



University of
Nottingham

UK | CHINA | MALAYSIA

Global Review and Financial Statements 2018



Council membership

1 August 2017 to 31 July 2018

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-Chair of Council

Dame Elizabeth Fradd

Members ex-Officio

Pro-Chancellor

Dr Hamid Mughal OBE

President and Vice-Chancellor

Professor Shearer West
(from 2 October 2017)

Professor Sir David Greenaway
(to 30 September 2017)

Provost and Deputy Vice-Chancellor

Professor Andy Long
(from 1 July 2018)

Treasurer

Stephen Walton

Pro-Vice-Chancellors

Professor Sarah O'Hara

Professor Dame Jessica Corner

Members of staff

Professor Tony Avery

Professor Clive Roberts

Dr Rachel Gomes

Professor Kevin Lee

Dr Gabriele Neher

External members appointed by the Council

Simon Amess

Baroness Brenda Dean
(until March 2018)

John Finch (until March 2018)

Lynette Eastman

Trevor Moss

David Ross

Nora Senior

David Tilly

Neil Watkinson

Carolyn Morgan

Appointed by the Students' Union

President

Alan Holey
(from 1 July 2017 to 30 June 2018)

Jessica Lendon (from 1 July 2018)

Education Officer

Cassie O'Boyle
(from 1 July 2017 to 31 July 2018)

Other Senior Officers

Chancellor

Sir Andrew Witty

Registrar

Dr Paul Greatrix
(Secretary to Council)

Pro-Vice-Chancellors

Professor Graham Kendall

Professor Nick Miles OBE

Professor Chris Rudd OBE

Faculty Pro-Vice-Chancellors

Professor John Atherton

Professor Jeremy Gregory

Professor Todd Landman

Professor Andy Long
(until 1 July 2018)

Professor Kevin Shakesheff

Chief Financial Officer

Margaret Monckton

Chief Estates and Facilities Officer

Chris Jagger (to May 2018)

Chief Marketing and Communications Officer

Kerry Law

Chief Digital Officer

David Hill (from November 2017)

Director of Human Resources

Jaspal Kaur

Chief Student

Management Officer

Breda Walls (to July 2018)

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President and Vice-Chancellor's Welcome

“As President and Vice-Chancellor, I am delighted to present this summary of our University community's achievements across the academic year in its teaching, learning, research and global outlook.”

“Looking back on my first year in office, I am proud to see that our University is a thriving institution. We have outstanding staff and students, a global reputation for research excellence and award-winning sustainable campuses in a period that has seen Nottingham declared as *The Times and The Sunday Times* University of the Year for both International and Sport.”

The University has continued to invest heavily in its teaching excellence, consolidating the approach that led to the award of Gold in the Teaching Excellence Framework (TEF). The opening of our latest Teaching and Learning Hub provides students with state-of-the-art teaching facilities, including a performing arts space, social learning hub, 300-seat lecture theatre and a range of adaptable teaching spaces.

The University's Research Vision has achieved significant success in its first year, delivering exceptional research that transforms lives in our community, the UK and across the world. The University has recruited outstanding fellows and world-class researchers, has won significant awards and accolades, and has secured an increase in our research funding. As we move forward, the University will be working with stakeholders in new ways, encouraging researchers to forge multi-disciplinary teams and partnerships to better align their work to address the complex challenges that we are facing in the world today.

Nottingham is a global institution, and our students are world citizens; our international partners are of the highest quality; and our alumni are making significant contributions to society. In the current climate, it is more important than ever that we build on this reputation and continue to evolve our global outlook. The University will continue to build strong partnerships across the world, increase numbers of international students and create a more diverse portfolio of mobility opportunities for students on our campuses in the UK, China and Malaysia.

Throughout my first year as Vice-Chancellor, it has been a privilege to meet so many of our alumni community whether discussing sustainable cities in Hong Kong, marking the contributions of the many participants at our Golden Reunion, or celebrating the work of alumni volunteers. Thanks to philanthropic support from generous donors, the University continues to invest in outstanding new facilities including the Advanced Manufacturing Building at Jubilee Campus; the transformational new Cripps Health Centre at University Park; and a stunning redevelopment of the iconic Portland Building and the new Djanogly Terrace on Portland Hill.

As I look ahead to the coming year, I believe that our strengths will ensure the University will continue to thrive in a challenging environment for higher education. Those challenges are considerable: Brexit, new regulatory demands, potential reforms to student fees and increasing global competition. These will

test the resilience of both our community and our finances. I return to the vision I set out in my inaugural lecture: deepening our partnerships; refreshing our approach to global and civic engagement; and innovating within the exciting and disruptive world of the Fourth Industrial Revolution.

The University will also continue to support the community of staff and students that make our institution the success that it is, improving engagement, embracing digital technologies and modernising governance. I have launched a covenant to support our community in working together for a positive future, encouraging pace, transparency and the wider use of talent. Building on the University's award of Athena Swan Silver for our practice in gender equality, a particular focus will be led by the new Pro-Vice-Chancellor for Equality, Diversity and Inclusion in tackling our gender pay gap, improving the representation of women and closing the attainment gap for our black and minority ethnic students.

Nottingham is truly a community of scholars, students and alumni that cares deeply about the University and its future. I will be engaging that community in perhaps the most significant goal for the coming year - a wholesale review of the University's strategy - taking a fresh look at our aspirations for the future when the current Global Strategy ends in 2020.

I feel privileged to be leading such an outstanding University, known for its global outlook, world-leading research and exceptional student experience. My ambition is to lead on developments today that will ensure Nottingham continues to be a strong and successful university long into the future, navigating the challenges ahead and keeping true to the mission and culture that distinguishes us.



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

Global Strategy 2020 Review

Excellence in education is at the heart of the University's mission.

Core strategy: education and student life

In its first year as holder of a gold award in the Teaching Excellence Framework (TEF), the University has worked hard to consolidate and build on this achievement to ensure our graduates continue to be highly prized by leading employers.

Achieving the gold standard was a milestone for Nottingham – recognition of teaching and learning of the very highest quality. TEF gold reflects numerous aspects of student life including excellent teaching and academic support, systematic evaluation of student feedback, technology-enhanced learning, levels of contact time, world-class facilities and access to truly global opportunities.

The University's excellence in teaching and learning secured a 'double first' in being named as University of the Year for both Sport and International in the 2018 *Times* and *Sunday Times Good University Guide*.

Nottingham's achievements in education are underpinned by its 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."

A new league table for 2018 revealed that the University is among Europe's higher education elite: it was ranked in the top

20 for teaching excellence in the *Times Higher Education (THE) Europe Teaching Rankings 2018*, the first to focus solely on teaching and learning.

The new ranking focussed on four key areas — engagement, resources, outcomes and environment. The University scored particularly highly in metrics around recommending their experience to friends and family, access to learning materials and the quality of the learning environment.

The metrics also look at the opportunities available to prepare students for life after university and analyse the different ways in which courses are delivered including how they develop skills in critical thinking, collaboration and applying learning to the real world.

Professor Sarah O'Hara, Pro-Vice-Chancellor for Education and Student Experience, said: "It is very encouraging to see that students enjoy the way we deliver our teaching and, more importantly, find the skills and opportunities we provide relevant for life after graduation."

"This builds on our gold standard Teaching Excellence Framework award and reflects the hard work of our dedicated staff and investment to ensure that students get the best possible experience while at Nottingham."

The University is consistently one of the most targeted institutions by leading graduate employers and is ranked 55

for graduate employability out of 500+ universities according to the QS World University Rankings 2018.

Excellence requires investment, not only in staff but also in infrastructure. Continuous improvements are being made in the teaching environment across all our campuses, in the UK and Asia, to ensure students enjoy the very best teaching facilities.

The latest addition to University Park is the Teaching and Learning Hub, which opened in time for 2018/19 intake of students. Positioned adjacent to Hallward Library and in the centre of campus, it provides state-of-the-art teaching facilities including a performing arts space, social learning hub, a 300-seat lecture theatre, a range of different sized teaching rooms and staff offices.

Nearby, the stunning redevelopment and landscaping of Portland Hill was completed this year, an impressive outdoor space, to create the new Djanogly Terrace. Incorporating water features and a sky canopy, the terrace became a popular social venue for hosting high-octane screenings of World Cup matches during summer 2018.

“It is very encouraging to see that students enjoy the way we deliver our teaching and, more importantly, find the skills and opportunities we provide relevant for life after graduation.”

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



Our Beacons of Excellence are mission-driven research programmes aimed at using our key strengths to address the critically important global challenges.

World-changing research

The University's Research Vision has seen significant successes in its first year. The vision – one of the most comprehensive and ambitious programmes in the institution's history – is supporting our mission of delivering exceptional research that transforms lives in our community, the UK and across the world.

Based on extensive analysis of our capabilities and potential, the vision is mapped against the changing landscape of UK and international research funding and policy. At its core are world-leading areas of transdisciplinary research that each address United Nations Sustainable Development Goals.

The year has seen some major steps forward including the recruitment of outstanding fellows and world-class researchers, significant awards and accolades, and an increase in our research funding.

As the Research Vision moves into year two and beyond, we will be working together in new ways, creating the conditions to encourage researchers to come together in multi-disciplinary teams and forge partnerships to better align our responses to global challenges. This renewed focus and support for research will ensure our vision remains agile, responsive and fully supportive of our world-class researchers, by delivering a research environment without barriers where excellent research can flourish; attracting and retaining world-class

research talent; allowing staff the time, support and space to deliver research with excellence; and focusing on quality research outputs.

Additional support for researchers includes a £3.7m investment in digital research to help with delivery of improved outputs, as showcased in the inaugural Digital Research Week; improving support for managing funding bids; plus impact and knowledge exchange activities. Streamlining these processes will free up researchers' time for core responsibilities, improve grant success rates and increase impact. The Nottingham Impact Accelerator and Research Accelerator, both launched in 2018, form part of this concerted effort to support and amplify Nottingham research.

We will continue to support all areas of research excellence across the University and promote opportunities for interdisciplinary working in a rich research ecosystem. We will also seek to better align our research with UK and global strategic priorities, not least through our Beacons of Excellence.

The Beacons are mission-driven research programmes aimed at using our key strengths to address the critically important global challenges of food security, ending modern day slavery, greener transport, securing low-carbon economies, a revolution in smart industry and products, and transforming healthcare with pioneering imaging.

“Our mission is to deliver exceptional research that transforms lives in the UK and across the world.”

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

Global engagement

The University of Nottingham is respected throughout the world for its global values and its foresight in establishing overseas campuses. Our students are global citizens; our international partners are of the highest quality; our alumni are making significant contributions to society in all walks of life around the world; employers welcome and recognise the additionality that this global experience provides for our graduates.

However, higher education institutions are operating in a highly volatile national and global environment – in particular, Brexit and what it will mean for our staff and students. Brexit will change the external environment for UK higher education institutions and present undoubted challenges to our collaboration with research partners, organisations and funding bodies around the world.

That is why – in the current climate – it is more important than ever that we build on this reputation and find the right way to evolve our thinking in the years to come. Because a truly global Nottingham is also about the mobility of staff, international research collaboration and co-authorship, open access/open data and delivering in-country Continuing Professional Development (CPD) and transnational education. It is also about life on campus in the UK, such as our Students' Union global buddies scheme, the exposure of UK students to international cultural

events, the diversity of our staff and how we embed global thinking into our curricula.

The University must evolve its outlook in a way that continues to embrace the insights and open-mindedness that global thinking can provide, but is sensitive to the complex society in which we live. As a result, we will develop a number of initiatives to support our global outlook in the coming year.

The University will build stronger partnerships in parts of the world where we have additional opportunities, for example, in North America, Australia, Association of Southeast Asian Nations, India and Africa. Working more closely with research leaders in faculties and schools we will consider barriers and solutions for further international collaboration and co-authorship as part of research planning and development.

We will also review and revise our global engagement governance, to harness 'bottom up' initiatives throughout the University, working with a new Global Engagement Committee that will draw its membership from specialists across our UK, China and Malaysia campuses.

Tri-campus working groups have been established to create a framework that allows for both global programmes and differentiation of programmes across our UK, China and Malaysia campuses when

that is most appropriate, while retaining the rigour of our academic quality assurance framework.

The University will also increase our numbers of international students and create a more diverse portfolio of global mobility opportunities for all students, including short courses, joint PhDs with other world-class universities, better use of video-conferencing and Moodle (virtual learning environment) to share teaching across the three campuses. We will also encourage more UK-based staff to visit the China and Malaysia campuses and vice versa, for short periods of time, to exchange ideas with colleagues, deliver masterclasses or lectures and participate in research seminars.

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 Nottingham to study, teach and research – whether they are from the UK, other countries in Europe or beyond.



Discover our world

We are already witnessing positive outcomes for Nottingham's reputation including a global reach of 493 million people during the 2017/18 reputation campaign.

Reputation and recruitment

The University profiled its excellence globally this year with events and campaigns highlighting the work of our campuses in China and Malaysia – *Discover Our World* – confidently repositioning Nottingham in an increasingly competitive global market. *Discover Our World* aimed to share our stories, raise our profile and enhance our reputation, inspiring and engaging the University's partners and stakeholders by sharing the significant achievements of our staff and students.

This activity took place against a backdrop of rapid change across the higher education landscape. The national and global environment in which the University operates is evolving at an unprecedented rate, with increasing student expectations, the globalisation

of higher education, disruptive new technologies and rising 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.

Discover Our World enabled the University to engage with leading international figures in higher education and government and enjoy a high profile at the Going Global Conference, hosting more than 100 international education leaders in Kuala Lumpur. The campaign also secured high profile international media attention and increased social media activity, highlighting the innovation of our researchers in areas as varied as discovering a cure for dengue fever using the papaya leaf, to developing super cap-batteries for buses to create cleaner transport.

By sharing our stories and our research strengths with global audiences we aim to encourage the brightest and best students to come and study with us, attract and retain talented researchers, and nurture collaborations across the globe.

Our excellence in communications was recognised internationally this year, with the Media Relations team achieving the gold award from the Council for the Advancement and Support of Education (CASE) for the extensive international media coverage they secured for the genetic insights gleaned from Jeremy the 'lefty' snail. They also won an award from higher education marketing body HEIST, for the best low budget marketing campaign.



Foundations

The University's core strategies to drive education, student life, world-changing research, global engagement and reputation and recruitment – need a solid base to ensure they can be fully realised as the University moves towards a new decade. These foundations provide a platform for success, supporting the institution through people, digital assets, estates and finance.

People

Significant effort has been made over the year in developing a culture of transparency, building up trust in management and developing a more distributed leadership structure.

The University has embarked on a series of initiatives to address issues raised in its staff engagement survey, particularly around improving communication with the University Executive Board (UEB). This will involve all UEB members engaging more closely with schools and departments, and UEB sub-committees and away days being opened up to wider membership.

An engagement plan has been developed to improve communication between UEB and the wider University, so that each member can discuss their ideas with colleagues on our biggest strategic issues, for example finances and external challenges. Other initiatives include more decision-making delegated to schools and faculties, more 'task and finish' groups tackling project work, and invitations to staff members at all career stages to sit on UEB sub-committees.

Work at all levels to develop the University's approach in the field of equality, diversity and inclusion (EDI) led to a silver award at institutional level from Athena Swan this year. Nottingham's commitment to EDI will be driven forward with the new appointment to UEB of a Pro-Vice-Chancellor role dedicated to these issues.

Digital

In a world where digital technologies touch every aspect of our lives, disrupt industries, develop new ways of working and create new opportunities, the University is on a journey to thrive

by embedding transformative digital technologies and skills.

As a pioneering research university with a commitment to transforming lives, we know we must embrace change in the world around us. Without doubt, the impact of digital technologies has ushered in a period of intense global change and will continue to do so.

The University is making a dedicated investment and commitment to embrace digital transformation across six streams of activity – research, learning, engagement, intelligence, core and foundations – to ensure we can exploit digital to make us better at everything we do, including research, teaching and business processes.

Estates

The University's stunning campuses are a key asset of the institution, and there is continuous investment to develop and improve them.

On Jubilee Campus, the newly-opened Research Acceleration and Demonstration Building (pictured opposite) accommodates an expansion of activities as part of Nottingham's leadership role in the Energy Research Accelerator initiative. The design includes laboratory space as well as office space for academics and postgraduate students and a central atrium with breakout spaces. The Power Electronics and Machines Centre will be adjacent, providing additional space for the Faculty of Engineering.

The Centre for Biomolecular Sciences on University Park Campus is being expanded to provide bigger facilities to a range of research. It will include a link to the Boots Science Building as well as offices and meeting rooms for all academic and postgraduate staff. Also on University Park, a brand new health centre opened in autumn 2018. The Cripps Health Centre, fully funded by the Cripps family, accommodates doctors, dentists and a pharmacy at what is the largest health centre in the country.

On Sutton Bonington Campus, the new £6m Centre for Dairy Science Innovation, opened in May 2018. An extension to the University's longstanding dairy facilities, offering the latest research technologies

for studying dairy-related issues. The centre is jointly funded by the University and the Centre for Innovation and Excellence in Livestock and Innovate UK.

Also on Sutton Bonington Campus, the North Lab building has been undergoing extensive refurbishment and extension, including the second phase of the Science, Technology, Engineering and Mathematics Lab, a Higher Education Funding Council for England (HEFCE)/OfS funded project.

Finance

A year-long review of student finance and university funding could have major implications for institutions across UK higher education. The review, announced in February 2018 and chaired by author and financier, Philip Augar, will look further at how the government can ensure the Post-18 education system is joined up and supported by a funding system that works for students and taxpayers. The Augar Review will have a particular focus on choice, value for money, access and skills provision, and is scheduled for publication in spring 2019.

Tuition fees remain a significant proportion of the University's income and the impact of the tuition fee freeze provides further challenges in future years. Tuition fees have been frozen at £9,250 for two years already, with consequent pressure on university budgets as costs rise elsewhere.

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.

Research Acceleration and
Demonstration Building
Jubilee Campus



Treasurer's Report

During the year we have continued to work on delivering excellence in education and student life as well as world-changing research.

Overview

The year reported has seen an unprecedented level of turbulence for the HE sector. We have seen the replacement of HEFCE with a new regulatory function, the Office for Students (OfS) and an organisation that will be taking forward the England only responsibilities of HEFCE in relation to research and Knowledge Exchange, Research England (RE). Pensions has been a difficult topic, with strike action impacting not just our University but the wider sector, Brexit continues to be a risk creating uncertainty in the sector and we await the outcome of the post-18 Education and Funding Review, a review that could have significant consequences.

During the year we have continued to work on delivering excellence in education and student life as well as world-changing

research. In addition we have been investing in the University's talented people, developing and improving digital capability and enhancing our already impressive facilities.

To underpin this we have put in place a medium term financial plan which aims to strengthen our financial position enabling the University to continue to invest in the delivery of its strategy and to put the University in a good position to withstand any sector risks. The University has a solid framework for ensuring long term sustainability whilst managing significant investments to enhance the student experience by continuing to deliver excellent teaching and world-changing research.



Consolidated key highlights

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

2018

£664m

Total income

+ £25m

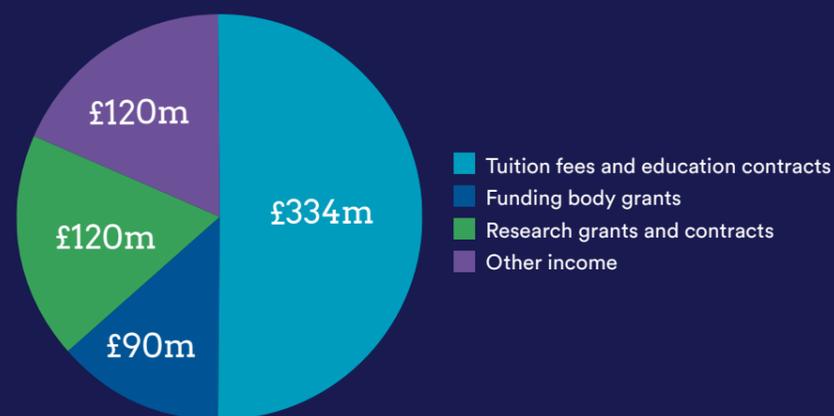
Operating surplus

£58m

Earnings before interest, tax, depreciation and amortisation (EBITDA)

£495m

Total net assets



2017

£646m

Total income

+ £25m

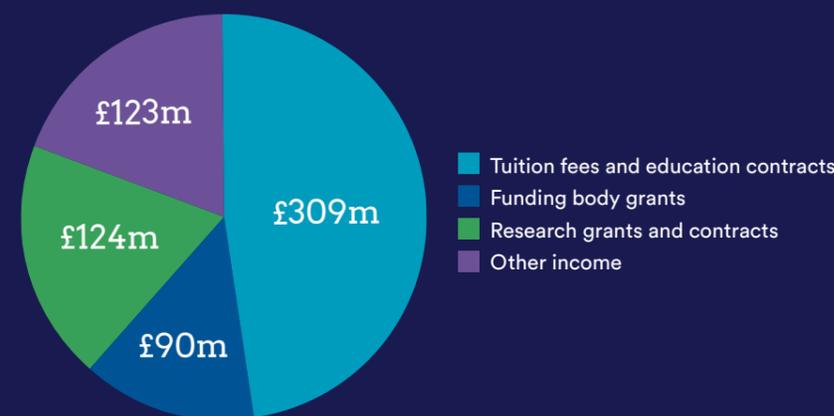
Operating surplus

£44m

Earnings before interest, tax, depreciation and amortisation (EBITDA)

£432m

Total net assets





In 2018, the University employed **7,082** staff*

In 2017, the University employed **6,997** staff*

* on average

Headlines

Despite the sector wide challenges in the year, we have seen a rise in income of 2.8%, which reflects a second year of charging the increased tuition fee. Operational efficiency and carefully prioritised investment means that the increase in our cost base was restricted to 2.9%.

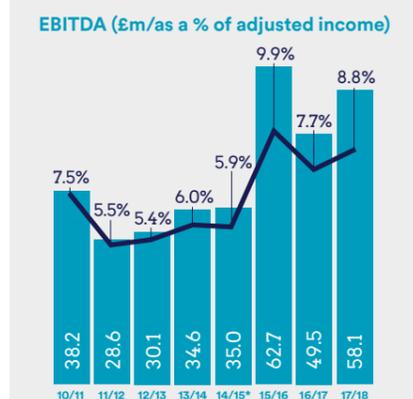
Underlying surplus

An underlying surplus of £25.3m (before other gains and losses and pension adjustments) is being reported in the 2017/18 financial year (2016/17: £25.5m).

The University has delivered consistent surpluses over a number of years, but there is now recognition that these should be higher in order to meet increasing investment demands. The medium term financial plan has set a framework for the delivery of these higher-level surplus targets.

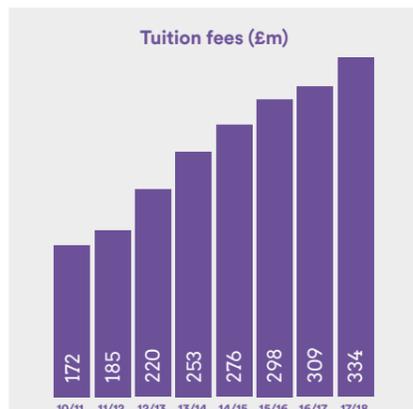
Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA of £58.1m has been delivered and cash generated from operations is £60.5m, compared to £44m and £59m respectively in 2016/17. This allows us to maintain borrowings below our agreed threshold, whilst continuing our ambitious investment programme.



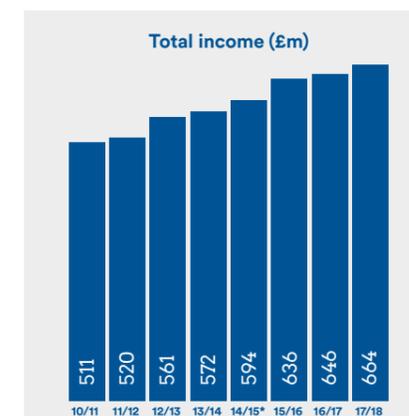
Tuition Fees

Income from tuition fees is £25m (8.1%) higher than the prior year and now represents over half of the University's total income. There continues to be a significant demand for places at the University, primarily on Home/EU courses, of which there has been an increase in year. The income total also reflects the corresponding increase in the Home/EU fee to £9,250, which although now frozen, is reflected in an increased number of cohorts.



Income

2017/18 has seen an increase in total income of £18m with a £25m increase in fee income the result of an increase in the number of students and an increase in the fees associated with those students. This is offset by small reductions in research and other income sources.



One of the objectives for the University is income diversification in an ever-competitive and challenging external environment. The reliance on the tuition fee as an income stream has increased steadily over time, and now as a result of the development of the medium term financial plan and the uncertainty facing the higher education sector in relation to the post-18 funding review we are looking at initiatives to support other areas of income growth.

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

	14/15	15/16	16/17	17/18
Tuition fees	47%	47%	48%	51%
Funding body grants	16%	15%	14%	14%
Research income	18%	19%	19%	18%
Other	19%	19%	19%	17%



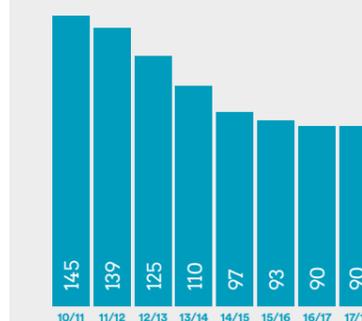
In 2018, the University enrolled **46,143** students worldwide

In 2017, they enrolled **45,537**

Funding body grants

Funding body grants have fallen consistently since the introduction of the £9,000 fee and have now flat lined at £90m. This funding consists of provision for Home/EU students on high cost teaching subjects and support for research.

Funding Body Grants (£m)





The University received

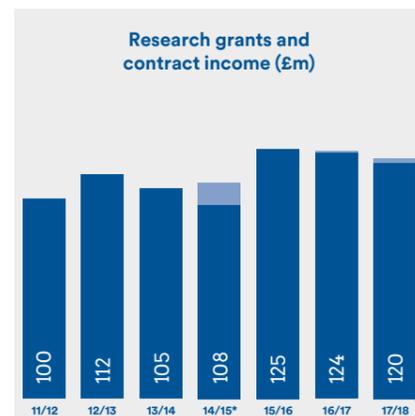
£162m

in research awards
2017/18

Dr Nashiru Billa
Faculty of Science
University of Nottingham Malaysia

Research grants and contracts income

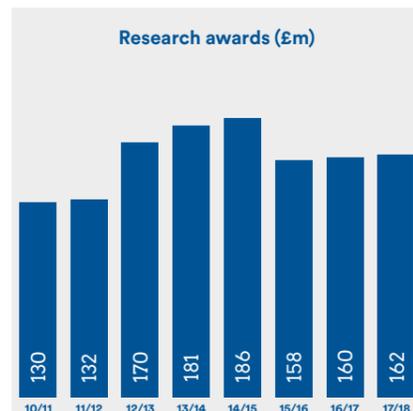
Income from research grants and contracts is the recognition of income as research is conducted and is £120m for the year 17/18, £4m lower than 16/17.



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

The fall in research income aligns to the profile of awards won and can be seen in the chart below. 2014/15 saw the peak in the value of awards which has reduced in subsequent years. The reduction in awards in 2015/16 is now being reflected in current year's research income.

Research awards are the order book which sustains the University's research base. Total awards were £162m in 2017/18; a slight increase on 2016/17. In comparison to last year, Research Council funding has remained static with a notable increase in UK government funding. EU funding has seen a minor reduction with a more noticeable decrease in industrial funding. However, the portfolio mix continues to provide a stable platform for the Research Strategy with many of the secured awards generating research income for three to five years, whilst also mitigating against the risk to EU funded research in the medium term.



The University has a large and complex research portfolio with 933 new awards won from multiple funders during the year. The three largest grants are:

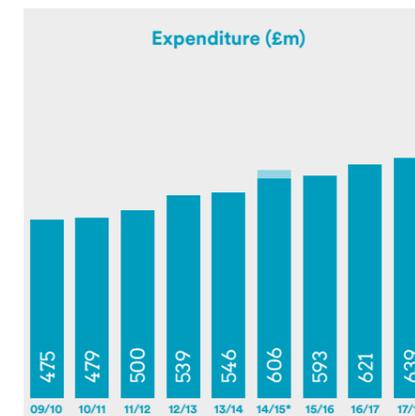
- £12.6m from National Institute for Health Research for the development of a Biomedical Research Centre;
- £5m from the Engineering and Physical Sciences Research Council (EPSRC) to fund a Programme Grant in Enabling Next Generation Additive Manufacturing
- £4.3m from the Bill and Melinda Gates Foundation to support the GeoNutrition project which is working to tackle micronutrient deficiencies in Malawi and Ethiopia

There are also a further 20 financial awards, each in excess of £1m totalling more than £31m.

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.

Expenditure

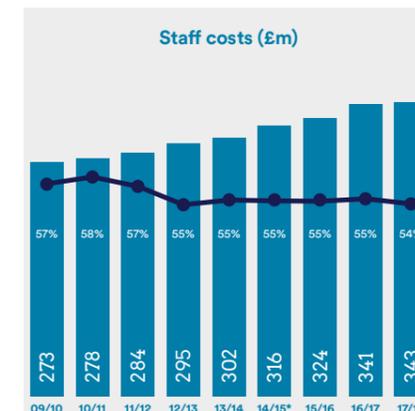
Total spend in the 2017/18 financial year rose by £18.1m (2.9%), not materially different from the growth in income. This is as a result of efforts by the University to drive efficiency through continuous improvement, and 2017/18 represents the start of that journey.



*Restated with pension adjustment highlighted

Staff costs

Underlying staff costs (excluding pension provision adjustments) rose marginally to £342.6m in 2017/18, an increase of £1.2m (0.4%). Staff costs remain broadly consistent as a proportion of total costs with prior years, and remain the largest element of total costs at 54% of total expenditure.



Balance sheet

In line with the finance strategy, there is now a real focus on strengthening the University's balance sheet position. Net assets have improved in the year by £62m, primarily as a result of the completion of the Advanced Manufacturing Building, as well as significant remodelling work to the iconic Portland Building.

In addition, there continues to be large scale investment in IT infrastructure, and the year has seen the go live of some key elements of the ongoing student lifecycle system project.

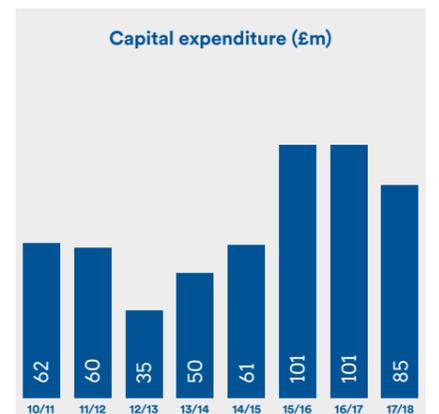


Capital expenditure

The University continues to invest heavily in support of excellent teaching and world changing research to improve its global reach and impact. Capital spend in 2017/18 is less than in prior years, at £85m, but represents a shift in focus away from investment in the estate, to significant investment in research and digital, which to date is largely revenue rather than capital in nature.

Significant capital projects in the year include;

- The Advanced Manufacturing Building, opened April 2018
- The Energy Research Accelerator
- The Teaching and Learning Building, opened October 2018
- Student Lifecycle IT infrastructure System

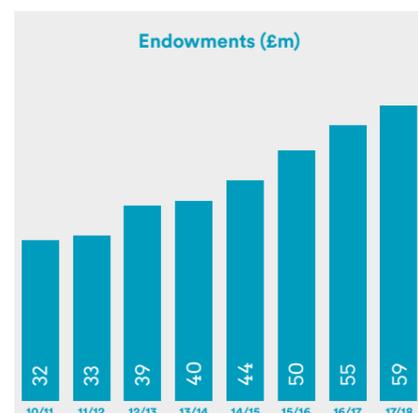


Endowments and donations

The University continues to develop its fundraising programme and build a strong endowment portfolio. Income from donations and endowment recognised in the year was £3.6m (£6.3m: 2016/17), of which £0.6m has been classified as either permanent or expendable endowments.

The University's endowment fund continues to grow. The endowment fund increased by £3.4m in the year to £58.5m as a result of new endowments, capital growth of the assets and investment income retained within the fund.

Investment income of £3.6m was received in the year (2016/17: £5.0m) of which the University expended £1.0m.



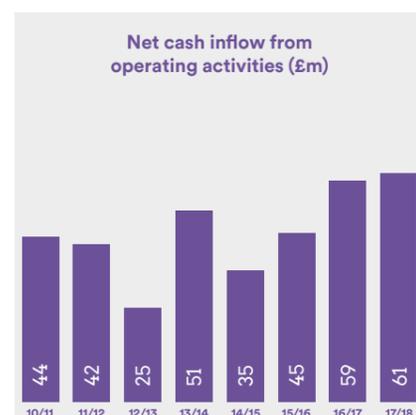
The total cash received from donations in the year was £6.8m. £2.4m (35% of the total) came from legacy bequests and £2.9m (43% of the total) came from 32 gifts of £25,000 or over. A further £0.9m (13% of the total) came from some 207 donations of between £1,000 and £25,000. The remaining £0.6m (9%) came from a large number of donations of less than £1,000.

Cash and liquidity

The University continues to manage its cashflows as efficiently as possible, using two revolving credit facilities to support its day to day cash requirements as well as for investing activities; this means that minimal cash balances are held.



At the year end, borrowing remained at £79.7m, the same as the prior year, demonstrating that all of the in year investments made have been funded through our own operating cash, which was £60.5m (£59m:2016/17).



At the balance sheet date, the University has a committed total facility of £174m. This consists of two revolving credit facilities and a £15m multi-option facility. Interest on the University's borrowings is at a rate linked to LIBOR. Of the two revolving credit facilities, one is an £84m facility reducing to nil on a straight-line basis over 25 years, from October 2010, and the other a £75m facility, expiring in December 2022.

We use these facilities flexibly depending on need to minimise borrowings at any one time. Any surplus cash is invested for short periods only. All counterparties are approved by the Finance Committee, with a maximum of £15m being deposited with any single counterparty.



Income from donations and endowment in 2017/18 was **£3.6m**

Conclusion of the Treasurer

Underpinned by the framework of the medium term financial plan, the University continues to report strong financial performance. The growth in income has matched the growth in the cost base, putting us on sound foundations for future continued financial sustainability. We continue to reinvest the cash we generate directly back into our estate, research and digital aspirations.

Although there are significant financial risks in relation to Brexit, the post-18 funding review and pension costs, particularly in relation to USS we are proactive in our response – quantifying the potential impacts and developing appropriate response plans.

We are continuing our focus on income and costs to ensure we are as effective and efficient as possible in delivering our excellent teaching and world-changing research ambitions in an increasingly challenging environment.

Stephen Walton
Treasurer and Chair of Finance Committee



Risk

Risk management

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

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

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

The University Risk Register was reviewed towards the end of 2016/17 and now comprises 13 risks, including a mixture of strategic risks, operationally-based risks and risks around missed opportunities.

The uncertainties caused by the UK exit from the EU continue to have significant real and potential implications. Consideration of those and identification of mitigating activities are embedded in day-to-day activities across the University. The University has chosen to continue to reflect that approach by embedding mitigation activities in existing risks, rather than articulate a separate, specific risk.

A UEB member has responsibility for managing each of the enterprise-level risks, supported by a dedicated member of staff. Risks are formally reviewed four times a year, and any risk which is re-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.

The University's presence in the UK, Malaysia and China offers significant opportunities to our staff and our students. Being a partner in two overseas-based joint ventures naturally carries risks and uncertainties; these are managed by having a shared vision and working closely with our joint venture partners 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 also 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, unpredictable

and unreliable. The implications of the structural change from HEFCE to the Office for Students are, as yet, not fully known. 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.

Internal/external challenge	Mitigation
Brexit The real impact of Brexit remains unclear as does the impact this may have on recruiting EU students, accessing research funding and staff recruitment and retention.	We have quantified the impact of a worst case scenario, identified potential mitigating actions and continue to monitor the situation to see how this develops.
USS pension costs The 2017 valuation has still yet to be agreed and has resulted in industrial action across the sector. Consultation is ongoing with the hope of an outcome early in the 2018/19 financial year.	Additional employer contributions have been built into the medium term financial plan. Action plans are being developed should this prove insufficient.
Campus Solutions implementation The project to deliver the new student lifecycle system is ongoing.	Further system functionality became operational in the 2017/18 financial year. The full suite of functionality will become available during 2018/19, providing an enhanced student and staff experience.

Internal/external challenge	Mitigation
Data security Our ability to protect our information assets sufficiently and appropriately in the face of increasingly sophisticated external attacks, online fraud and information theft.	The appointment of a Chief Information and Security Officer who has provided some rigour and governance in this area has meant that positive steps have been taken. Further work will follow in 2018/19.
Post 18 funding review Announced by the government in March 2018. This will report in the spring of 2019. There is a possibility that this could result in a reduction in the home undergraduate tuition fee.	We are taking a proactive approach and are involving ourselves in pilots and requests for information to influence the outcome as much as we can. In addition we have worked through some scenarios to identify the potential impact of any reduction in the tuition fee and have prepared a high level response plan.
Recruitment Recruitment of UK students remains strong but challenges within PGT and overseas students remain.	A campaign was launched in year in the UK, China and Malaysia to increase awareness and raise the reputation of our university. Targets for student recruitment have been achieved in aggregate and there are continued plans in place to improve our international recruitment.
Income diversification There is a continued and increased reliance on tuition fees as a source of income for the University. This needs re-balancing and we need to maximise the potential other areas can offer.	A plan of continuous improvement has been developed targeting this area through additional commercial activity and better utilisation of our space.

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. It is structured to enhance our ability to monitor the risks we face and respond quickly to issues as they arise.

Public Benefit Statement

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

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

The review and refresh of our strategy has helped to cement and confirm our priorities to 2020 and beyond. These priorities include:

Our vision

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

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



Ensuring a student experience that is world-class and continues to place students at the heart of all we do



Delivering our transformational vision for research, secure external investment and attract talent to enable a step change in our approach to how we research



Engaging digitally – become a digital University and support our staff and students through this transition



Prioritising and delivering our People Strategy



Making a renewed commitment to greater engagement with our University community



Widening Participation
Roboduck Discovery Day 2018

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.

In April 2018 the new regulator for higher education, the Office for Students (OfS), came into force. The OfS inherited the Office for Fair Access' (OFFA's) responsibilities for promoting fair access to higher education and replaced OFFA's Access Agreements with Access and Participation Plans. As part of the registration process with the OfS the University was required to submit its Access and Participation Plan for 2019 entry in April 2018, this was approved in July 2018. Some key targets and milestones for the OfS are:

- The OfS currently requires universities recruiting lower proportions of low-income students to spend at least 30% of higher fees income on widening participation. The University's total OfS-countable expenditure on access and widening participation in 2016-17 was £17.5m, or 30.5% of higher fees income. Of this, £12.4m was allocated to means-tested bursaries for new and continuing students

- In terms of our own intake, the University has made excellent progress in widening participation over the last 10 years. 27.8% of UK students entering the University in September 2017 were from low-income backgrounds. The target for 2019-20 is 28.25%
- The University has the ongoing aim of maintaining non-continuation rates for students from low participation neighbourhoods at no more than 4%. This rate was achieved in the most recent Higher Education Statistics Agency (HESA) figures available for 2015-16 entrants, a vast improvement from 5.4% the previous year. The non-continuation rate for mature students with no previous qualification improved for 2015-16 entrants with figures of 9.6%. The target for 2019-20 is 9.3%

27.8%

of UK students entering the University in September 2017 were from low-income backgrounds

In 2017-18 the University provided means-tested financial support to

30%

of UK undergraduate students

Other activities and programmes of note include:

- In 2017-18, school students took up over 80,000 places on our activities and we worked with over 150 regional schools and colleges. Our own students assist on many activities, acting as role models and gaining valuable skills in the process
- Students from local widening participation schools and colleges continue to comprise 10-11% of our intake, up from 4% in 2002. Of those who participate in our summer schools, over 20% successfully take up places at the University of Nottingham, and 30% at other selective universities (including Russell Group universities)

- 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 2017-18 the University provided means-tested financial support to 30% of UK undergraduate students. Additional funds were also provided to international students

- Widening participation is supported by funds from a range of sources: additional fee income and philanthropic support being the main providers. In July 2018 the University was successful in its application to a foundation for funding to support the primary schools' work for a further three years



Widening Participation
Nottingham Potential
Summer School 2018



Students in a lecture University Park

Academy relationships

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

The University continues to co-sponsor three academies:

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

University 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.

Examples of the enrichment support offered by the University in 2017-18 include:

- students visiting academic faculties and enjoying lectures
- work placement opportunities
- 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 focussed assemblies
- whole school topic-based 'Wow' days
- aspiration-raising campus visits
- information and guidance sessions delivered in the academies
- academics visiting the academies to deliver workshops or lectures

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 admits 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.



Ingenuity Centre Jubilee Campus

Business engagement

University of Nottingham Innovation Park

University of Nottingham Innovation Park (UNIP) enables a community of over 115 tech-driven and knowledge-intensive businesses to co-locate and engage with University research expertise, talent and facilities.

Client companies engage 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 and Industrial Strategy and is now fully occupied despite continuing to create additional office space.

Ingenuity Centre

Since opening in October 2016, the Ingenuity Centre has been home to 35 independent technology-driven start-ups, the University's Intellectual Property and consultancy teams, the Technology Demonstrator, and the Haydn Green Ingenuity Lab.

The Centre achieved steady-state occupancy targets 15 months earlier than planned and is now full with a healthy pipeline of entrepreneurs and start-ups interested in moving in.

Space Incubation Programme

UNIP is home to one of the first re-funded Space Incubation Programmes. Housed in the Ingenuity Centre, this is supported by the UK Space Agency

and has assisted 10 start-up companies to increase turnover, harness Euro2m EU Research and Development Grants, and pitch to Space Sector Primes at Farnborough International Airshow (2018). The next cohort will be supported in the coming year.

10th anniversary

This year UNIP celebrated its 10th anniversary with over 20 events. The team is now working with University colleagues to plan delivery of a UEB endorsed vision to double the size of UNIP in the coming decade.

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 some of the latest academic ideas about business and leadership, through the Ingenuity events programme. It also provides academics with a supported and facilitated route to present their research to a new audience and develop new partnerships with businesses.

The activities of the network include: breakfast networking events and workshops, a business directory of local and regional SMEs connected through the network, a website and newsletter and links to other University resources.

The network comprises some 1,800 contacts, with nearly 600 joining us at events during the 2017 calendar year.

Enabling innovation

Enabling Innovation is a three-year EU funded programme of SME engagement delivered in collaboration with Nottingham Trent University and the University of Derby. During this financial year almost 300 local and regional businesses have benefited from the programme as a direct result of University of Nottingham activities which have ranged from targeted academic interventions to graduate placements and detailed technical support. Funding of £3.5m has been received to cover the cost of delivering these business interactions. This significant programme of knowledge exchange is being well received by the business community and looks set to achieve all its planned outcomes by its completion date of March 2019.

The Ingenuity Centre is now full with a healthy pipeline of entrepreneurs and start-ups interested in moving in

Volunteering and fundraising

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

During the year there were 4,607 donors to the University compared with 5,902 last financial year and 5,145 in 2015/16.

Significant pledges secured during the year include:

£278,000

from the **National Heritage Memorial Fund** and

£75,000

from the **Foyle Foundation** to support the **Clarke Collection Acquisition**

£150,000

from **Dr Edward Leafe** to support the **Edward and Margaret Leafe Scholarships** for students in either the School of Biosciences or School of Veterinary Medicine and Science

£120,000

from **RASK ADAS** to support **Horticulture Research**

£106,000

from the **Anamax Charitable Foundation** to support scholarships in **Law, Chemistry and Human rights**

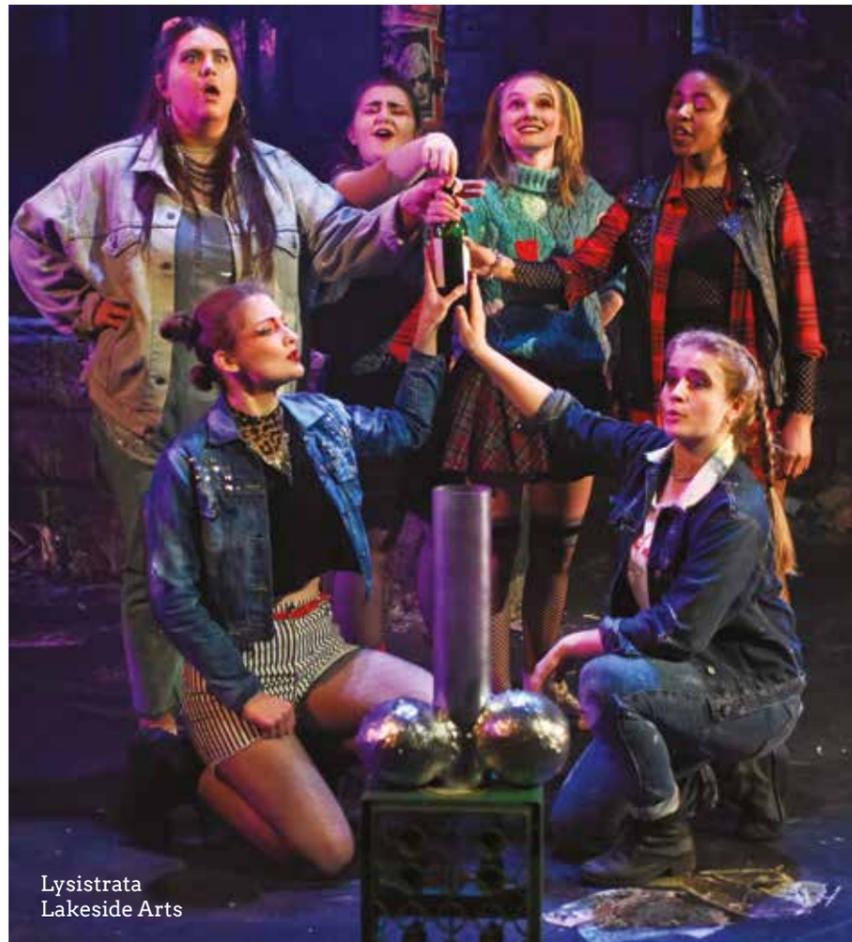
£100,000

from **The Allan and Nesta Ferguson Charitable Trust** to support **Developing Solutions Scholarships**

Legacy income was over £2.4m, representing 35% of the total cash gifts received within the financial year. Significant legacy bequests received include £2m from Lady Hobday to support the Sir Gordon Hobday Fund in Chemistry and £331,000 from Friends of the University of Nottingham: America Inc. to support the Ethel and Kevin B Malone Scholarship Fund (supported by FUN America Inc.)

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 the year was £120,000 to fund

32 student projects. Nigerian Society members followed up their successful 2017 project by installing 110 solar street lights in an off-grid area of Lagos. Year 10 students from Black, Asian, and minority ethnic (BAME) backgrounds were mentored by Nottingham students over a six-week period as part of the successful Springboard project. Funding also provided two new lease vehicles to enable 50 student community first responders to attend emergency calls in partnership with the East Midlands Ambulance Service.



Lysistrata
Lakeside Arts

Arts and culture

Nottingham Lakeside Arts hosted a unique free exhibition throughout the summer of 2017 and into the beginning of the autumn which complemented Wollaton Hall's Chinese Feathered Dinosaurs.

Delivered in partnership with Dr Wang Qi, Faculty of Engineering, and involving MA and PhD students from the department in the design of the exhibition. It attracted more than 16,000 visitors to the Angear Visitor Centre during a period which is generally relatively quiet for exhibition visitors. The exhibition was complemented by a strong public engagement programme of 39 talks and workshop activities delivered by the Learning Team and academic colleagues and attracting 2,357 participants of all age groups. In addition, 354 pupils from six widening participation schools experienced full days of activities. Lakeside's integral involvement in this partnership programming has helped to elevate the Research Excellence Framework submission to four-star level in the next round.

From the end of November 2017 to the beginning of March 2018, the Djanogly Gallery hosted a first Museum exhibition – the British Museum/York Museums Trust's *Viking: Rediscover the Legend*. This extraordinary exhibition was enormously popular with visitors; it included an exclusive showing of the Watlington hoard on loan briefly from the Ashmolean especially for the Nottingham exhibition – and it was complemented by a smaller scale exhibition co-curated by Professor Judith Jesch and Dr Roderick Dale of the Centre for Research in the Viking Age – *Danelaw Saga: Bringing Vikings Back to the East Midlands* – which took place in the Weston Gallery. The latter attracted 10,883 visitors which broke all previous records for a Weston Gallery show; and at 22,851 the Djanogly Gallery exhibition was the second most popular in Djanogly's history. An additional 5,628 engagements were achieved as part of a massive public engagement and learning programme, thereby demonstrating the enormous potential of collaborative projects working across academic and professional services.

During the Vikings Exhibition Lakeside introduced digital capture of lunchtime talks with immediate broadcast and downloadable potential and was immediately rewarded with engagement with new audiences unable to attend in person including 21,979 reached outside the UK.

Lakeside's Nottingham New Theatre collaboration in 2018 was Aristophanes' comedy *Lysistrata*, and it attracted audiences of 976 across a six performance run in the Djanogly Theatre, as well as providing rich student engagement across an intensive four week full-time rehearsal and production process.

At the beginning of June, Lakeside's Wheee! Festival weekend attracted audiences of 4,000 including families of all ages to a diverse programme of free arts performances in the park, for the first time the programme was supported with £10,000 sponsorship from the Woodland Trust. As part of Wheee!, Lakeside also toured the Norwegian dance company Dybwikdans to an area of multiple deprivation working in partnership with Creative Nottingham North to test the potential for further roll out of arts programmes in Bilborough and Aspley as part of a redirection for the learning programme in partnership with Widening Participation in the new academic year.

In May, Lakeside partnered with Nonsuch Theatre to devise and deliver the first ever theatre category for Nottingham Young Creatives, under the banner of University sponsorship. This first event featured a festival-style performance platform in the Djanogly Theatre for shortlisted candidates and demonstrated clear demand (including from Nottingham New Theatre) for participation in a theatre category. Having evaluated this initial year Lakeside is expanding the programme in the 2018-19 academic year to include an opportunity for two young participants to join the judging panel and is setting up a new development opportunity for young publicists/marketing personnel.

Lakeside led the delivery of the first portrait diversification project which was unveiled to an appreciative audience in the Council Dining Room on International Women's Day 2018; Lakeside also commissioned the young poet laureate Georgina Wilding – a Nottingham Alumna featured in the exhibition – to create a poem for the occasion. The result Nottingham Women is featured on the permanent website for the exhibition: nottingham.ac.uk/go/womenatnottingham

Lakeside sat on the Project Management Board alongside Pro-Vice-Chancellor Professor Jeremy Gregory and played a key role in the development of the ground-breaking European Capital of Culture bid Breaking the Frame, which wasn't progressed beyond submission as a result of the UK's ability to enter the competition being stopped. This bid, which had the new Cultural Framework for the city at its core, focused on an ambitious programme to deliver cultural democracy in areas of multiple deprivation. In spite of this disappointment, the Project Management Board has been involved in submitting an expression of interest to the new Cultural Development Fund which is open to English towns and cities outside London.

Work has also been progressing on exciting new developments for 2018-19 including a programme of arts on campus; the launch of a new philanthropic giving scheme (including engagement with the University's Campaign and Alumni Relations Office) and a first residency project involving Nottingham students with Zhejiang Conservatoire Orchestra. The Dementia Choir, established in summer 2018 by Professor Justine Schneider, supported by Lakeside and followed by a BBC film crew (programmes screened autumn 2018), will be continuing into the next academic year, thanks to Music Department partnership and support.



Chinese Feathered Dinosaurs exhibition attracted more than **16,000 visitors** to the Angear Visitor Centre

Healthcare

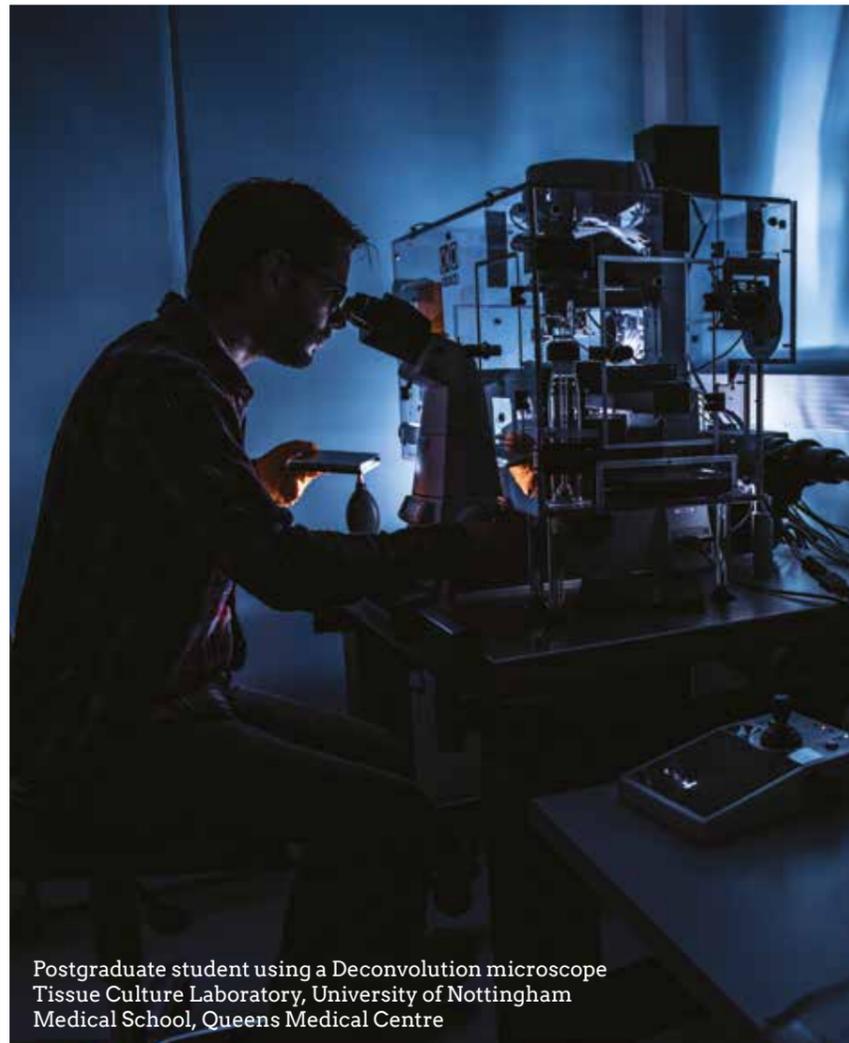
In the area of medicine and health sciences, the University contributes to the health and wealth of the nation in various ways.

The numbers of medical students are set to increase, as we have been chosen through a national competition to train more doctors, including through a new initiative with the University of Lincoln on a purpose-built site based in Lincoln. In this training of healthcare professionals, we are particularly proud to be a national leader on programmes to increase the diversity of students entering such training, including recruiting students from economically-disadvantaged backgrounds.

Our research has 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 1,000s of lives in the UK and worldwide. There are many other similar examples, ranging right back to the first use of MRI in medical imaging – a technology now used throughout the world. We have recently established a Beacon of Excellence in this area to ensure we remain a world leader. The recent award of a Biomedical Research Centre, a government investment of £24m, to the partnership of the Nottingham University Hospitals NHS Trust and the University, will ensure that translation of our best research into real medical advances

continues. It will also strengthen further 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.



Postgraduate student using a Deconvolution microscope Tissue Culture Laboratory, University of Nottingham Medical School, Queens Medical Centre

600 nurses
330 doctors
140 physios
80 midwives

are trained at the University of Nottingham each year

Sustainability

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



Student experience



Education for sustainability



Research for sustainability



Partnership and engagement



Operations for sustainability



Governance and quality assurance

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

- The University has secured a prestigious Green Flag award for the fifth year in a row on the University's Jubilee Campus and for the 15th year on University Park. In 2017 we were finalists at the Green Gown Awards in the Student Engagement category for its #BeastsofUoN activities on social media and in the Carbon Reduction

category, for Medical School Carbon Reduction Strategies involving a series of infrastructure projects to reduce the energy demands of the Medical School. Three years on, the building has seen reductions of greenhouse gas emissions and an annual saving of £560,000.

- In a third category, the University's Chief Estates and Facilities Officer at the University was shortlisted for the Leadership Award which seeks to recognise exceptional leadership for sustainability in the sector.

In 2017/18 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 construction of the Advanced Manufacturing Building on Jubilee Campus has recently completed and connects the campus to Derby Road and the adjacent Gatehouse Lodge. The building comprises office space, laboratories and seminar space for the Faculty of Engineering.
- The creation of newly landscaped areas such as the Djanogly Terrace on Portland Hill as well as wider arboretum works to enhance our tree collection across University Park Campus.
- The opening of the RAD Building which incorporates the latest technologies to allow it to meet Passivhaus standards, making it extremely energy efficient. This supports the innovation and research in the energy technologies research areas.



Djanogly Terrace, University Park Campus



Award winning green spaces

University Park Campus - Green Flag Award winner since 2003

Jubilee Campus - Green Flag Award winner since 2013

Governance

The University is a corporation formed by Royal Charter and is an educational charity, with exempt status, regulated since 1 January 2018 by the OfS (and prior to 1 January 2018 by 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 UK Corporate Governance Code and the OfS/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 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 2017.

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

Role

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

The Council is responsible for ensuring compliance with the Charter, Statutes

and Ordinances regulating the University and its governance framework. Subject to these it makes all final decisions on matters of fundamental concern to the University.

Membership and meetings

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

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

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

Council normally meets five times a year. The Registrar is the Secretary to Council. External members are elected for terms of four years and may serve for two terms.

Primary powers and responsibilities Overall powers and responsibilities:

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

- 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;

- 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;
- 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;
- To act as the principal financial and business authority of the University; including approving annual audited financial statements, appointing external auditors, approving budgets and financial plans, approving transactions, contracts, leases, investments and banking arrangements (subject to approved delegated limits), ensuring the maintenance of proper accounting records, having overall responsibility for the University's assets, property and estate, having overall responsibility for the University's liabilities, including pension liabilities (subject to approved delegated limits) and acting as trustee for legacies endowments, bequests or gifts;
- 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;
- 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;
- To receive reports on and consider teaching and research and pastoral care and student development;
- 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;
- 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;
- 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;
- To appoint Committees for hearing grievances and to consider redundancies and appeals in relation to employment matters and to receive reports from the Committees and, where relevant, approve the recommendations of the Committees;
- 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;
- 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;
- 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

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;

- If necessary to appoint an Acting President and Vice-Chancellor;
- To appoint a Chancellor;
- To elect the Chair of Council to act as its chair and to elect Pro-Chancellors, the Treasurer and the Vice-Chair of Council;
- To appoint external members of Council on the recommendation of the Nominations Committee. The Nominations Committee is responsible for succession planning for senior Council officer posts, the recruitment and assessment of possible candidates and for considering and making recommendations on the appropriate balance and diversity of skills, expertise, attributes and backgrounds within Council;
- To establish appropriate procedures for rotation and induction of members;
- To appoint annually the Chairs and the external members of Council Committees and to approve the terms of reference of Council Committees;
- To delegate in accordance with Ordinances the appointment of Emeritus Professors and Honorary Professors and Fellows, Honorary Associate Professors, Honorary Assistant Professors, to regulate the conferment of Honorary Degrees and to establish delegated procedures for appointing external examiners;
- To approve the expulsion of students;
- To establish processes to monitor and evaluate the effectiveness of Council; including a formal review to be conducted at least every four years;
- 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;

- 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;
- To oversee the Students' Union;
- To select a Seal Arms and a Mace for the University and have the sole custody and use of the Seal.

In 2017/18 the Council of the University comprised the President and Vice-Chancellor, 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 OfS' Regulatory Framework/HEFCE's 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 Head of Information and Risk Management attends these meetings to consider the University Risk Register and the effectiveness of the mitigations to the main risks affecting the activities of the University. The committee also receives and considers reports from the OfS/HEFCE as they affect the University's business. It considers the form of the annual report on Corporate Governance together with the accounting policies and reviews the implementation of risk management within the University. Whilst senior executives attend meetings of the Audit and Risk Committee as necessary, the President and Vice-Chancellor attending all meetings in 2017/18, they are not members of the Committee, and the Committee meets with the External and Internal Auditors on their own for independent discussions.

- **The Remuneration Committee**, which comprises six senior external members, determines the salaries of senior staff of the University. The salary of the President and Vice Chancellor is determined by the external members of the Committee. The Committee also reviews retention and recruitment policies relating to professorial and other senior staff.
- **The 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 Provost and Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Faculty Pro-Vice-Chancellors, the Chief Financial Officer, the Registrar and the Chief Estates and Facilities Officer, the Chief Marketing and Communications Officer, the Chief Information Officer, the Director of Human Resources and the Chief Student Management Officer. University Executive Board acts as an executive committee and normally meets monthly, with weekly sub-meetings, to consider the strategic and financial direction of the University. The President and Vice-Chancellor is the principal academic and administrative officer of the University. The Provost and Deputy Vice-Chancellor and the Pro-Vice-Chancellors have specific responsibilities for major policy areas, whilst responsibility for 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.

¹This was increased from five part way through 2017/18 and the President and Vice-Chancellor ceased to be a member of the committee part way through 2017/18 and the external membership increased from five.

²The post of Chief Estates and Facilities Officer ceased to exist in May 2018.



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 the Office For Students Memorandum of Assurance and Accountability.

These controls cover the period 1 August 2017 to 31 July 2018, 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, control weaknesses were identified in relation to our management of external contractors, the management of a complex system implementation programme and information security.

The first two of which have been dealt with robustly with a financial control improvement project and a completely new delivery model for the system programme including the provision of ongoing externally provided quality

assurance. Although there has been significant progress on the information security weaknesses there is much that needs to be done in this area and it is taking time. As a result the internal audit opinion for the year states that internal control is partially effective with information security controls improving but still not effective.

In addition, 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.
- Weaknesses in the University risk management procedures were identified during the year and the University has started to implement improvements however the internal audit opinion for the year states that risk management is increasing in maturity but not yet fully effective.
- 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 Office for Students 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/OfS and the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- Suitable accounting policies are selected and applied consistently;
 - Judgements and estimates are made that are reasonable and prudent;
 - Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
 - Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.
- The Council has taken reasonable steps to:
- Ensure that funds from the HEFCE/OfS are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
 - Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
 - Safeguard the assets of the University and prevent and detect fraud;
 - Secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the

responsibilities set out above, include the following:

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

Independent Auditor's Report

to the Council of University of Nottingham

Opinion

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

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- The Group and University Statement of Comprehensive Income and Expenditure;
- The Group and University Balance Sheet;
- The Group and University Statement of Changes in Reserves;
- The Group Cash Flow Statement;
- The Statement of Principal Accounting Policies; and
- The related notes 1 to 32.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify

such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of the Council

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

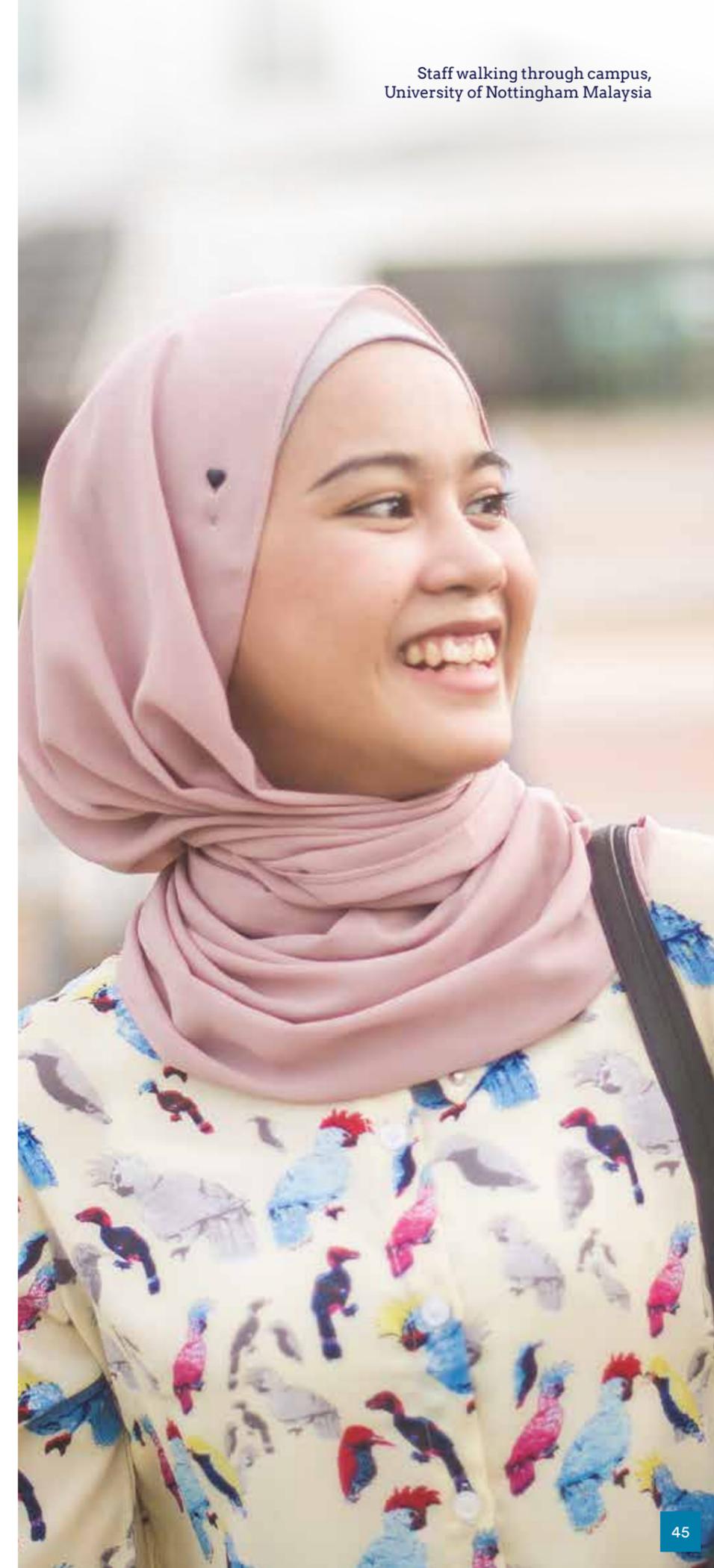
In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes during the year ended 31 July 2018 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2018; and
- the requirements of the OfS' accounts direction have been met.

Use of our report

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

Deloitte LLP
Statutory Auditor
Nottingham, United Kingdom
30 November 2018



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 twelve months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In doing so, the University has regard to the elements of current assets and current liabilities, the availability of cash via the University's banking arrangements and the expectation that grants will continue to be received into the foreseeable future.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July. The consolidated Statement of Comprehensive Income includes the Group's share of the comprehensive

income of associated undertakings and the Consolidated Balance Sheet includes the investment in associated undertakings at the Group's share of their underlying net tangible assets (the 'equity method'). Associated undertakings are those in which the Group has a significant, but not dominant, influence over their commercial and financial policy decisions. The consolidated financial statements do not include those of the University of Nottingham Students' Union as it is a separate body in which the University has no financial interest and no control or significant influence over policy decisions.

As permitted under FRS102 the University has taken advantage of the disclosure exemptions available to it in respect of a University only Cashflow Statement.

3. Recognition of income

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

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

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

Donations and endowment transactions are assessed to determine whether performance related conditions, restrictions on expenditure, both or neither applies. The income is recognised

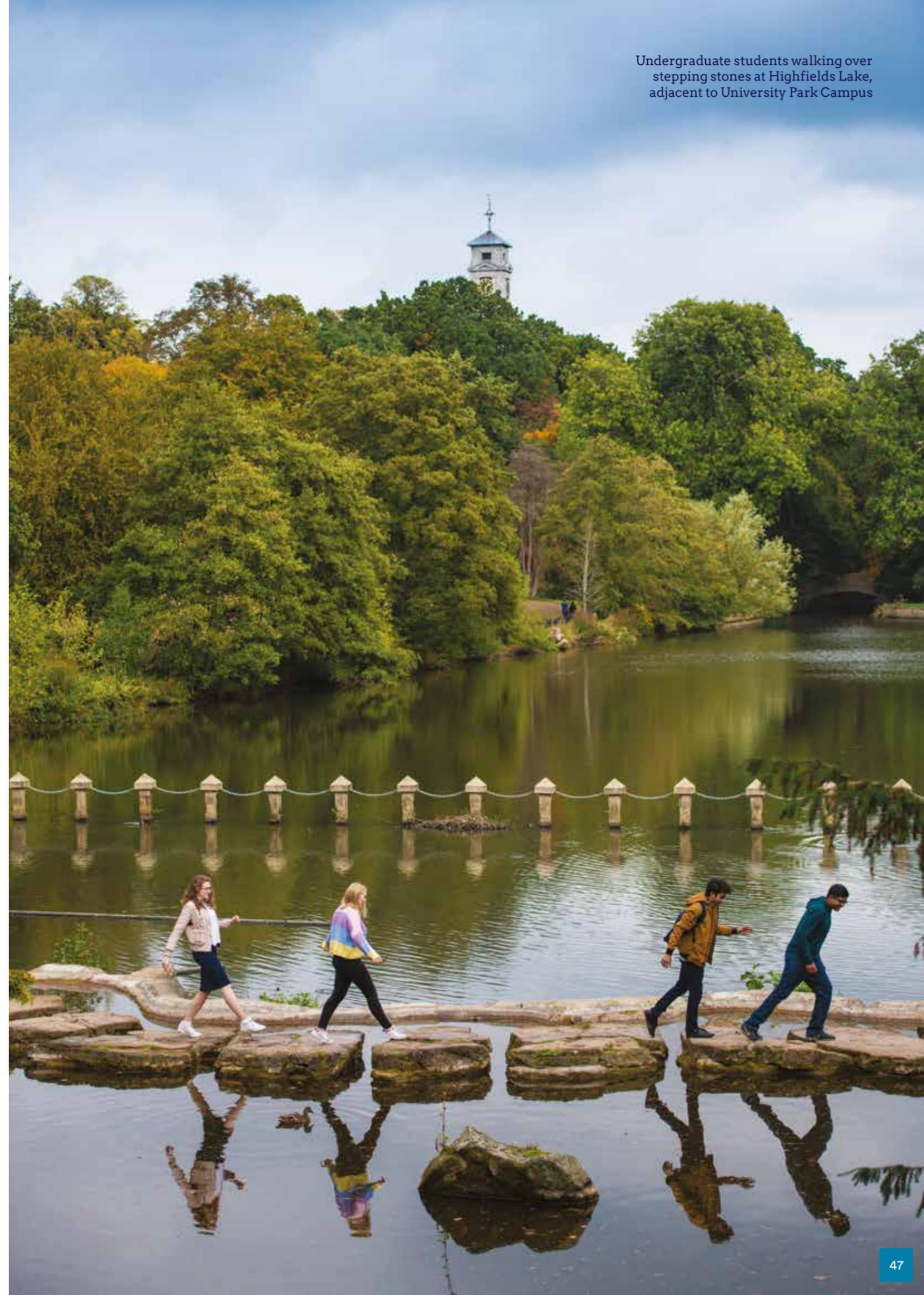
in the Statement of Comprehensive Income as follows:

- Where performance related conditions exist income is recognised in line with the performance criteria being met.
- Where restrictions exist income is recognised when it is receivable and taken to a temporarily restricted reserve, expenditure is then recognised as restricted expenditure and charged to the restricted reserve over time to reduce it to nil as the fund is fully used. Endowments where the donor has specified that the capital sum can be spent are treated in this way.
- Where there are neither performance related conditions nor restrictions income is recognised when it is receivable. Endowments are recognised as income on entitlement and then held in the permanently restricted reserve where the donor has specified that the capital sum cannot be spent.
- Endowment and investment income is credited to the income and expenditure account on a receivable basis. Gains or losses on investment are recorded in the capital element of the fund to which it relates and recognised in income as 'gain or loss on investments'.

4. Employee benefits

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

The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice





Open Day,
University of Nottingham
Ningbo China

Statement of principal accounting policies continued

of the actuaries. In the intervening years, the actuaries review the progress of the Schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the Schemes. A small number of staff remain in other pension schemes.

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

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

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

5. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates.

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

6. Leases

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

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

7. Carbon Reduction Commitment Allowances

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

8. Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value

of the consideration over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life. Useful economic life is assessed separately for each business acquired, depending on the nature of that business. Where a reliable estimate of the useful life of goodwill cannot be made, the life shall not exceed five years. Provision is made for any impairment.

9. Land and buildings

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

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

Assets in the Course of Construction are 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:

Statement of principal accounting policies continued

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

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

Heritage Assets are recorded at cost and not depreciated.

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

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

11. Government grants

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

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

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

12. Investment properties

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

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 apart from the University's spin out companies are shown at historical cost less any provision for impairment in their value except from where there is a ready market for the investments when they are shown at fair value with any changes in value being taken to the Statement of Comprehensive Income. Investments in the spin out portfolio are valued based on the University's share of the estimated net asset value of these companies.

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.

Graduate at summer graduation 2018,
David Ross Sports Village,
University Park Campus

Consolidated and University Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2018

	Note	Consolidated		University	
		2018 £m	2017 £m	2018 £m	2017 £m
Income					
Tuition fees and education contracts	2	334.2	309.3	334.2	309.3
Funding body grants	3	90.1	90.1	90.1	90.1
Research grants and contracts	4	120.1	123.7	120.1	123.7
Other income	5	112.3	111.7	104.7	103.1
Investment income	6	3.7	5.0	3.8	5.1
Donations and endowments	7	3.7	6.3	3.6	6.3
Total income		664.0	646.1	656.5	637.6
Expenditure					
Staff costs	8	342.6	341.4	338.4	337.4
Other operating expenses	9	256.0	243.1	251.7	238.8
Depreciation	14	35.1	31.1	34.8	30.8
Interest and other finance costs	10	5.0	5.0	5.0	5.0
Total expenditure		638.7	620.6	629.9	612.0
Surplus before other gains/(losses) and share of operating surplus in associates		25.3	25.5	26.6	25.6
(Loss)/gain on disposal of fixed assets		(0.4)	3.3	(1.4)	3.3
Gain on investments		3.9	3.4	4.3	4.2
Share of profits/(losses) in associated companies	16	3.7	0.5	0.0	(0.2)
Surplus for the year		32.5	32.7	29.5	32.9
Actuarial gain in respect of pension schemes	27	29.3	0.0	29.3	0.0
Total comprehensive income for the year		61.8	32.7	58.8	32.9
Represented by:					
Endowment comprehensive income for the year		3.4	5.2	3.4	5.2
Restricted comprehensive income for the year		0.0	1.1	0.0	1.1
Revaluation reserves comprehensive income for the year		(0.6)	0.0	(0.6)	0.0
Unrestricted comprehensive income for the year		59.0	26.4	56.0	26.6
		61.8	32.7	58.8	32.9

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

Consolidated and University Balance Sheet

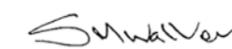
As at 31 July 2018

	Note	Consolidated		University	
		2018 £m	2017 £m	2018 £m	2017 £m
Fixed assets					
Intangible assets	12	0.7	1.4	0.7	1.4
Goodwill	13	0.0	0.0	0.0	0.0
Fixed assets	14	929.4	881.2	925.7	877.6
Heritage assets	14	1.0	0.5	1.0	0.5
Investments	15	73.4	72.0	73.8	71.8
Investments in associates	16	37.0	33.7	9.6	9.5
		1,041.5	988.8	1,010.8	960.8
Current assets					
Stock		1.8	1.8	1.4	1.3
Trade and other receivables	17	86.7	87.8	90.7	90.0
Short term investments		0.2	0.2	0.2	0.2
Cash and cash equivalents		5.8	5.8	0.0	1.9
		94.5	95.6	92.3	93.4
Creditors: amounts falling due					
Within one year	18	(234.3)	(239.5)	(231.8)	(236.7)
Net current liabilities		(139.8)	(143.9)	(139.5)	(143.3)
Total assets less current liabilities		901.7	844.9	871.3	817.5
Creditors: amounts falling due after					
More than one year	19	(243.6)	(213.4)	(243.6)	(213.4)
Provision	20	(163.4)	(198.6)	(163.4)	(198.6)
Total net assets		494.7	432.9	464.3	405.5
Restricted reserves					
Income and expenditure reserve – endowment reserve	21	58.5	55.1	58.5	55.1
Income and expenditure reserve – restricted reserve	22	6.5	6.5	6.5	6.5
		65.0	61.6	65.0	61.6
Unrestricted reserves					
Income and expenditure reserve – unrestricted		426.1	367.1	395.7	339.7
Revaluation reserve		3.6	4.2	3.6	4.2
		429.7	371.3	399.3	343.9
Total reserves		494.7	432.9	464.3	405.5

The financial statements on pages 53–83 were approved by Council on 28 November 2018 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 2018

	Consolidated				
	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted	Unrestricted	
	£m	£m	£m	£m	£m
Balance at 1 August 2016	49.9	5.4	340.7	4.2	400.2
Unrestricted surplus 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
Total comprehensive income for the year	5.2	1.1	26.4	0.0	32.7
Balance at 31 July 2017	55.1	6.5	367.1	4.2	432.9
Unrestricted surplus from the income and expenditure statement	0.0	0.0	51.1	0.0	51.1
Income from investment of the endowment portfolio	3.7	0.0	0.0	0.0	3.7
New endowments, donations and grants (including research)	0.6	2.0	0.0	0.0	2.6
Release of restricted funds spent in year	(1.3)	(2.0)	3.3	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	0.4	0.0	4.0	0.0	4.4
Transfers between revaluation and income and expenditure reserve	0.0	0.0	0.6	(0.6)	0.0
Total comprehensive income/(loss) for the year	3.4	0.0	59.0	(0.6)	61.8
Balance at 31 July 2018	58.5	6.5	426.1	3.6	494.7

	University				
	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted	Unrestricted	
	£m	£m	£m	£m	£m
Balance at 1 August 2016	49.9	5.4	313.1	4.2	372.6
Unrestricted surplus 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
Total comprehensive income for the year	5.2	1.1	26.6	0.0	32.9
Balance at 31 July 2017	55.1	6.5	339.7	4.2	405.5
Unrestricted surplus from the income and expenditure statement	0.0	0.0	48.1	0.0	48.1
Income from investment of the endowment portfolio	3.7	0.0	0.0	0.0	3.7
New endowments, donations and grants (including research)	0.6	2.0	0.0	0.0	2.6
Release of restricted funds spent in year	(1.3)	(2.0)	3.3	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	0.4	0.0	4.0	0.0	4.4
Transfers between revaluation and income and expenditure reserve	0.0	0.0	0.6	(0.6)	0.0
Total comprehensive income/(loss) for the year	3.4	0.0	56.0	(0.6)	58.8
Balance at 31 July 2018	58.5	6.5	395.7	3.6	464.3

Consolidated Cashflow Statement

For the year ended 31 July 2018

		2018	2017
	Note	£m	£m
Cash flow from operating activities			
Surplus for the year		32.5	32.7
Adjustment for non-cash items			
Depreciation	14	35.1	31.1
Amortisation of goodwill	13	0.0	0.0
Loss/(gain) on investments		(3.9)	(3.4)
Decrease/(increase) in debtors	17	1.1	(2.3)
Increase/(decrease) in creditors		20.0	16.3
Increase/(decrease) in pension provision		(5.8)	(0.8)
Share of operating (surplus)/deficit in associate	16	(3.7)	(0.5)
Surrender of carbon dioxide emission allowances		0.7	1.6
Adjustment for investing or financing activities			
Investment income	6	0.0	(0.1)
Investment income – endowments	6	(3.7)	(4.9)
Interest payable	10	0.5	0.3
Endowment income		(0.6)	(0.5)
(Profit)/Loss on the sale of fixed assets		0.4	(3.3)
Capital grants released to income		(13.0)	(7.2)
Net cash inflow from operating activities		59.6	59.0

	2018	2017
	£m	£m
Cash flows from investing activities		
Proceeds from sales of fixed assets	0.0	4.1
Capital grants receipts	19.3	17.3
Disposal of non-current asset investments	10.7	0.0
Proceeds on sale of endowment investments	15.0	3.8
Endowment investment income	3.7	4.9
Investment income	0.0	0.1
Payments made to acquire fixed assets	(84.9)	(97.2)
Payments to acquire endowment asset investments	(18.2)	(11.0)
New non-current asset investments	(4.1)	(2.2)
New deposits of short term investments	0.0	(0.0)
New deposits of endowment investments	(1.4)	(0.5)
Total cash flows from investing activities	(59.9)	(80.7)
Cash flows from financing activities		
Interest paid	(0.5)	(0.3)
Endowment cash received	1.4	0.5
New secured loans	300.0	189.0
Repayments of amounts borrowed	(300.6)	(178.2)
Total cash flows from financing activities	0.3	11.0
Increase in cash and cash equivalents in the year	0.0	(10.7)
Cash and cash equivalents at beginning of the year	5.8	16.5
Cash and cash equivalents at end of the year	5.8	5.8

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

Notes to the Financial Statement

For the year ended 31 July 2018

1. Critical accounting judgements and key areas of estimation uncertainty

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

To determine the appropriate values for the USS 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 £56m (2017 £60.0m). This use of this model enables the University to reduce the level of uncertainty regarding the amount of the liability and is a model which is used by universities across the board.

To determine the appropriate values for the CPAS recovery plan the scheme's independent trustees carry out a formal actuarial valuation on a yearly basis using a number of assumptions that are deemed to be reasonable and appropriate. The liability for the plan is £107.8m (2017 £138.6m). The use of independent trustees in carrying out a formal actuarial valuation reduced the level of estimation involved in determining the liability for the plan.

To determine an appropriate accrual for holiday pay contractually earned but not yet taken a sample of data was taken from holiday records using data within an internally-developed recording system. This data was used to generate a percentage value of staff costs which was then extrapolated to cover all staff. The detailed estimation technique will be periodically re-run. The accrual at July 31 2018 stands at £13.5m (2017 £10.8m).

	Consolidated		University	
	2018	2017	2018	2017
Note	£m	£m	£m	£m
2. Tuition fees and education contracts				
Full-time credit bearing courses – home fees	189.2	175.5	189.2	175.5
Full-time credit bearing courses – international fees	108.4	95.3	108.4	95.3
Part-time credit bearing courses	5.6	5.0	5.6	5.0
Other teaching contracts	14.7	14.6	14.7	14.6
Non credit bearing courses and other fees	16.3	18.9	16.3	18.9
	334.2	309.3	334.2	309.3
3. Funding body grants				
Recurrent grants from HEFCE	84.4	82.6	84.4	82.6
Specific grants from HEFCE	0.3	0.2	0.3	0.2
Grants from TA	0.0	1.1	0.0	1.1
Deferred capital grants released in year				
Building	5.0	5.7	5.0	5.7
Equipment	0.4	0.5	0.4	0.5
	90.1	90.1	90.1	90.1

	Consolidated		University	
	2018	2017	2018	2017
Note	£m	£m	£m	£m
4. Research grants and contracts				
Research councils	51.3	53.2	51.3	53.2
UK based charities	14.0	14.3	14.0	14.3
UK central/local government, health and health authorities	21.4	23.2	21.4	23.2
UK industry, commerce and public corporations	7.6	8.9	7.6	8.9
EU government and other sources	17.3	16.4	17.3	16.4
Other grants and contracts	6.6	6.3	6.6	6.3
RDEC income	1.9	1.4	1.9	1.4
	120.1	123.7	120.1	123.7

5. Other operating income

Residences, catering and conferences	45.1	44.1	34.7	34.3
Other services rendered	23.5	22.1	22.1	20.8
Health authorities	10.3	10.1	10.3	10.1
Released from deferred capital grants	1.9	0.3	1.9	0.3
Other income	31.5	35.1	35.7	37.6
	112.3	111.7	104.7	103.1

6. Investment Income

Investment income on endowments (Note 21)	3.7	4.9	3.7	4.9
Other interest receivable	0.0	0.1	0.1	0.2
	3.7	5.0	3.8	5.1

7. Donations and endowments

New endowments (Note 21)	0.6	0.5	0.6	0.5
Donations with performance conditions	0.9	0.6	0.9	0.6
Donations with restrictions (Note 22)	1.6	2.3	1.6	2.3
Unrestricted donations	0.5	2.9	0.5	2.9
	3.6	6.3	3.6	6.3

Notes to the Financial Statement continued

	Consolidated		University		
	2018	2017	2018	2017	
	Note	£m	£m	£m	
8. Staff					
Staff costs:					
Gross pay		278.3	274.7	274.4	271.1
Social security costs		27.6	26.5	27.4	26.1
Other pension costs (Note 27)		42.2	41.1	42.1	41.0
Movement on USS pension provision (Note 20) and interest costs		(5.5)	(0.9)	(5.5)	(0.9)
		342.6	341.4	338.4	337.4

	2018	2017
	£000	£000
Emoluments of Professor Shearer West, Vice-Chancellor (appointed 2 October 2017)		
Basic salary	225	0
Dividends	0	0
Performance related pay	0	0
Salary sacrifice	0	0
Compensation for loss of office	0	0
Accommodation allowance	0	0
Taxable expenses and private health policy	0	0
	225	0
In lieu of pension contributions	0	0
Remuneration	225	0
Employers pension contributions	41	0
Total cost	266	0

Emoluments of Professor Sir David Greenaway Vice-Chancellor (resigned 30 September 2017)		
Basic salary	49	295
Dividends	0	0
Performance related pay	0	0
Salary sacrifice	0	0
Compensation for loss of office	0	0
Any other employment related pension payments	0	0
Accommodation allowance	7	42
Taxable expenses and private health policy	2	3
	58	340
In lieu of pension contributions	7	41
Remuneration	65	381
Employers pension contributions	0	0
Total cost	65	381

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

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

- the depth of the Vice-Chancellor's 20 years of leadership, management and academic experience within the higher education section as well as government;
- the breadth of leadership responsibilities for one of the UK's largest universities consisting of 46,143 students and 7,082 staff based in campuses across the UK, China and Malaysia; as well as a global community of 270,000 alumni in more than 200 countries;
- the financial responsibilities for an institution with an annual turnover of £664m; and which contributes more than £1 billion to the national economy, £677m to the regional economy, and supports 18,000 jobs; and
- the accountability for sustaining a TEF Gold-ranked educational experience for our students; and a world-leading research portfolio worth £600m devoted to solving some of the most pressing global challenges, to the benefit of society in the UK and around the world.

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

Details of the membership and terms of reference of the Remuneration Committee can be found here:

<https://www.nottingham.ac.uk/governance/universitycommittees/remunerationcommittee/remunerationcommittee.aspx>

Details of the Vice-Chancellor's salary have been published on the University website here:

<https://www.nottingham.ac.uk/about/vice-chancellor/remuneration.aspx> since she took office.

Professor Shearer West did not become Vice-Chancellor until 2 October and was therefore not employed for the full financial year. If she were to have been her basic salary would have been 8.32 times the median basic pay of staff, where the median pay is calculated on a full time equivalent basis for the salaries paid by the University to its staff including agency staff. For Professor Shearer West there is no comparative figure for 2017. However for 2017 for Professor Sir David Greenaway the comparative figure is 9.21.

Professor Shearer West did not become Vice-Chancellor until 2 October and was therefore not employed for the full financial year. If she were to have been her total remuneration would have been 9.53 times the median total remuneration of staff, where the median total remuneration is calculated on a full time equivalent basis for the total remuneration paid by the University to its staff including agency staff. For Professor Shearer West there is no comparative figure for 2017. However for 2017 for Professor Sir David Greenaway the comparative figure is 11.48.

In 2018 had Professor Sir David Greenaway been Vice-Chancellor for the full financial year his basic salary would have been 9.06 times the median basic pay of staff, where the median pay is calculated on a full time equivalent basis for the salaries paid by the University to its staff including agency staff.

In 2018 had Professor Sir David Greenaway been Vice-Chancellor's for the full financial year his total remuneration would have been 11.59 times the median total remuneration of staff, where the median total remuneration is calculated on a full time equivalent basis for the total remuneration paid by the University to its staff including agency staff.

Notes to the Financial Statement continued

	2018	2017
	£000	£000
Compensation for loss of office paid (or payable) to employees of the University	2,488	2,744
Number of employees of the University where compensation has been paid (or is payable)	188	264
Compensation for loss of office paid (or payable) to employees of subsidiaries of the University	28	12
Number of employees of subsidiaries of the University where compensation has been paid (or is payable)	4	1
	2018	2017
	Number	Number
Average staff numbers by major category:		
Teaching and research	3,180	3,189
Technical	613	612
Administrative, Professional and Managerial	2,280	2,225
Other, including manual	1,009	951
	7,082	6,977

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

	Number of staff 2017-18	Of which, University Executive Board member	Number of staff 2016-17	Of which, University Executive Board member
	Number	Number	Number	Number
£100,000 – £104,999	13	0	13	0
£105,000 – £109,999	14	0	16	0
£110,000 – £114,999	12	0	15	1
£115,000 – £119,999	10	1	11	0
£120,000 – £124,999	13	1	2	1
£125,000 – £129,999	6	0	7	1
£130,000 – £134,999	5	0	12	7
£135,000 – £139,999	9	5	3	1
£140,000 – £144,999	2	0	7	1
£145,000 – £149,999	5	3	3	0
£150,000 – £154,999	9	1	11	1
£155,000 – £159,999	3	0	2	0
£160,000 – £164,999	5	1	6	1
£165,000 – £169,999	8	0	7	0
£170,000 – £174,999	4	0	6	1
£175,000 – £179,999	9	2	8	1
£180,000 – £184,999	2	0	2	0
£185,000 – £189,999	1	0	2	0
£190,000 – £194,999	3	0	3	0

	Number of staff 2017-18	Of which, University Executive Board member	Number of staff 2016-17	Of which, University Executive Board member
	Number	Number	Number	Number
£195,000 – £199,999	1	0	2	0
£200,000 – £204,999	1	0	1	0
£205,000 – £209,999	1	0	1	0
£210,000 – £214,999	0	0	1	0
£215,000 – £219,999	4	0	1	0
£220,000 – £224,999	0	0	0	0
£225,000 – £229,999	0	0	1	0
£230,000 – £234,999	0	0	0	0
£235,000 – £239,999	1	0	0	0
£240,000 – £244,999	0	0	0	0
£245,000 – £249,999	0	0	0	0
£250,000 – £254,999	0	0	0	0
£255,000 – £259,999	0	0	0	0
£260,000 – £264,999	0	0	0	0
£265,000 – £269,999	1	0	0	0
£270,000 – £274,999	1	0	0	0
£275,000 – £279,999	0	0	0	0
£280,000 – £284,999	0	0	1	0
£285,000 – £289,999	0	0	0	0
£290,000 – £294,999	0	0	1	0
£295,000 – £299,999	0	0	0	0

University Council

Expenses paid to Council members who are not staff or students (as listed within these financial statements) totalled £9,631 (2017: £12,281).

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

Key management personnel

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

At 31 July 2018 there were 17 members (2017: 20 members).

	2018	2017
	£m	£m
Compensation paid to key management personnel	2.6	3.1

Notes to the Financial Statement continued

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
9. Other operating expenses				
Purchase, hire and repair of equipment	29.9	30.6	29.6	30.5
Consumables and laboratory expenditure	18.9	17.9	18.7	17.7
Published materials	8.5	8.0	8.5	7.9
Travel and subsistence	13.9	14.5	13.8	14.4
Professional and other fees	59.8	52.2	57.4	49.7
Fellowships, scholarships and prizes	55.8	53.9	55.8	53.9
Catering supplies	7.4	7.5	6.3	6.3
Repairs and general maintenance	14.9	14.8	13.2	13.0
Heat, light, water and power	15.5	14.7	16.0	15.1
Rent, rates and insurance	4.5	5.2	4.8	5.5
Grants to University of Nottingham Students' Union	2.7	2.7	2.7	2.7
Auditor's remuneration	0.2	0.1	0.2	0.1
Training	2.6	2.2	2.5	2.1
Advertising	1.7	1.6	1.6	1.6
Other expenses	19.7	17.2	20.6	18.3
	256.0	243.1	251.7	238.8

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
10. Interest and other finance costs				
Bank interest on loans	0.5	0.3	0.5	0.3
Finance costs for CPAS pension scheme (Note 27)	3.4	3.6	3.4	3.6
Finance costs in relation to USS pension scheme provision (Note 20)	1.1	1.1	1.1	1.1
	5.0	5.0	5.0	5.0

	Consolidated					
	Staff costs	Dep'n	Other Operating Expenses	Interest Payable	2018 Total	2017 Total
	£m	£m	£m	£m	£m	£m
11. Analysis of expenditure by activity						
Academic departments	193.0	4.0	69.3	0.0	266.3	254.8
Research grants and contracts	50.8	4.9	37.6	0.0	93.3	96.1
Total teaching and research	243.8	8.9	106.9	0.0	359.6	350.9
Academic services	21.6	2.4	29.2	0.0	53.2	49.6
Administration	51.0	2.8	56.3	0.0	110.1	104.0
Premises	10.9	18.3	30.1	0.0	59.3	57.9
Residences, catering and conferences	12.7	2.4	17.8	0.0	32.9	32.5
Other expenses	2.6	0.3	15.7	5.0	23.6	25.7
Total per income and expenditure account	342.6	35.1	256.0	5.0	638.7	620.6

Auditor's remuneration includes;

	Consolidated		University	
	2018	2017	2018	2017
	£000	£000	£000	£000
Audit Services	113.2	123.5	69.0	80.0
Other Assurance	13.5	0.0	13.5	0.0
Non audit services (Tax advisory)	24.0	16.5	24.0	16.5
	150.7	140.0	106.5	96.5

In the prior year fees of £6,500 could have been classified as other assurance fees. These were included in non audit service fees.

	University					
	Staff costs	Dep'n	Other Operating Expenses	Interest Payable	2018 Total	2017 Total
	£m	£m	£m	£m	£m	£m
Academic departments	192.9	4.0	69.4	0.0	266.3	254.9
Research grants and contracts	50.8	4.9	37.6	0.0	93.3	96.1
Total teaching and research	243.7	8.9	107.0	0.0	359.6	351.0
Academic services	21.7	2.4	29.2	0.0	53.3	49.7
Administration	50.9	2.8	56.3	0.0	110.0	104.0
Premises	10.9	18.0	32.5	0.0	61.4	59.9
Residences, catering and conferences	8.9	2.4	12.8	0.0	24.1	23.7
Other expenses	2.3	0.3	13.9	5.0	21.5	23.7
Total per income and expenditure account	338.4	34.8	251.7	5.0	629.9	612.0

Other operating expenses include operating lease rentals - land and buildings of £86,000 and operating lease rentals of £331,000.

Notes to the Financial Statement continued

	Consolidated and University	
	2018	2017
	£m	£m
12. Intangible assets		
Carbon dioxide emission allowances purchased in year	0.7	1.4
	0.7	1.4

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 2017 to July 2018 and the liability is included within accruals and deferred income in note 18.

	Consolidated
	£m
13. Goodwill	
Cost	
At 1 August 2017 and at 31 July 2018	2.1
Amortisation	
At 1 August 2017	2.1
Charge for the year	0.0
At 31 July 2018	2.1
Net book value	
At 31 July 2018	0.0
At 31 July 2017	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
14. Tangible fixed assets and heritage assets							
Cost / deemed cost							
At 1 August 2017	861.4	15.0	4.2	199.5	80.3	1,160.4	0.5
Additions at cost	21.6	0.0	0.0	37.1	25.5	84.2	0.5
Transfers	27.3	0.0	0.0	7.7	(35.0)	0.0	0.0
Disposals	(2.0)	0.0	0.0	(7.0)	0.0	(9.0)	0.0
At 31 July 2018	908.2	15.0	4.2	237.3	70.8	1,235.6	1.0
Depreciation							
At 1 August 2017	139.2	3.3	0.0	136.7	0.0	279.2	0.0
Charge for year	16.7	0.1	0.0	18.3	0.0	35.1	0.0
Eliminated on disposals	(1.3)	0.0	0.0	(6.7)	0.0	(8.0)	0.0
At 31 July 2018	154.6	3.4	0.0	148.3	0.0	306.3	0.0
Net book value							
At 31 July 2018	753.6	11.6	4.2	89.0	70.8	929.3	1.0
At 31 July 2017	722.2	11.7	4.2	62.8	80.3	881.2	0.5

Notes to the Financial Statement continued

	Land and buildings						University
	Freehold	Long leasehold	Investment properties	Equipment	Assets in course of construction	Total	Heritage assets
	£m	£m	£m	£m	£m	£m	£m
14. Tangible fixed assets and heritage assets							
Cost / deemed cost							
At 1 August 2017	861.4	15.0	4.2	195.7	80.0	1,156.3	0.5
Additions at cost	21.6	0.0	0.0	37.0	25.3	83.9	0.5
Transfers	27.3	0.0	0.0	7.6	(34.9)	0.0	0.0
Disposals	(2.0)	0.0	0.0	(7.0)	0.0	(9.0)	0.0
At 31 July 2018	908.3	15.0	4.2	233.3	70.4	1,231.2	1.0
Depreciation							
At 1 August 2017	139.2	3.3	0.0	136.2	0.0	278.7	0.0
Charge for year	16.7	0.1	0.0	18.0	0.0	34.8	0.0
Eliminated on disposals	(1.3)	0.0	0.0	(6.7)	0.0	(8.0)	0.0
At 31 July 2018	154.6	3.4	0.0	147.5	0.0	305.5	0.0
Net book value							
At 31 July 2018	753.7	11.6	4.2	85.8	70.4	925.7	1.0
At 31 July 2017	722.2	11.7	4.2	59.5	80.0	877.6	0.5

Included in both consolidated and University within freehold land and buildings is £225.8m (2017 £225.8m) of land which is not being depreciated.

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

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
15. Investments				
Subsidiary companies	0.0	0.0	0.4	0.4
Investments	14.9	16.9	14.9	16.2
Investments as part of the endowment asset portfolio	58.5	55.1	58.5	55.1
	73.4	72.0	73.8	71.8

Included within consolidated investments are amounts invested in University collaborations and spin out companies. Investments in non listed companies are recognised at fair value using a % of their estimated net asset value. As the companies that are being invested in are at early stage of development there is a degree of financial uncertainty attached to them. The total cost of such investments was £8.5m (2017 £13.6m) with an impairment provision of £1.6m (2017 £1.5m).

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 Group held a 30% shareholding in Nurture LLP, a limited liability partnership registered in the United Kingdom which provides fertility services. This was disposed of in the current financial year for £1.76m.

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

	Spin out investments	Medium term endowments	Total
	£m	£m	£m
Cost / deemed cost			
At 1 August 2017	13.6	4.1	17.7
Additions at cost	0.6	3.7	4.3
Revaluation	4.3	0.0	4.3
Disposals	(9.5)	0.0	(9.5)
Write off	(0.5)	(0.1)	(0.6)
Market value appreciation	0.0	0.3	0.3
At 31 July 2018	8.5	8.0	16.5
Provisions for impairment			
At 1 August 2017	(1.5)	0.0	(1.5)
Impairment	(0.6)	0.0	(0.6)
Reversal of past impairment	0.0	0.0	0.0
Disposals	0.5	0.0	0.5
At 31 July 2018	(1.6)	0.0	(1.6)
Carrying Value	6.9	8.0	14.9

Notes to the Financial Statement continued

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

Investment	Type of business	Country of Incorporation	% holding	
BioCity Nottingham Limited	Accommodation (biotechnology and health companies)	UK	50%	Limited by Guarantee
Trent Basin ESCO Limited	Community energy scheme	UK	50%	Private Limited by Shares
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	29%	Private Limited by Shares
Promeatheatan Particles Limited	Inorganic nanoparticle dispersion manufacture	UK	26%	Private Limited by Shares
Ticketing Network East Midlands Limited	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	17%	Private Limited by Shares
Added Scientific Limited	3D printing	UK	20%	Private Limited by Shares
PBD Biotech Limited	Diagnosis of Bacterial Infections	UK	21%	Private Limited by Shares
FAHRAS Limited	Health related software	UK	18%	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
Critical Pharmaceuticals Limited	Novel drug delivery devices	UK	9%	Private Limited by Shares
Azotic Technologies Limited	Research and development	UK	8%	Private Limited by Shares
EventMAP Limited	Software development and application	UK	6%	Private Limited by Shares
One Third Stories Limited	Education	UK	5%	Private Limited by Shares
Oncimmune Holdings Limited	Research and development	UK	4%	Private Limited by Shares
Pharminox Limited	Human health activities	UK	1%	Private Limited by Shares
Yoop Tech PLC	Web and mobile app	UK	1%	Public Limited by Shares
Scancell Holdings PLC	Research and development	UK	1%	Public Limited by Shares
Crown Bioscience Therapeutics PLC	Biopharmaceutical	USA	1%	Public Limited by Shares
Novacyt SA Limited	Research and development	France	0%	Private Limited by Shares

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

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
Nottingham Technology Ventures Limited	2

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

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

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

	Consolidated £m	University £m
16. Investment in associated companies		
At 1 August 2017	33.7	9.5
Share of retained profits	3.7	0.0
Exchange movements	(0.3)	0.2
At 31 July 2018	37.1	9.7

The University owns 37.5% (2017 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 £30.8m (2017 £27.7m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.9% (2017 29.9%) of the ordinary share capital of the University of Nottingham, Malaysia, a company incorporated in Malaysia. It has a financial year end of 31 December in common with its majority shareholder. The consolidated financial statements of the University reflects a carrying value of £6.3m (2017 £6.0m) 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 Statement continued

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
17. Trade and other receivables				
Amounts falling due within one year:				
Trade receivables	37.1	30.3	36.3	29.6
Amounts due from Subsidiaries	0.0	0.0	5.3	3.5
Amounts due from associates (Note 25)	5.5	6.4	5.5	6.4
Prepayments and accrued income relating to research grants	24.8	29.5	24.7	29.5
Prepayments and accrued income	18.9	21.6	18.5	21.0
Amounts falling due after more than one year:				
Debtors	0.4	0.0	0.4	0.0
Total trade and other receivables	86.7	87.8	90.7	90.0

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
18. Creditors: amounts falling due within one year				
Bank overdraft	0.0	0.0	1.6	0.0
Bank loans (Note 19)	3.2	3.2	3.2	3.2
Payments received in advance	2.4	7.4	1.7	6.9
Trade payables	25.2	18.9	24.1	18.4
Social security and other taxation payable	6.1	13.3	5.9	13.2
Amounts due to subsidiaries	0.0	0.0	1.1	1.1
Accruals and deferred Income	197.4	196.7	194.2	193.9
	234.3	239.5	231.8	236.7

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

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
Donations	0.7	0.7	0.7	0.7
Research grants received in advance	79.7	76.1	79.7	76.1
Deferred capital grants	14.5	11.4	14.5	11.4
	94.9	88.2	94.9	88.2

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
19. Creditors: amounts falling due after more than one year				
Bank loans	76.5	76.7	76.5	76.7
Hefce loans	1.3	1.8	1.3	1.8
Deferred capital grants	165.8	134.9	165.8	134.9
	243.6	213.4	243.6	213.4

At the balance sheet date the University had two loans in place with HSBC and the Royal Bank of Scotland totalling £160m. The total facility with HSBC is for £75m and is a five year revolving credit facility commencing November 2017 at a rate which is 0.45% above LIBOR. The bank loan with the Royal Bank of Scotland is at a rate which is 0.20% above LIBOR. The total facility is for £84m 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 both the facilities 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 with the Royal Bank of Scotland.

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	Pension total	Other	Total
	£m	£m	£m	£m	£m
20. Provisions					
At 1 August 2017	60.0	138.6	198.6	0.0	198.6
Utilised in year	(3.0)	(1.5)	(4.5)	0.0	(4.5)
Additions in year	(1.4)	(29.4)	(30.8)	0.0	(30.8)
Other provisions	0.0	0.0	0.0	3.5	3.5
At 31 July 2018	55.6	107.8	163.3	3.5	166.9

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, 2.16%.

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

During the year the University made a provision of £3.5m to represent costs that were only incurred as a result of a delay in the implementation of a system.

Notes to the Financial Statement continued

	Consolidated and University			
	2018	2018	2018	2017
	Restricted Expendable	Restricted Permanent	Restricted Total	Total
	£m	£m	£m	£m
21. Endowments				
Balance as at 1 August 2017	5.3	49.8	55.1	49.9
Additions	0.1	0.5	0.6	0.5
Transfers	0.0	0.0	0.0	0.0
Appreciation of endowment asset investments	0.0	0.4	0.4	1.2
Income for the Year	0.1	3.6	3.7	4.9
Expenditure for the Year	(0.5)	(0.8)	(1.3)	(1.4)
Balance as at 31 July 2018	5.0	53.5	58.5	55.1

Represented by:

Capital value	5.0	48.9	53.9	50.7
Accumulated income	0.0	4.6	4.6	4.4
	5.0	53.5	58.5	55.1

Analysis by type of purpose:

Academic staff	0.2	30.0	30.2	28.5
Prizes, scholarships and student support	3.0	13.4	16.4	15.3
Subject specific	1.8	1.8	3.6	2.8
Research	0.0	2.5	2.5	2.4
Other	0.0	5.8	5.8	6.1
	5.0	53.5	58.5	55.1

Analysis by asset:

	2018	2017
Fixed assets		
Current and non-current asset investments	58.5	55.1
Cash and cash equivalents	58.5	55.1

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			
	2018	2018	2018	2017
	Research	Donations	Restricted Total	Total
	£m	£m	£m	£m
22. Restricted reserves				
Balance as at 1 August 2017	1.6	4.9	6.5	5.4
New grants	0.5	0.0	0.5	1.2
New donations	0.0	1.6	1.6	2.3
Expenditure	(0.6)	(1.5)	(2.1)	(2.4)
Balance as at 31 July 2018	1.5	5.0	6.5	6.5

Analysis by type of purpose

Prizes, scholarships and student support		2.1	2.4
Subject specific		2.6	2.4
Research		1.7	1.6
Other		0.1	0.1
		6.5	6.5

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
23. Operating lease commitments				
Total rentals payable under operating leases in respect of equipment:				
Within one year	0.3	0.2	0.3	0.2
Between two and five years	0.6	0.4	0.6	0.4
Over five years	0.0	0.1	0.0	0.1
	0.9	0.7	0.9	0.7

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
24. Capital Commitments				
Commitments contracted at 31 July	24.8	34.6	24.7	34.6

The University is undergoing a period of significant infrastructure development. In the financial year high profile developments on the University's Innovation Park have been completed, as has the Cripps Health Centre. The change in investment focus from physical infrastructure to research and digital infrastructure will necessitate fewer capital commitments going forward.

Notes to the Financial Statement 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 8. Transactions with wholly owned subsidiaries which have been consolidated in the group financial statements are not disclosed below, in accordance with the exemption given in FRS102 Section 33 (Related Party Disclosures).

During the prior year a loan was made to Nottingham University Academy of Science and Technology (NUAST) for £0.25m which was repaid during 2017/18.

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

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

1. Until his resignation of 1 April 2017, Mr John Mills was a Company Director of NUSAT (Nottingham University Samworth Academy Trust), which provides education to 11 to 18 year olds. He is now a director of NOVA Education Trust, the multi-academy trust of which NUSAT is part. The University entered into a £0.7m sponsorship agreement in 2017/18.
2. Mr Chris Jagger (who resigned from the University in May 2018) is a Company Director of NUSAT (Nottingham University Samworth Academy Trust) and Nottingham University Academy of Science and Technology (NUAST) which provide education to 11 to 18 year olds. The University entered into a £0.7m sponsorship agreement in 2017/18, with NOVA Education Trust of which NUSAT and NUAST are part. Mr Chris Jagger is also a Company Director of Nottingham Contemporary Trading limited.
3. Professor Sarah O'Hara is a Company Director of NUAST (Nottingham University Samworth Academy Trust), which provides education to 11 to 18 year olds. As noted above the University entered into a sponsorship agreement in 2017/2018 with NOVA Education Trust relating to NUAST.
4. Professor Kevin Shakesheff is a company director of BioCity Group Limited, which provides accommodation to biotechnology and health companies. The University advanced a loan of £0.35m in 2017/18, repayable after more than one year.

The University of Nottingham owns a 29.9% (2017 29.9%) stake in the University of Nottingham Malaysia, a 37.5% (2017 37.5%) stake in the University of Nottingham Ningbo China both of which are accounted for as associated entities (see note 16).

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

	2018	2018	2017	2017
	Malaysia	China	Malaysia	China
	£m	£m	£m	£m
Net charges by the University:				
Costs	0.5	1.0	(0.1)	0.7
Management fee	1.6	6.0	1.6	5.2
Owed to the University at 31 July	0.6	4.9	0.4	6.0

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 Students' Union. Two senior elected Officers of the Students' Union are also members of the University Council.

	At 1 August 2017	Cash Flows	At 31 July 2018
	£m	£m	£m
26. Cash and cash equivalents			
Consolidated	5.8	0.0	5.8
Cash and cash equivalents	5.8	0.0	5.8

26. Cash and cash equivalents

Consolidated	5.8	0.0	5.8
Cash and cash equivalents	5.8	0.0	5.8

27. Pension schemes

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

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

	2018	2017
	£m	£m
Contributions to USS	34.9	33.9
Charge to I&E account re CPAS	3.5	3.5
Contributions to other pension schemes	3.8	3.7
Total pensions cost (note 8)	42.2	41.1

Notes to the Financial Statement continued

27. Pension schemes continued

USS

The institution participates in the Universities Superannuation Scheme (USS). 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 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provision was £49.6 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. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the scheme for accounting purposes have been produced using the following assumptions about the discount rate 2.64% (2017: 2.57%), pensionable salary growth n/a (2017: n/a) and pensions increases (CPI) 2.02% (2017: 2.41%).

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 July 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation.

Standard mortality tables were used as follows:	
Male members mortality	Pre retirement: 71% of AMC00 (duration 0); Post retirement: 96.5% of SAPS S1NMA "light"
Female members mortality	Pre retirement: 112% of AFC00 (duration 0); Post retirement: 101.3% of RFV00
The assumed life expectations on retirement at age 65 are:	
Males (females) currently aged 65	*24.5 (26.0) years
Males (females) currently aged 45	*26.5 (27.8) years

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.

Scheme assets are £63.6 billion (2017: £60.0 billion) and total scheme liabilities are £72.0 billion (2017: £77.5 billion) with the FRS102 total scheme deficit at £8.4 billion (£17.5 billion). The overall funding level is 88% (77%).

CPAS

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

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

A formal actuarial valuation is being carried out as at 31 July 2017. The initial results of that valuation have been projected to 31

July 2018 with an allowance for cash flows during the period and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

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

CPAS – FRS102 Disclosure

The amounts recognised in the balance sheet are as follows:

	2018 £m	2017 £m
Present value of funded obligations	(323.5)	(340.3)
Fair value of Plan assets	215.7	201.7
Deficit	(107.8)	(138.6)

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

	2018	2017
Service cost (recognised in staff costs)		
Current service cost	3.9	4.0
Net interest expense/(credit)	3.4	3.6
Operating charge/(credit)	7.3	7.6
Experience gains and losses	25.1	10.6
Expected return on plan assets	4.3	(10.6)
Actuarial loss recognised as comprehensive income	29.4	0.0
Total defined benefit charge/(credit)	36.7	7.7

The return on plan assets was:

Interest income	5.1	4.9
Return on plan asset (excluding amount included in net interest)	4.5	10.6
Actual return on plan assets	9.6	15.5

Notes to the Financial Statement continued

27. Pension schemes continued

Reconciliation of scheme assets and liabilities

	2018	2018	2018
	Assets	Liabilities	Total
	£m	£m	£m
At 1 August 2017	201.7	(340.4)	(138.6)
Benefits paid	(10.6)	10.6	0.0
Administration expenses	(0.1)	0.0	(0.1)
Current service cost	0.0	(3.9)	(3.9)
Employer contribution	8.9	0.0	8.9
Employee contribution	0.4	(0.4)	0.0
Interest income/(expense)	5.2	(8.7)	(3.5)
Return on assets (excluding amount included in net interest)	4.3	0.0	4.3
Actuarial gains/(losses)	0.0	25.0	25.1
At 31st July 2018	209.8	(317.6)	(107.8)

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

	2018	2017
Liability discount rate	2.70%	2.50%
Inflation assumption - RPI	3.15%	3.15%
Inflation assumption - CPI	2.15%	2.15%
Rate of increases in salaries	2.15%	2.15%
Revaluation of deferred pensions:		
benefits accrued prior to May 2003	2.15%	2.15%
benefits accrued after May 2003	3.15%	3.15%
Increases for pensions in payment:		
benefits accrued prior to May 2003	3.45%	3.45%
benefits accrued after May 2003	3.15%	3.15%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	80.00%	100.00%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	87.9	88
Female aged 65 at year end:	89.9	89.9
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	89.6	89.7
Female aged 45 at year end:	91.7	91.7

The major categories of scheme assets are as follows:

	2018	2017
	£m	£m
Return seeking assets	118.9	110.2
Bonds	51.1	50.8
Diversified alternatives	20.7	19.9
Index linked	19.3	20.1
Insured annuities	5.1	0.0
Cash	0.7	0.7
Total market value of assets:	215.8	201.7

The scheme has no investments in the company or in property occupied by the University.

	31 July 2018	31 July 2017	31 July 2016	31 July 2015	31 July 2014
	£m	£m	£m	£m	£m
Defined benefit obligation	(323.5)	(340.3)	(326.2)	(269.8)	(239.2)
Plan assets	215.7	201.7	186.6	164.6	148.5
Deficit	(107.8)	(138.6)	(139.6)	(105.3)	(90.7)
Experience adjustments on plan liabilities	25.0	(10.7)	50.4	27.3	13.6
Experience adjustments on plan assets	4.5	10.6	14.9	6.0	(3.4)

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

Guaranteed minimum pension

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

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 2018 the University owed £313,742 in respect of contributions to the scheme (2017: £307,247).

Notes to the Financial Statement continued

	Consolidated		University	
	2018	2017	2018	2017
	£m	£m	£m	£m
28. Financial instruments				
Asset values				
Measured at fair value through profit and loss				
Investments (including endowments) (Note 15)	73.4	72.0	73.8	71.8
Short term investments	0.2	0.2	0.2	0.2
Measured at undiscounted amount receivable				
Trade and other receivables (Note 17)	86.7	87.8	90.7	90.0
Measured at cost less impairment				
Intangible assets (Note 12)	0.7	1.4	0.7	1.4
Heritage assets (Note 14)	1.0	0.5	1.0	0.5
Investment in associates (Note 16)	37.0	33.7	9.6	9.5
Measured at amortised cost				
Goodwill (Note 13)	0.0	0.0	0.0	0.0
	199.0	195.6	176.0	173.4
Measured at undiscounted amount payable				
Payments received in advance (Note 18)	(2.4)	(7.4)	(1.7)	(6.9)
Trade payables (Note 18)	(25.2)	(18.9)	(24.2)	(18.4)
Social security and other taxation payable (Note 18)	(6.2)	(13.3)	(5.9)	(13.2)
Amounts due to subsidiaries (Note 18)	0.0	0.0	(1.1)	(1.1)
Accruals and deferred Income (Note 18)	(197.3)	(196.7)	(194.2)	(193.9)
Bank loans (Note 18,19)	(79.7)	(79.9)	(79.7)	(79.9)
HEFCE loan (Note 19)	(1.3)	(1.8)	(1.3)	(1.8)
	(312.1)	(318.0)	(308.1)	(315.2)

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.

	2018	2017
	£m	£m
Balance at 1 August	(1.0)	(1.0)
Funding council grants	0.0	0.0
Interest earned	0.0	0.0
	(1.0)	(1.0)
Disbursed to students	0.0	0.0
Balance unspent at 31 July	(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.

	2018	2017
	£m	£m
Children's Play Activities Trust Fund		
Reserves		
Balance at 1 August 2017	0.3	0.3
Balance at 31 July 2018	0.4	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. £8,040 (2017 £46,392) has been spent, in collaboration with Nottingham Trent University.

32. Guaranteed minimum pension

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



Trent Building lit up in pink for Breast Cancer Awareness Month, University Park Campus



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