was 72%.

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

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

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

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

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

#### CPAS

The University operates a defined benefit scheme in the UK, which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The scheme was closed to new entrants from 1 September 2006. A full actuarial valuation was carried out at 31 July 2011. For 2012 employer contributions were 12.4% of pensionable pay plus £395,500 per month and active members paid in at the rate of 6.0% of pensionable pay. Following the 31 July 2011 valuation employer contributions have been agreed at the rate of 16.9% of pensionable pay plus £419,500 per month from 1 August 2012. The monthly lump sum payment is to pay for the past-service shortfall over a 15 year period and will increase by 4.8% each August. The results of the actuarial valuation at 31 July 2011 have been updated to 31 July 2015 for the purposes of FRS17 valuation.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities, the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the discount rate of interest would be 3.8% per annum, salary increases would be 3.3% per annum and pensions would increase

between 3.3% and 3.6% per annum. The market value of the assets of the scheme was £164.6m with past service liabilities of £269.8m. The valuation was carried out using the projected unit method.

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

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

	2017	2016
	£m	£m
Contributions to USS	33.9	30.9
Charge to I&E account re CPAS	3.5	2.9
Contributions to Other Pension Schemes	3.7	3.3
Total Pensions Cost (Note 7)	41.1	37.1

	2017	2016
	£m	£m

#### CPAS – FRS102 Disclosure

##### The amounts recognised in the balance sheet are as follows:

Present value of funded obligations	(340.3)	(326.2)
Fair value of Plan assets	201.7	186.6
Deficit	(138.6)	(139.6)

##### The amounts recognised in staff costs and comprehensive income are as follows:

Service cost (recognised in staff costs)		
Current service cost	4.0	3.3
Net interest expense/(credit)	3.6	3.9
Operating charge/(credit)	7.6	7.2
Actual return less expected return on pension scheme assets	0.0	0.0
Experience gains and losses	10.6	50.4
Expected return on plan assets	(10.6)	(14.9)
Actuarial loss recognised as comprehensive income	0.0	35.5
Total defined benefit cost/(credit)	7.7	42.7

##### The return on plan assets was:

Interest income	4.9	6.3
Return on plan asset (excluding amount included in net interest)	10.6	14.9
Actual return on plan assets	15.5	21.2

## Notes to the Financial Statements continued

## 27. Pension schemes continued

## Reconciliation of scheme assets and liabilities

	2017		2017
	Assets	Liabilities	Total
	£m	£m	£m
At 1 August 2016	186.7	(326.2)	(139.5)
Benefits paid	(9.5)	9.5	0.0
Administration expenses	(0.2)	0.0	(0.2)
Current service cost	0.0	(4.0)	(4.0)
Employer contribution	8.8	0.0	8.8
Employee contribution	0.4	(0.4)	0.0
Interest income/(expense)	4.9	(8.5)	(3.6)
Return on assets (excluding amount included in net interest)	10.6	0.0	10.6
Actuarial gains/(losses)	0.0	(10.7)	(10.7)
At 31st July 2017	201.6	(340.4)	(138.6)

	2016		2016
	Assets	Liabilities	Total
	£m	£m	£m
At 1 August 2015	164.6	(269.9)	(105.3)
Benefits paid	(8.3)	8.3	0.0
Administration expenses	(0.1)	0.0	(0.1)
Current service cost	0.0	(3.3)	(3.3)
Employer contribution	8.9	0.0	8.9
Employee contribution	0.4	(0.4)	0.0
Interest income/(expense)	6.3	(10.2)	(3.9)
Return on assets (excluding amount included in net interest)	14.9	0.0	14.9
Actuarial gains/(losses)	0.0	(50.4)	(50.4)
Gain/(Loss) on plan introductions and changes	0.0	(0.3)	(0.3)
At 31 July 2016	186.7	(326.2)	(139.5)

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

	2017	2016
Equities	75%	75%
Bonds	25%	24%
Property	0%	0%
Cash	0	1%

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

	2017	2016
Discount rate at end of year	2.50%	2.65%
Expected return on plan assets at end of year	2.50%	2.65%
Future salary increases	3.15%	2.90%
Future pension increases (pensions in payment pre 2003)	3.45%	3.35%
Future pension increases (pensions in payment post 2003)	3.15%	2.90%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	100.00%	100.00%
Future expected lifetime of pensioner at age 65:		
Male (born 1948 (2012: 1947):	23.7	23.7
Male (born 1968 (2012: 1967):	25.7	25.7
Female (born 1948 (2012: 1947):	26	26
Female (born 1968 (2012: 1967):	28	28

	31 July 2017	31 July 2016	31 July 2015	31 July 2014	31 July 2013
	£m	£m	£m	£m	£m
<b>Amounts for the current and previous four periods are as follows:</b>					
Defined benefit obligation	(340.3)	(326.2)	(269.8)	(239.2)	(218.2)
Plan assets	201.7	186.6	164.6	148.5	140.8
Deficit	(138.6)	(139.6)	(105.3)	(90.7)	(77.4)
Experience adjustments on plan liabilities	(10.7)	50.4	27.3	13.6	(9.2)
Experience adjustments on plan assets	10.6	14.9	6.0	(3.4)	10.6

## 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 2017 the University owed £307,247 in respect of contributions to the scheme (2016: £289,906). See note 20 for reference to the total balance sheet position.

## Notes to the Financial Statements continued

	Consolidated		University	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>28. Financial instruments</b>				
<b>Measured at fair value through profit and loss</b>				
Investments (including endowments) (Note 15)	72.0	60.1	71.8	59.9
Short term investments	0.2	0.2	0.2	0.2
<b>Measured at undiscounted amount receivable</b>				
Trade and other receivables (Note 17)	87.8	86.5	90.0	89.5
<b>Measured at cost less impairment</b>				
Intangible assets (Note 12)	1.4	3.0	1.4	3.0
Heritage assets (Note 14)	0.5	0.5	0.5	0.5
Investment in associates (Note 16)	33.7	34.3	9.5	9.8
<b>Measured at amortised cost</b>				
Goodwill (Note 13)	0.0	0.0	0.0	0.0
	195.6	184.6	173.4	162.9
<b>Measured at undiscounted amount payable</b>				
Payments received in advance (Note 18)	(7.4)	(2.3)	(6.9)	(1.7)
Trade payables (Note 18)	(18.9)	(14.0)	(18.4)	(13.6)
Social security and other taxation payable (Note 18)	(13.3)	(13.4)	(13.2)	(13.3)
Amounts due to subsidiaries (Note 18)	0.0	0.0	(1.1)	(1.5)
Accruals and deferred Income (Note 18)	(196.7)	(177.0)	(193.9)	(174.5)
Bank loans (Note 18,19)	(79.9)	(68.8)	(79.9)	(68.8)
HEFCE loan (Note 19)	(1.8)	(2.0)	(1.8)	(2.0)
	(318.0)	(277.5)	(315.2)	(275.4)

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.

	2017	2016
	£k	£k
<b>Balance at 1 August 2016</b>	(1.0)	(1.0)
Funding Council Grants	0.0	0.0
Interest earned	0.0	0.0
	(1.0)	(1.0)
Disbursed to Students	0.0	0.0
Balance Unspent at 31 July 2017	(1.0)	(1.0)

**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.

	2017	2016
	£m	£m
<b>Children's Play Activities Trust Fund</b>		
<b>Reserves</b>		
Balance at 1 August 2016	0.3	0.3
Balance at 31 July 2017	0.3	0.3

**Non-Operating Charities**

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

**31. Sport England grant**

Sport England has granted the University funds to provide opportunities for students to take part in sport and activity. £46,392 (2016 £174,093) has been spent, in collaboration with Nottingham Trent University.



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