

**FINANCIAL**  
**STATEMENTS**  
2015–2016

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**THE UNIVERSITY OF READING**

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## PRESIDENT'S FOREWORD

### Paul Preston

I am honoured to have now taken over as President of Council, the University's governing body, in this our 90th anniversary year. It is a good opportunity to reflect upon the activity of the University during this historic period and also to start to look forward to our centenary; we have had plenty to celebrate.

In September 2015 we saw a record undergraduate intake and we have received an increased number of applications for 2016/17. We have experienced very high student satisfaction and consolidated our reputation for academic and research excellence, making the University of Reading a very attractive place to work and study and cementing our place in the top 1% of universities in the world.

We have laid solid groundwork for our future ambitions through our Efficiency & Effectiveness programme, which has delivered a significant level of operational improvement and cost efficiency. This will help us to make better use of our resources and reduce our cost base.

We are now well equipped financially to deliver our ongoing capital investment programme aiming to redevelop the campus facilities for future students. The 2026: TRANSFORM programme is driven by the University's ambition to become a larger, vibrant and more sustainable institution by our centenary year. The Chancellor's Building is nearing completion; the Library's four-year refurbishment has started; and several other projects are at varying stages in the planning process. Next year will see the opening of the new Thames Valley Science Park, an exciting development that will benefit both the University and the local economy.

Our position as a global institution has been enhanced by the formal opening of University of Reading Malaysia in February this year and by our strengthening partnership with the Nanjing University of Information Science and Technology (NUIST) in China. As a global institution with a diverse staff and student base, we are continuing to respond as an institution to Brexit and its developing consequences. Our core values remain unchanged, as does our belief in the benefits of global engagement. Our Global Engagement strategy sets a target for the outward mobility of UK-based students: by 2026, we plan that at least one third of our students will spend some time overseas as part of their degree.

I am keen that we continue to refine our governance and operational processes to ensure that they remain aligned to our developing strategic aims. We appointed five Research Deans during the year to ensure that we can better focus upon attracting increasingly important research funding; we have completed the implementation of our 2020 Research Plan; and we have continued to embed our Diversity and Inclusion activities. We have also successfully launched our major fundraising campaign, IMAGINE, and we remain indebted to our many donors and supporters.

Finally I wish to acknowledge the work of my predecessor Christopher Fisher who, as past President of both the Student's Union and the Council, has left a lasting legacy. We are in increasingly healthy shape, enabling us to better respond to the challenges of the sector and to achieve our centenary ambitions.

### Paul Preston

President of the Council

25 November 2016

## THE COUNCIL

### Ex officio

The Vice-Chancellor<sup>1</sup>  
The Deputy Vice-Chancellor  
The Pro-Vice-Chancellors  
Dean of the Henley Business School

### Sixteen persons not being employees or registered students of the University appointed by the Council

Mr T. Bartlam, BA, MA, FCA  
Mr T. Beardmore-Gray, MA, FCA<sup>3</sup>  
Mr K. Corrigan, BA, FCCA (from 1 August 2016)  
Lord Crisp, KCB, MA  
Mr R. Dwyer, BSc, FCIPD (Vice-President of the Council) (until 31 December 2015)  
Mrs P. Egan, BA, CBE (from 1 January 2016)  
Dr P.A. Erskine, BA, Hon LLD  
Mr R.E.R. Evans, BSc, FRICS (Vice-President of the Council)<sup>1,2</sup>  
Mr C.C. Fisher, BA, MPP (President of the Council) (until 31 July 2016)  
Dame Moira Gibb, DBE, MA, DipSoc Admin, CQSW, Hon DCL, Hon DSc  
Mr S. Hawker, CB, MA, FIET (until 31 December 2015)  
Mrs K. Owen, BA<sup>1</sup>  
Mr H.W.A. Palmer, QC, MA  
Dr P.R. Preston, BSc, PhD (President of the Council)<sup>1,4,5</sup> (from 1 August 2016)  
Mr S.C.C. Pryce, BSc, ACA  
Dr B. Rawal, BSc, MBBS, MSc, FRCPATH, FFPM (from 1 January 2016)  
Mr S.P. Sherman, FCA<sup>1</sup>  
Ms S.L. Webber, BSc  
Ms S.M. Woodman, BA (Vice-President of the Council)<sup>1,6</sup>

### The Deans of the Faculties (until 31 July 2016)

Dean of the Faculty of Arts, Humanities and Social Science  
Dean of the Faculty of Life Sciences  
Dean of the Faculty of Science

**Two members of the Academic Staff of the Leadership Group elected from among their own number in such a manner and under such conditions as are prescribed by the Council for the election of members of the Academic Staff to the Senate (from 1 August 2016)**

Professor L.T. Butler, BA, PhD, FHEA

Professor J.R. Park, BSc, Cert Ed, PhD

**One member of the Senate not being a registered student of the University appointed by the Senate**

Professor S.F. Walker, BA, PhD, FDRS

**One member of the Academic Staff of the University elected from among their own number in such a manner and under such conditions as are prescribed by the Council for the election of members of the Academic Staff to the Senate**

Dr O.B. Kennedy, BSc, MSc, PhD, FIFST

**One member of the staff of the University not being a member of the Academic Staff elected in such a manner as the Council shall from time to time determine**

Mrs M.T. Martin, BA, MA, PGCE (until 21 April 2016)

Ms M. Hargreaves (from 1 August 2016)

**Two officers of the Students' Union and two alternates as determined from time to time by the Council after consultation with the Students' Union**

Mr B. Cooper (President of the Students' Union)

Ms P. Oppenheimer (Welfare Officer of the Students' Union)

**1 Member of Remuneration Committee**

**2 Chair of Remuneration Committee**

**3 Chair of Audit Committee**

**4 Chair of Appointments & Governance Committee**

**5 Chair of Strategy and Finance Committee**

**6 Chair of Student Experience Committee**

## OFFICERS OF THE UNIVERSITY

### Chancellor

Sir John Madejski, OBE, DL, Hon DLitt (Reading)

### Vice-Chancellor

Sir David Bell, KCB, MA, MEd, DipEd, PGCE, HonDUniv, HonEdD

### Deputy Vice-Chancellor

Professor S.J. Mithen, BA, MSc, PhD, FSA, FSA (Scot), FBA

### President of the Council

Mr C.C. Fisher, BA, MPP (until 31 July 2016)

Dr P.R. Preston, BSc, PhD (from 1 August 2016)

### Vice-Presidents of the Council

Mr R. Dwyer, BSc, FCIPD (until 31 December 2015)

Mr R.E.R. Evans, BSc, FRICS (from 1 January 2016)

Ms S.M. Woodman, BA

### Pro-Vice-Chancellors

Professor G. Brooks, BPharm, PhD, MRPharmS, FAHA

Mr V. Raimo, BA, MA

Professor R. Van de Noort, BA, Drs, PhD

**Deans of the Faculties (until 31 July 2016)**

**Arts, Humanities and Social Science**

Professor M.J. Almond, DPhil, PhD

**Henley Business School**

Professor J.L.G. Board, BA, PhD

**Life Sciences**

Professor R.H. Ellis, BSc, PhD, CBiol, FIBiol

**Science**

Professor B. Cosh, BSc, PGCE, PhD

**Heads of Service**

**Chief Strategy Officer and University Secretary**

Dr R.J. Messer, BA, PhD

**Chief Operating Officer**

Mr D.C.L. Savage, BA, FCCA



## STRATEGIC REPORT

The University of Reading has its roots in University College Reading which was established in 1892. It received its Royal Charter in 1926 and has since developed into a leading force in British and international higher education. It is a global university that enjoys a world-class reputation for teaching, research and enterprise.

### Principal operations

Research and teaching are currently grouped into Schools which are situated on three campuses in the UK. The University is very active internationally and has operations in many countries including campuses in Malaysia and South Africa. It has in excess of 17,000 students across a broad range of disciplines and attracts high quality students and academics from around the world.

The University's key resources include almost 4,200 staff (3,300 full-time equivalent), extensive teaching space and laboratories, access to cutting edge research, a strong reputation in the UK and a growing reputation overseas.

### Objectives and strategies

The University of Reading is among the UK's top universities and has a proud history of innovation and social influence which stretches back over many years. The University has developed and adopted a strategy which builds on its strengths and enables it to stand out as a forward-looking, confident and distinctive university in this rapidly growing and competitive environment.

The University's vision is that it will be a vibrant, thriving, sustainable, global and broad-based institution, responsive to, stimulated by and informing changes in the world around it. As a result, it will also become significantly larger in terms of students, global reach and presence. The strategy which it has developed is designed to transform the way the University is structured, the teaching and learning programmes it offers and the research it undertakes, and is designed to strengthen the position of the University as it approaches its centenary year in 2026.

Underpinning the University's strategy are the four fundamental principles of academic excellence, global engagement, financial strength and a thriving community. The University aims to generate sustainable financial surpluses to facilitate renewal and investment.

A number of key performance indicators (KPIs) have been developed to measure performance against objectives in areas of prime importance. KPIs are informed by external data which allows performance to be benchmarked against the rest of the sector. KPIs are reviewed regularly and responsive action taken where necessary. This report contains information on the University's current KPIs.

### Development and performance

Over 7,000 students commenced undergraduate or postgraduate programmes at Reading UK campuses during the year, and over 9,700 students commenced some form of study with Reading both in the UK and abroad. The University was ranked 175th in the QS World University Rankings and was 28th amongst UK institutions. In the Times Higher Education World University Rankings, the University consolidated its top 200 position and was ranked 32nd amongst UK universities.

Reading also climbed two places to be ranked 27th nationally in the Complete University Guide 2017. The guide ranked its Agriculture & Forestry, Aural & Oral Sciences and Land and Property Management subject areas as the best in the UK. In total, eight subject areas featured in their respective top 10s.

Henley Business School's Full-Time MBA was ranked 1st in the UK and its Executive MBA 4th in the Financial Times and Economist rankings. Both programmes were ranked in the top 40 worldwide.



In developing a strategy which is sustainable in the long-term, the University completed its detailed review of the efficiency and effectiveness of all of its administrative and support functions. Some £36m was invested over three years in order to transform the University's long-term efficiency and effectiveness and reduce its day-to-day operating costs. It is anticipated that the University will save £15m a year as a result, enabling the University to increase investment in frontline teaching, research and support services.

The findings of this review identified a significant level of improvements and cost efficiencies which could be achieved and which would ensure better support for the future ambitions of the University.

Within its efficiency and effectiveness review, the University completed the biggest ever review of its professional and administrative services (PAS) covering IT services, finance, procurement, human resources, technical support for schools and departments, teaching operations support and marketing and communication operations. The changes which followed as a result led to a number of new roles for staff while some roles became redundant. The University consulted widely on the changes and communicated them to all staff and offered support to those affected. Around 200 members of staff left the University under a voluntary redundancy scheme.

The University is investing over £200 million over the next five years on upgrading existing facilities and creating new ones to provide the best teaching, learning and research opportunities for its staff and students. The 2026: TRANSFORM programme is a significant commitment towards realising its vision.

The University of Reading Malaysia (UoRM) was officially inaugurated in February in EduCity, Iskandar. This state-of-the-art campus allows the University to project its world-leading research and teaching across Asia, while offering students and staff outstanding opportunities to study and work abroad.

Work continued on the new Thames Valley Science Park being constructed on land owned by the University located to the south of the M4 in Shinfield near Reading. The Science Park will open in 2017 and aims to attract innovative small and medium-sized technology-based companies that are researching and delivering innovative new products.

The University of Reading has a long-established relationship with the Nanjing University of Information Science and Technology (NUIST), China's premier university in meteorology. The two institutions have now established a joint academy, after receiving formal approval from the Ministry of Education of China. The academy enables Chinese students to work towards one of six accredited UK degrees in their home country over three years and then complete their degree at Reading.

A similar relationship has been forged between Henley Business School and the Beijing Institute of Technology (BIT). Nearly 500 students are following 4+0 degrees in accountancy and finance, with the first cohort graduating in 2017.

## Teaching

The University provides an intellectually challenging learning experience within a supportive educational environment that is responsive to the needs of students. It also provides a rich extra-curricular experience that attracts engaged students from a variety of backgrounds and cultures. As an established and highly successful research-intensive university with a global reach, Reading aims to produce graduates with sound academic knowledge and essential skills so that they can achieve their maximum potential and future ambitions.

The University aims to recruit and develop well-qualified professional academic staff. Innovative approaches to teaching and learning are encouraged to capitalise on employing methods of learning that are effective and make use of technological developments in learning methods.

The University appointed five Teaching and Learning Deans who, alongside the Pro-Vice-Chancellor for Teaching and Learning, provide strategic leadership and lead activity



**IN THE UK**  
FOR HENLEY BUSINESS SCHOOL  
**FULL-TIME MBA**

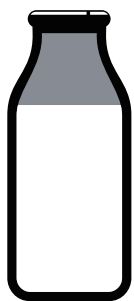
**£200m**  
**INVESTMENT**  
**ON UPGRADING**  
**FACILITIES**  
**AND CREATING**  
**NEW ONES**

in their areas of particular responsibility: student attainment; student experience; internationalisation; and quality, curriculum and enhancement. They also lead University-wide strategic projects in teaching and learning.

In the National Student Survey 2016, the overall satisfaction level of students was 87% compared to a sector average of 86%. An impressive 91% of students would recommend the University to others. The University's Students' Union was ranked 13th in the UK.

There has been a University-wide project to improve students' experiences of assessment and feedback. A framework has been established for the curriculum, and a process of curriculum review has begun. The University continued to prioritise staff development in teaching and learning through the FLAIR CPD scheme, which allows staff to gain HEA accredited recognition for their work. The scheme made its 100th award this year.

In autumn 2016, the University's new School of Architecture welcomed its first cohort of over 40 students. There were over 200 applicants, and the School exceeded its recruitment targets. All students who enrolled on the BSc (Hons) Architecture course in 2016 had the opportunity of securing an annual £3,000 scholarship for each of the three years of the undergraduate degree.



**FULL  
FAT MILK**  
IS GOOD FOR YOU  
**BUT CAN WE REDUCE  
ITS SATURATED FAT?**

## Research

The University is highly regarded, nationally and internationally, for the quality of its research and is committed to enhancing its position as a leading research university. Reading's particular research priorities and internationally acknowledged expertise extend across a broad range of disciplines in the environmental, physical and life sciences, arts and humanities, business and social sciences. The University attracts high quality postgraduate research students and provides them with a stimulating and supportive research environment and training.

Overall, research income (awards) was c. £40m from around 650 grants during the year.

July 2016 saw the completion of the implementation of the 2020 Research Plan with regard to the new leadership, management, research support and organisational structures.

The University of Reading's research is structured around five themes, with a broad range of activity in each area. Below are examples of recent research from each theme.

### Environment

As co-chair of the UN's Intergovernmental Panel on Biodiversity and Ecosystem Services (IPBES), Professor Simon Potts is one of the world's most influential scientists in wildlife conservation. His work has included dozens of studies, including publication in both *Science* and *Nature*, looking at the influence of various factors in the decline of crucial pollinating insects, such as bees. His work has shed new light on the true causes of decline including the effects of habitat loss, climate change and pesticide use.

### Food

Professor Ian Givens' research has devised sustainable dietary strategies for dairy cows that would consistently reduce total saturated fatty acids (SFA) entering the food chain by replacing a proportion of its normal SFA, mainly with cis-monounsaturated fatty acids (MUFA) typical of the fatty acids in olive oil. This research has achieved a reduction in SFAs in milk and also a reduction in the amount of methane produced by the animal.

### Health

Research by the University of Reading and Loughborough University led to the development of miniaturised technology that can be used for a variety of tests ranging from overnight detection of anti-microbial resistance to blood tests that can rapidly diagnose a heart attack. The Lab on a stick project uses miniaturised testing technology known as 'microfluidics' – tiny test tubes about the size of a human hair – that make lab analysis portable and up to 12 times quicker than current microbiological tests.



**PORTABLE  
LAB ON  
A STICK**  
12 TIMES QUICKER  
THAN CURRENT  
MICROBIOLOGICAL  
**TESTS**

## Heritage and Creativity

Professor Alison Black in the Centre for Information Design Research (CIDR) in the Department of Typography has carried out a series of design research projects for health care. This includes an innovative approach to involving family carers in pain assessment for people with dementia and the re-design of care bundles to support multi-disciplinary clinical teams in hospital settings. 4,500 copies of these care bundles are held by the West Berkshire memory clinics and they have also been supplied to GP surgeries, the local Alzheimer's Society and other care organisations.

## Prosperity & Resilience

Beatrice Krebs argued for a radically different approach to joint enterprise liability (a controversial area of criminal law dealing with cases of great seriousness) based on endorsement of, rather than foresight of, harm. Her article was of significant value to the Appellant lawyers preparing for the Supreme Court's hearing in the case of R v Jogee, which is poised to review and restate the law in this area. The appeal team drew heavily on the article in their written submissions to the Supreme Court, and also cited it during their oral submissions and argument. It impacted upon the appeal case, and early signs are that it has also proved influential in the way that the Law Lords are likely to redraw the law in this area.

## Fundraising

The University received £2.2m in philanthropic income in 2015/16 and the University is very grateful to its alumni and other supporters who made a donation during the year.

Fundraising is conducted primarily through building direct relationships with potential donors, making submissions to charitable trusts and foundations, conducting in-house telephone campaigns and small direct-mail appeals. All of these activities are carried out by dedicated staff within the University and no commercial participators fundraise on its behalf.

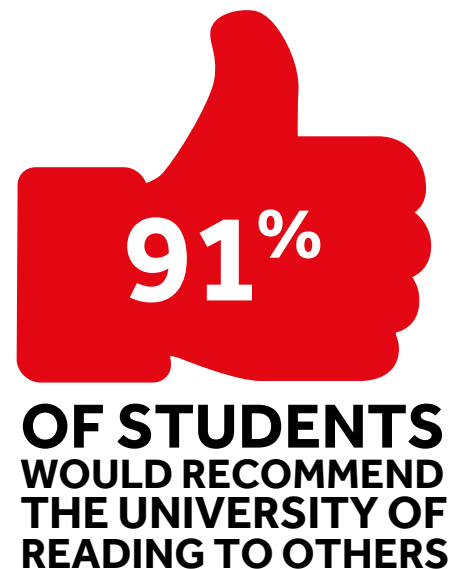
The University's Donor Charter enshrines the standards it adheres to in its fundraising, and is supported by its ethical fundraising policy. Its standards are based on those recommended by CASE, the professional body for higher education fundraising and advancement.

Fundraising is primarily aimed at University of Reading alumni and supporters rather than the general public, and is therefore relatively targeted and often based on existing relationships. The Donor Charter makes a commitment to ensuring that the University's fundraising treats potential donors fairly and avoids fundraising to vulnerable people. In practice, the University's fundraising staff are trained to deal sensitively with anyone they contact for whom they then suspect it may not be appropriate to ask for a donation. The University also has controls such as age restrictions to avoid contacting those above certain age boundaries.

The University has not identified any instances where it has failed to meet these standards in the past year.

All fundraising is conducted by University of Reading employees and is closely managed and monitored through its management structure. For telephone campaigns, where student callers are employed, calling is monitored by trained supervisors and other fundraising team managers.

In 2015/16, approximately 2% of those called during a telephone campaign said that they did not wish to be included in future telephone fundraising. In the same year, the University mailed over 40,000 people with direct mail appeals and received around 30 complaints (0.08%) about the approach being made. The University did not receive any complaints about its face-to-face fundraising programme.



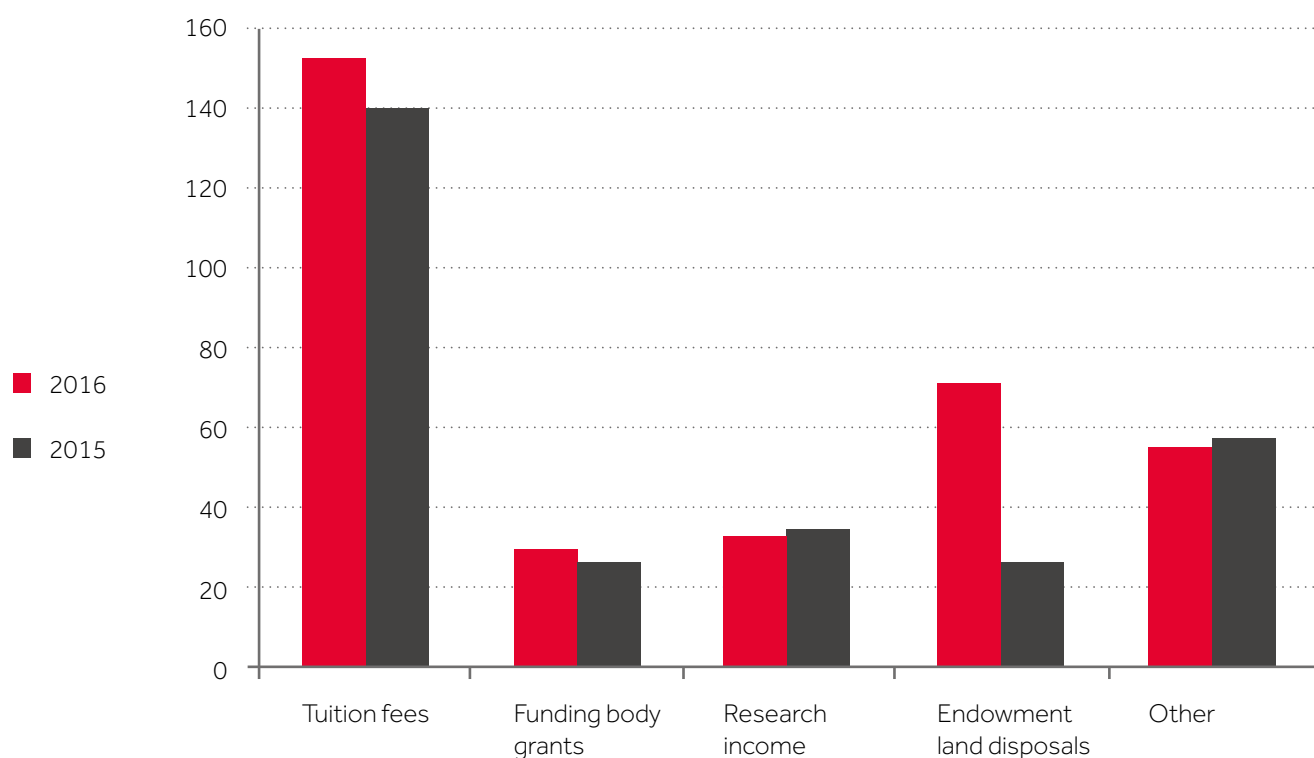
## Financial performance in the year

	2016 £'000	2015 £'000
<b>Income</b>	344,768	288,465
<b>Surplus for the year</b>	65,268	5,034
<b>Total comprehensive income for the year</b>	56,435	9,270

Group income for the year increased to £344.8m, due largely to income generated on the disposal of land in Shinfield to the south of Reading. The gain on disposal recognised in the year was around £71.7m.

Group expenditure fell by £4.5m due to a drop in costs incurred on the review of efficiency and effectiveness and the effect of the USS deficit plan provision on staff costs. The group surplus for the year was £65.3m.

## Group income (£m)



Tuition fees increased by £12.6m which was driven by an increase in student numbers for home/EU and international students including the new campus in Malaysia.

Funding body grants increased slightly in the year to £31.0m due to an increase in Higher Education Funding Council grants and capital grants.

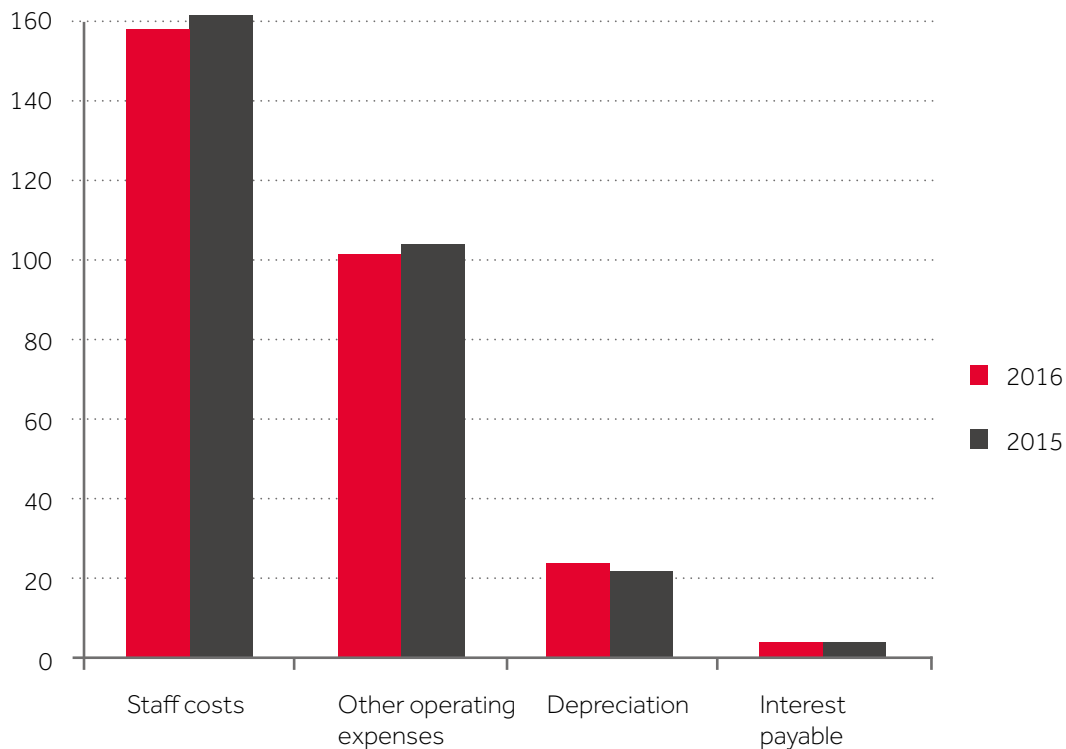
Total research income was £32.7m (2015: £34.1m). The principal reason it decreased was the Research and Development Expenditure Credit (RDEC), an HMRC research incentive scheme relating to the level of eligible research expenditure incurred. This credit was only available to universities until 31 July 2015.

The endowment land disposals of £71.7m arose from the sale of land south of Reading known as Shinfield West to housebuilders in November 2015. This disposal will allow the University to invest further in its core facilities on its campuses.

Other income fell slightly to £56.8m (2015: £58.0m) and came from a number of sources including residences, catering, conferences and property rentals.

## Group expenditure (£m)

Total staff costs of £158.6m were similar to the previous year. Although payroll costs increased due to pay rises and an increase in staff numbers, this was offset by a reduction in the charge relating to the University's obligations to make payments to reduce its share of the deficit in the USS pension scheme.



Other operating expenses totalled £100.6m (2015: £104.4m) and included £4.8m in respect of the efficiency and effectiveness review (2015: £12.1m). The campus in Malaysia became operational in the year and led to an increase in expenditure of £4.2m.

Depreciation on tangible fixed assets increased slightly to £24.3m while interest payable was similar at £5.2m.

## Financial position

Overall the Group has a strong balance sheet with consolidated net assets of £401.0m at 31 July 2016 (2015: £344.6m). The increase against the previous year was due largely to the proceeds generated on the Shinfield West disposal. Net current assets stand at £100.3m (2015: £48.6m).

## Fixed assets

The University provides a high quality environment which facilitates student recruitment and the retention of staff, and provides the conditions in which teaching and research, students and staff, can thrive. Infrastructure developments are designed to enhance the University's academic activity and ensure that it continues to be regarded as one of the leading universities in the UK and internationally.

During the year formal approval was given for the four-year project to comprehensively refurbish the Library. Construction of the new Chancellor's Building is nearing completion. Several additional projects are at varying stages of the delivery process including the creation of a new Health and Life Sciences complex, an extension to the Henley Business School and a £35 million refurbishment to the URS Building.

The University offers a wide range of accommodation options for its students in partnership with its accommodation provider University Partnerships Programme (UPP). Plans are being drawn up to redevelop St Patrick's Hall in response to growing demand for high quality, affordable accommodation located on or near Whiteknights campus.

## Investments and investment properties

The total investments held by the University and its trusts were valued at £88.4m (2015: £79.7m).

The University publishes its investment policy on its website as well as publishing annually a list of investments held. The policy is set and monitored by the Investments Committee. The portfolio is managed on a day-to-day basis by a professional investment manager. As well as targeting income returns and capital growth, the manager is required to consider the social, environmental and ethical issues of the companies in which investments are held.

The University has received requests from students and others for it to disinvest from fossil fuel companies. While the University has chosen not to automatically disinvest from all of these companies, it plans to move its portfolio to investment funds that:

- exclude companies generating the bulk of their revenues from the most carbon-intensive fossil fuels,
- give priority to investment in firms which are taking significant steps to cut fossil fuel use,
- actively engage with companies to reduce their dependence on fossil fuels and change business practices to reduce environmental impact.

The University and its trusts hold some properties for their investment potential. Their combined market value at 31 July 2016 was £50.6m (2015: £49.4m).

## Pensions deficit

The financial statements report the overall surplus or deficit of the University of Reading Employees' Pension Fund (UREPF) on the balance sheet, in line with the requirements of FRS 102. The scheme showed an overall deficit of £6.2m at 31 July 2016 (2015: surplus of £0.9m). The negative movement was due to a fall in the discount rate which is based on corporate bond yields. As well as making regular employer contributions, the University has committed to paying £600,000 per annum towards the scheme's administration costs and to continuing to make additional cash payments until 2020.

The University also contributes to the Universities Superannuation Scheme (USS), a multi-employer scheme. The University and the other employers who contribute to USS make additional contributions to reduce the overall deficit on the scheme. The University has recognised a provision of £34.7m for its share of the additional contributions (2015: £30.8m).

## Cash flow and borrowings

The University's treasury policy sets out the key controls placed on the treasury management function at the University. It contains guidance on a number of key areas and focuses on the risks that the University faces in its day-to-day activities. The policy contains significant details about the delegations surrounding the investment of surplus cash funds and sets firm limits in regard to the credit-worthiness of potential counterparties. The Strategy and Finance Committee receives reports on treasury management including an annual strategy and plan in advance of the next year.

The University's non-endowment cash balances are held primarily in the form of interest-bearing deposits with financial institutions. The University also has borrowings including a £70m corporate bond, a £60m sterling long-term loan facility and a short-term loan from the Homes & Communities Agency of over £13m to enable construction of the Shinfield Eastern Relief Road and bridge over the M4 required as a condition of the residential and Thames Valley Science Park developments at Shinfield. In addition to its borrowings, the University has provided performance bond guarantees to the Highways Agency and Wokingham Borough Council totalling £16.0m in respect of its delivery of the road and the bridge.

The Group generated a net cash inflow from operating activities of £16.5m (2015: outflow of £4.9m). The net increase in cash and cash equivalents for the year was £7.8m (2015: decrease of £0.8m) and included proceeds from the sale of Shinfield West of £51.0m and expenditure on capital assets of £56.5m.

Net debt at 31 July 2016 was £29.6m (2015: £50.0m). The decrease was due to the net cash generated in the year and an increase in the value of current investments.

## Human resources

The University aims to be an employer of choice and to create a stimulating and supportive working environment where people can flourish with opportunities for individual professional and personal development and career progression. The University rewards staff who demonstrate exceptional performance, leadership and innovation.

The University values its highly skilled and dedicated staff. Many of the University's academic staff members are acknowledged to be world-leading experts in their field, working at the cutting edge of their area of specialism.

The University actively engages with staff on a regular basis using a variety of methods including publications, the intranet, staff briefing meetings led by the Vice-Chancellor and the appointment of staff representatives to Council. The University also consults regularly with staff and their representatives to discuss issues affecting their working lives.

The People Development team provides a comprehensive range of training programmes for staff, designed to develop management and leadership capability, as well as a wide range of practical skills that staff need for their day-to-day work. Further practical support for staff is available 24/7 via the Employee Assistance Programme.

The HR department continues to provide professional support across the University as it implements and embeds significant structural change, and will work alongside colleagues to design, implement and respond to a major staff engagement initiative during the 2016/17 session.

The University continues to embed its Diversity and Inclusion activities as led by the Deans of Diversity and Inclusion. A range of related opportunities are provided such as the Springboard and Aurora programmes aimed at developing female staff, and staff participation on Stonewall’s LGBT role models and allies programmes. Further accreditation is being sought via the Athena SWAN and Race Equality Charter banners.

The University has announced new targets for 2020 to promote stronger gender and racial representation on all key decision-making committees, to reduce pay gaps at senior levels and to achieve elevated recognition for being the place where an individual can fulfil their full potential, irrespective of who they are and where they come from.

### Environmental matters

The University of Reading takes its environmental responsibilities seriously and manages its operations in ways that are environmentally sustainable, economically feasible and socially responsible. The University is committed to achieving the highest standards of environmental performance, protecting the environment and minimising the impact of its operations. The University sets challenging environmental targets to continually improve its environmental performance. These objectives and targets are reviewed and updated annually.

During the year the University delivered a £786,000 upgrade to its science labs to improve energy efficiency and cut the environmental impact of its scientific teaching and research. The investment will help the University cut its carbon emissions by more than 694 tonnes of carbon dioxide every year. In addition, the University has invested £224,000 in recommissioning heating and ventilation across the University’s largest buildings. This work is expected to deliver significant carbon savings as well as improving the comfort of University buildings.

The University successfully recertified for ISO14001 and ISO50001 for its environmental and energy management systems, and so continues to manage its environmental impact effectively. The University now diverts 99% of its waste away from landfill, with 50% being recycled and 49% being recovered to generate electricity.

To support staff and students to make sustainable travel choices, the University has invested £78,000 in improving cycle parking facilities across its estate.



### Principal risks and uncertainties

As explained in the Governance Statement, the University has systems for risk management and internal controls to manage and control the risk of failure to achieve academic and business objectives.

There is a Risk Management Group which reports to the University Executive Board and oversees risk management across the University. A risk register is in place with key risks assigned to risk owners and appropriate reporting channels established. A risk prioritisation framework is in place forming the basis of risk assessment, identification and management.



For each item identified on the risk register, an assessment is made of its likelihood and its impact and an overall net risk score is given. Those currently considered to be key risks include:

- failure to maintain financial stability and deliver strategic objectives as part of the Malaysia campus project;
- failure to secure planned additional savings from the efficiency and effectiveness review;
- failure to adequately maintain buildings and estate infrastructure;
- failure to work together effectively with the accommodation partner in optimising the available student accommodation;
- failure to recruit and retain key staff; and
- failure to recruit appropriate numbers and quality of postgraduate research students.

## European Union referendum

The University of Reading is a truly global institution. Its students and staff represent a majority of the world's nations and its research has always crossed national borders. The vote for Brexit is therefore of particular significance to the University and to many of its staff and students.

While there may be significant implications for staff, students and the University more broadly of the decision to leave the EU, the University is adamant that the outcome of the referendum does not change its core values and its belief in the benefits of global engagement.

The University is firmly embedded within a European context, and while aspects of its relationship with partners on the continent may be made more difficult by the consequences of Brexit, it is firmly committed to those relationships and to ensuring the continued mobility of staff, students and knowledge.

The University is developing its global footprint and relationships more widely. In the past year new initiatives have been launched in Asia including the opening of the campus in Malaysia and the NUIST-Reading Academy in Nanjing, China, which add to the long-established Henley Business School campus in Johannesburg.

## Future developments

Universities face challenges presented by the volume and pace of change in an increasingly competitive environment. The University's strategy and a clear understanding of its long-term goals will enable these changing circumstances to be addressed effectively. The strategy is increasingly built into thinking and planning across the University, fostering a greater sense of ambition and having a positive impact on the University's adaptability and performance. The University has always been an internationally minded university with research activities spanning the globe and a network of partners, teaching bases and campuses across the world.

The University's Global Engagement strategy encourages the outward mobility of UK based students. By 2026, it is planned that at least one third of the University's students will spend some time overseas as part of their degree.

The University is also investing more than £200 million over the next five years in a major capital investment programme to redevelop campus facilities for future students.

The development of the Thames Valley Science Park will enable the University to host innovative technology-based companies in a first-class environment. The income derived will contribute to funding the University's core activities and its investment in the future.

The University has a strong asset base and this, along with its plans to maximise incoming resources and actively manage its cost base, will continue to ensure it has a firm financial footing.

The University is well placed to respond positively to the challenges and opportunities which lie ahead and its staff and students can continue to be proud of Reading.

**Sir David Bell KCB**

**Vice-Chancellor**

**David Savage**

**Chief Operating Officer**

25 November 2016

## STATEMENT ON PUBLIC BENEFIT

The University is an independent corporation with charitable status established by Royal Charter granted in 1926. Its objects, powers and framework of governance are defined in the Charter and supporting Ordinances. It is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. It is not required to be registered with the Charity Commission but is however subject to the Charity Commission's regulatory powers which are monitored by the Higher Education Funding Council for England (HEFCE). The University's Council has due regard to the Charity Commission's public benefit guidance. The University's Handbook for Council Members contains additional guidance on members' responsibilities in respect of public benefit.

All charities must have charitable purposes and apply them for the public benefit. The University's core charitable purposes are the delivery of higher education teaching and research. The University seeks to achieve excellent standards in these areas which it believes are to the benefit of the local, national and international communities.

A key part of the University's strategy in ensuring it delivers its core purposes for the public benefit lies in its policy of equal opportunities for all. The University aims to encourage people of all backgrounds to participate in and benefit from its teaching, research and other activities.

The University and its subsidiaries also carry out teaching and research of a more commercial nature, for example in some of the executive education programmes run by Henley Business School, and in research carried out for private sector organisations. The University is careful to ensure that the extent of these activities does not conflict with or detract from its core charitable purposes.

### Teaching and learning

The University's admissions policy is to attract and admit the most able and motivated undergraduate and postgraduate students with the greatest potential to contribute to, and to benefit from, the education provided, irrespective of their background. The admissions procedures and the provision of bursaries are designed to support this policy fully.

The University promotes among all its students excellence in their studies and the other activities in which they participate while at Reading such as sporting, cultural and voluntary engagements, and encourages the opportunities these activities provide for stimulating personal development and the wellbeing of the community. When students complete their studies, they are able to use the skills they have acquired, both academic and non-academic, in their lives and careers beyond the University.

The University offers support to students through its access bursary scheme which allows it to recruit the most able students, regardless of financial background. The University aims to offer programmes of study that are attractive to a diverse range of potential students, have fair and transparent admission policies, and provide financial support to low income students. The University has a comprehensive Student Complaints Procedure to deal swiftly and effectively with problems which arise during a student's time at Reading.

The University of Reading is committed to widening access into higher education and demonstrating the opportunities a degree can afford to as diverse a body of students as possible. The University works in a number of ways to achieve this. This includes the delivery of events and activities in schools, colleges and on campus, as well as providing support and information for pupils, teachers and advisors.

The Students in Schools programme enables University student volunteers to work in local schools alongside teachers, providing general classroom assistance, one-to-one support, language support and enhancing subject knowledge, raising aspirations of pupils and an awareness of higher education as a future possibility.

Events for schools in the year have included microscopy workshops, giving pupils and teachers access to the University's on-site facilities and enhancing curriculum teaching in schools, and an Alternatives to Medicine Day showcasing the range of possibilities available in the healthcare sciences. A stock market challenge has seen pupils competing to make their millions, and school pupils have considered the concept of 'freedom' in a Philosophy and Politics taster.

The University also runs a series of public lectures throughout the year.

## Research

The University is highly regarded, nationally and internationally, for the quality of its research, and is committed to enhancing its position as a leading research university. It aims to deliver outstanding research, a significant proportion of which is specifically designed to make a significant impact on knowledge, people or the economy, or to enhance or change society for the better.

The University is aware that research often raises ethical issues which need to be considered before a decision is taken on whether to carry out the research. The University's Research Ethics Committee considers all areas of research which may give rise to ethical issues and makes judgments on whether approval should be given for the research to be carried out.

An example of a recent project is Reading International, which will bring world-class art to Reading residents and visitors over the next three years, thanks to a new £1 million project. The project begins with 'Inside: Artists and Writers in Reading Prison', a major new exhibition at the prison. The University will lead the million-pound scheme, in coalition with a diverse group of local arts organisations, national arts commissioning agency Artangel and Reading Borough Council.

Professor Hannah Cloke was seconded to advise the UK government on flooding, and has worked with the European Centre for Medium-Range Weather Forecasts and colleagues to develop GLOFAS, a global flood warning system which has the potential to save thousands of lives, wherever floods are a threat. The GLOFAS system was used by aid agencies in Africa to trigger an emergency disaster response in Uganda, which allowed aid agencies to move emergency supplies and mobilise resources on the ground before roads became impassable. It allowed communities to prepare for oncoming floods. This saves lives and livelihoods, and helps governments and aid agencies make the best use of scant resources.

Professors Peter Cooper and Lynne Murray conducted research in South Africa to design an intervention programme to improve the cognitive development of pre-school children. This was achieved through a book-sharing training program for parents and children facilitated by trainers. The work has shown extremely good results, with moderate to large effect sizes achieved in both child language and child attention. This approach is anticipated to improve the cognitive development of 4,000 children a year per facility, with six facilities operational by the end of 2016. Building on this success, Cooper and Murray are increasing the reach of the programme by helping sites in South Africa, Thailand, Peru and Italy.

## Community

The University is keen to encourage participation by, and engagement with, the local community.

The University and the Reading University Students' Union (RUSU) run a variety of volunteer-led projects to make connections with and support the wider community. For example, students delivered vital befriending support to local care home residents, and ran fortnightly project-based sessions in local schools to inspire confidence in young girls.

The Museum of English Rural Life, part of the University, continued to carry out a major refurbishment, funded by a grant of £1.7 million from the Heritage Lottery Fund. Through participation in community partnership projects, it has successfully engaged with new groups from the Nepali, Barbadian and Chinese communities, with Young People with Dementia and with Reading Mencap. It also engaged with the Reading Cooks through a community growing space that provides opportunities to explore food and nutrition and to learn horticultural skills.

The University has worked with a variety of business partners in the community including Reading Community Interest Company on the Reading UK 2050 project, the Thames Valley Local Enterprise Partnership and the Confederation of British Industry. The University has also continued to regularly attend local community groups and residents' associations to work together on community-based projects.

The University provides facilities open to the public, including lectures and concerts, museums, sports facilities and other visitor attractions. This year's community engagement events have included the Children's Christmas Lecture on learning to sing with sign language, the University's 90th anniversary celebrations events and the EU Referendum Debate with Eddie Izzard and Daniel Hannan, organised with RUSU.

## GOVERNANCE STATEMENT

### Responsibilities of the University's Council and structure of corporate governance

The University is committed to the highest standards of governance and continues to review its processes and framework to refine its governance arrangements. In developing its approach the University has drawn on the Combined Code on Corporate Governance. In addition the University has referred to guidelines published by the Higher Education Funding Council for England (HEFCE), the British Universities Finance Directors Group (BUFDG) and the Committee of University Chairs (CUC) including the CUC Higher Education Code of Governance. This statement sets out how the University has applied the relevant corporate governance recommendations during the year.

The Council's responsibilities include the management of the affairs of the University and it is required to present audited financial statements each year.

The Council has reviewed and continues to review the University's governance arrangements and is satisfied that the University has fully complied with HEFCE's guidelines throughout the financial year, including being fully compliant with the new CUC Code of Governance.

Among other business this year, the Council has:

- scrutinised the University's Efficiency and Effectiveness Programme;
- approved the annual report of the Audit Committee;
- received briefings, and provided advice to the University, on such matters as the University's Health Strategy, the Teaching Excellence Framework, the University of Reading Malaysia, the University's obligations and targets in the area of diversity and inclusion;
- approved significant capital investment;
- engaged in an informal strategic session on the growth plans of the University;
- received reports on matters to do with Statute XXXIII.

### Overview

The Charter and Ordinances determine the primary organisational structure of the University, the key constituent parts of which are the Council and the Senate. Each has defined and discrete responsibilities and functions described in further detail in this statement.

### The Council

The Council is the University's governing body, meeting at least four times during the academic year. It sets the University's strategic direction, ensures compliance with statutory requirements and approves constitutional changes. The Council is ultimately responsible for managing the University's estate, finance and staff, with much of the detailed work falling to sub-committees. Here broad majority representation by lay members, drawn from commercial, community and professional organisations, provides a valuable perspective. The primary responsibilities of the Council are set out in Ordinance A2, Statement of Primary Responsibilities of the Council, which can be viewed on the University website at [http://www.reading.ac.uk/web/FILES/Calendar2015-16/Section\\_F.pdf](http://www.reading.ac.uk/web/FILES/Calendar2015-16/Section_F.pdf)

Lay members of the Council receive no remuneration for their role in these bodies although they are reimbursed for expenses incurred in attending meetings.

The role of President of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Vice-Chancellor is an ex-officio member of the Council and the principal academic and administrative officer of the University. He is also the 'designated officer' under the Memorandum of Assurance and Accountability with HEFCE and may be regarded as the chief executive of the University. He exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice-Chancellor, Pro-Vice-Chancellors, Deans and Heads of Service all support and contribute to this work.

## The Senate

The Senate is the University's main academic administrative body. Reporting to the Council and meeting at least four times a year, the Senate advises on areas such as student entry, assessment and awards. With around 90 members, the Senate includes Deans, Heads and elected representatives of Schools, as well as professional staff and students. University Boards responsible for developments in enterprise, research and teaching and learning report to the Senate.

## Committees of Council

The Council has five principal committees each of which reports to the Council on a regular basis. These committees have formally prescribed terms of reference and specified membership, including a majority of lay members. The principal committees are:

- the Strategy and Finance Committee which meets at least four times a year and, inter alia, advises the Council on key strategic, policy and operational issues including the financial management of the University. This Committee considers financial plans, monitoring reports and proposals with financial implications recommended by the University Executive Board.
- the Audit Committee, which is independent and advisory, and reports directly to the Council. This Committee is responsible for considering the findings of internal and external audit, the management responses and progress against implementation plans and has an overview of the internal and external audit functions. It also has oversight of the internal control system, risk management arrangements and the framework for ensuring economy, efficiency and effectiveness including governance arrangements. The Audit Committee monitors compliance with regulatory requirements. It meets three times a year and has the right of access to information it considers necessary. While senior executives have the right to attend meetings of the Committee, they are not members of the Committee. The Committee meets with both the internal and external auditors for independent discussions.
- the Remuneration Committee which determines the pay and conditions for the University's senior executive management, including the Vice-Chancellor, the Professoriate and equivalent non-academic staff. It has oversight of the University's employment policies and the power to make recommendations to the Council on remuneration and contractual arrangements. A report from the Remuneration Committee is included within the financial statements.
- the Appointments and Governance Committee which meets termly and discharges the Council's responsibilities in respect of non-financial aspects of staffing matters and some governance matters. It also operates as the Nominations Committee in seeking and recommending persons to serve on the Council and other committees.
- the Student Experience Committee which has oversight of non-academic services policy and advisory oversight of student services in general. It also discharges the Council's responsibility in respect of formal student complaints and disciplinary matters.

Management and strategic direction of the University is undertaken by the University Executive Board comprising the Vice-Chancellor, the Deputy Vice-Chancellor, the Pro-Vice-Chancellors and the Heads of Service. The Board meets weekly throughout most of the year and reports routinely to the Senate and Strategy and Finance Committee.

## Supply of information

Papers summarising financial and non-financial performance, major events and key indicators of performance are presented to the Council, Strategy and Finance Committee and University Executive Board on a regular basis. Papers explaining topics on the agenda for the various Council and committee meetings are issued in advance. The Council monitors performance and various key areas on a regular basis including operating and financial performance, annual operating plans and budgets, strategic proposals, student recruitment, changes in the operational environment including those due to funding, regulatory or legal changes, staff recruitment and retention, remuneration and risk management arrangements.

## Risk management and internal controls

The University acknowledges the risks inherent in its activities, and is committed to managing those risks that pose a significant threat to the achievement of its academic and business objectives and financial health. The systems for risk management and internal controls exist to manage and control the risk of failure to achieve academic and business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the University and this is reviewed regularly by the University Executive Board, Strategy and Finance Committee and the Council. This process was in place throughout the year under review and up to the date of approval of the financial statements.

In accordance with the University's Charter and Ordinances and the Memorandum of Assurance and Accountability with HEFCE, the University's Council is ultimately responsible for the management of the affairs of the University, advancing its interests, promoting teaching and research and providing an excellent student experience.

A key responsibility of the Council is to ensure an effective system of internal and financial controls to support the achievement of the University's objectives while safeguarding the public and other funds.

The system of internal control is developed on an ongoing basis and is designed to identify the principal business, operational, compliance and financial risks to the achievement of aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

The Council, through the Strategy and Finance Committee, has overall responsibility for reviewing the effectiveness of the systems of internal control and risk management. The University has developed and adopted a formal and structured risk management policy and system to ensure that key risks are identified, prioritised and managed consistently across the University. The policy and system are reviewed and updated on a regular basis. Reports documenting the policy, system, procedures and issues arising are reported to the Strategy and Finance Committee on a regular basis. A comprehensive set of policies and procedures designed to manage and monitor risks is in place. The key elements of these systems are explained below:



- the Council meets four times a year to consider the University's strategic direction, decisions and progress against strategic plans and is advised by various committees. The Council, through the Strategy and Finance Committee, is responsible for reviewing the effectiveness of the internal controls of the University.
- the University has developed a system of internal control in line with best practice. This system is designed to identify the principal risks which may prevent or inhibit the achievement of the University's aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.
- the Audit Committee receives regular reports from the Head of Internal Audit Services, together with recommendations for improvement. These reports comment on the arrangements for internal control, risk management and governance.
- a Risk Management Group reporting to the University Executive Board and led by the Deputy Vice-Chancellor oversees risk management at the University. The University has developed its strategic plans with specific reference to the key risks identified for the University. The Risk Management Group also oversees work on major incident and business continuity planning.
- a framework for managing risk is in place and includes a risk register. Each key risk is assigned to named members of the University Executive Board. Each risk has also been assigned to the appropriate committee to monitor the operation of the associated controls within their broader remit. The risks are prioritised based on the likelihood of an event arising from a particular risk and an assessment of the anticipated impact. The assigned priority helps focus resources on critical areas.
- corporate and subsidiary risk registers held at school and central services level which document controls, mitigating actions and early warning mechanisms in place to manage each risk. These registers are assessed by the Risk Management Group who consider the risks identified, their interactions and interdependencies, the exposure and the proposed processes for managing these risks. Schools and central services also report on their risk management arrangements to the Risk Management Group. The registers are directly linked to and inform the strategic and operational plans.
- internal audit reviews the system of risk management and internal controls on an ongoing basis. The internal audit programme is driven by the strategic, operational and financial risks potentially affecting the University with each risk being reviewed by internal audit on a three year rolling programme. In discharging its plan, internal audit gives assurance on the quality and reliability of the risk management framework and the controls which protect the University against exposure to risk and reviews compliance with policies and procedures.

The development of a risk management framework over recent years has been an evolutionary process. Significant work on embedding the framework and raising awareness across the University has been undertaken and efforts continue to ensure staff at school level are able to participate in and inform the process.

## Register of interests

The Secretary to the Council maintains a register of interests for Council members, lay members of University committees and senior members of staff.

## 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 Group and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of

Incorporation, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between HEFCE and 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 Group and University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Council is required to ensure 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 a 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 these financial statements.

The Council has taken reasonable steps to:

- ensure that the University's funds have been applied in accordance with the University's Ordinances, the Memorandum of Assurance and Accountability agreed with HEFCE and the funding agreement with the National College for Teaching and Leadership as appropriate;
- 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 and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure;
- ensure that material risks are identified, carefully considered and properly managed and that appropriate risk management procedures and processes are in place across the University.

## Internal financial controls

The key elements of the University's system of internal financial controls and the associated process for monitoring the effectiveness of these controls include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and central services and such other staff to whom such authority and responsibility is from time to time delegated;
- a comprehensive corporate planning process supported by key strategic and financial resource plans and a robust investment appraisal process;
- regular reviews of academic, operational and financial performance undertaken on an ongoing basis using operational performance information and financial monitoring reports;
- clearly defined and formalised requirements for approval and control of expenditure, with capital expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive financial regulations reviewed and developed by the Strategy and Finance Committee with amendments subject to approval by the Council;

- an annual programme of work undertaken by the internal audit team which is reviewed and approved by the Audit Committee;
- reviews by the Audit Committee of the effectiveness of risk management, control and governance arrangements.

The Director of Internal Audit Services is responsible for providing reasonable assurance on the adequacy and effectiveness of risk management, control and governance arrangements.

### **Information held on the University's website**

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee, one of the five principal committees of the Council, determines on the authority of the Council the remuneration of each individual member of the University's senior executive and academic leadership and management, specifically the Vice-Chancellor, the Professoriate and equivalent non-academic staff. It has the power to make recommendations to the Council on the contractual arrangements and the terms and conditions of employment for such staff.

The Committee has six members, five of whom are lay members of the Council and the other the Vice-Chancellor. It is chaired by a Vice-President of the Council, the University Secretary is its Secretary and the Director of Human Resources is in attendance at its meetings. No employees of the University are present when their own remuneration is under consideration. The Committee reports directly to the Council and receives reports and recommendations from its Professorial Staff Salaries Advisory Group and its Senior Staff Salaries Advisory Group respectively. These Advisory Groups, and the Committee itself, routinely have regard to the annual UCEA Remuneration Survey in the course of their deliberations and are mindful at all times of such guidance as HEFCE may from time to time provide.

The Committee met three times in the year ending 31 July 2016 and, in the course of those meetings:

- i.** reviewed its own terms of reference and confirmed that these remain appropriate;
- ii.** conformed with the Statement of the University's Remuneration Policy as approved by the Council;
- iii.** monitored the approval processes that apply in respect of severance and early retirement arrangements and pronounced itself content;
- iv.** had regard to the national and local context as it affects the remuneration of senior staff in the higher education sector;
- v.** agreed an approach in regard to certain pensions matters;
- vi.** agreed a Staff Retention Policy;
- vii.** agreed, on the basis of a report from its Professorial Salaries Advisory Group, adjustments to salary for certain Professorial staff with effect from 1 August 2016;
- viii.** agreed, on the basis of a report from its Senior Salaries Advisory Group, adjustments to salary for certain senior staff with effect from 1 August 2016;
- ix.** agreed adjustments to salary for certain Pro-Vice-Chancellors with effect from 1 August 2016;
- x.** agreed adjustments to salary for the Deputy Vice-Chancellor with effect from 1 August 2016;
- xi.** agreed adjustments to salary for certain Heads of Service with effect from 1 August 2016; and
- xii.** agreed adjustments to the emoluments of the Vice-Chancellor with effect from 1 August 2016.

## INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF READING

We have audited the financial statements of the University of Reading for the year ended 31 July 2016 set out on pages 31 to 63. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Council, in accordance with the Charter and Ordinances of the University. Our audit work has been undertaken so that we might state to the University 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 University Council for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the University Council and auditor

As explained more fully in the Governance Statement set out on page 22 to 27, the Council is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Council;
- and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016, of the Group's and University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements.

## **Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements have been met.

### **Joanne Lees**

For and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

15 Canada Square

Canary Wharf

London

E14 5GL

1 December 2016

## Statement of comprehensive income for the year ended 31 July 2016

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Income</b>				
<b>Note 1</b> Tuition fees and education contracts	152,481	139,864	147,452	135,526
<b>2</b> Funding body grants	31,020	27,859	31,020	27,859
<b>3</b> Research grants and contracts	32,721	34,096	32,468	33,833
<b>4</b> Other income	49,870	51,090	49,140	47,444
<b>5</b> Investment income	4,043	4,062	2,210	1,790
<b>Total income before donations and endowments</b>	<b>270,135</b>	<b>256,971</b>	<b>262,290</b>	<b>246,452</b>
<b>6</b> Donations and endowments -regular	2,884	2,862	2,406	2,378
<b>6</b> Donations and endowments - exceptional	71,749	28,632	0	0
<b>Total income</b>	<b>344,768</b>	<b>288,465</b>	<b>264,696</b>	<b>248,830</b>
<b>Expenditure</b>				
<b>7</b> Staff costs	158,623	160,979	154,266	157,544
Other operating expenses – regular	95,815	92,238	82,157	80,668
Other operating expenses – exceptional	4,831	12,144	4,831	12,144
<b>11</b> Depreciation	24,262	22,387	22,516	21,321
<b>8</b> Interest and other finance costs	5,242	5,506	5,671	5,370
<b>9 Total expenditure</b>	<b>288,773</b>	<b>293,254</b>	<b>269,441</b>	<b>277,047</b>
<b>Total income less total expenditure</b>	<b>55,995</b>	<b>(4,789)</b>	<b>(4,745)</b>	<b>(28,217)</b>
(Loss) / gain on disposal of fixed assets	(360)	985	(360)	1,056
(Loss) / gain on disposal of investment properties	(214)	17	(214)	17
(Loss) / gain on disposal of investments	(57)	3,607	0	0
<b>14</b> Gain on revaluation of investment properties	2,212	4,227	1,009	1,916
Gain on revaluation of investments	7,469	2,801	724	1,350
<b>16</b> Share of operating surplus / (deficit) in associates	139	(724)	0	0
<b>Surplus/ (deficit) before tax</b>	<b>65,184</b>	<b>6,124</b>	<b>(3,586)</b>	<b>(23,878)</b>
<b>10</b> Taxation credit / (charge)	84	(1,090)	(39)	(438)
<b>Surplus / (deficit) for the year</b>	<b>65,268</b>	<b>5,034</b>	<b>(3,625)</b>	<b>(24,316)</b>
<b>16</b> (Deficit) / surplus on revaluation of fixed assets held by associate	(240)	3,397	0	0
<b>33</b> Remeasurement (losses) / gains in respect of pension schemes	(8,763)	473	(8,763)	473
Exchange differences on consolidation of overseas subsidiaries	170	366	0	0
<b>Total comprehensive income for the year</b>	<b>56,435</b>	<b>9,270</b>	<b>(12,388)</b>	<b>(23,843)</b>
<b>Represented by:</b>				
Endowment comprehensive income for the year	79,564	37,506	868	1,352
Restricted comprehensive income for the year	593	330	474	258
Unrestricted comprehensive income for the year	(23,482)	(31,963)	(13,730)	(25,453)
Revaluation reserve comprehensive income for the year	(240)	3,397	0	0
	<b>56,435</b>	<b>9,270</b>	<b>(12,388)</b>	<b>(23,843)</b>

## Statement of changes in reserves

Year ended 31 July 2016

	Income and expenditure account				Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	
<b>Consolidated</b>					
<b>At 1 August 2014</b>	<b>90,445</b>	<b>658</b>	<b>203,382</b>	<b>40,832</b>	<b>335,317</b>
Surplus / (deficit) for the year	37,506	330	(32,802)	0	5,034
Other comprehensive income	0	0	839	3,397	4,236
Transfers between endowment and unrestricted reserves	(263)	0	263	0	0
<b>At 1 August 2015</b>	<b>127,688</b>	<b>988</b>	<b>171,682</b>	<b>44,229</b>	<b>344,587</b>
Surplus / (deficit) for the year	79,564	593	(14,889)	0	65,268
Other comprehensive income	0	0	(8,593)	(240)	(8,833)
Transfers between endowment and unrestricted reserves	(376)	0	376	0	0
Transfers between restricted and unrestricted reserves	0	43	(43)	0	0
<b>At 31 July 2016</b>	<b>206,876</b>	<b>1,624</b>	<b>148,533</b>	<b>43,989</b>	<b>401,022</b>

	Income and expenditure account				Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	
<b>University</b>					
<b>At 1 August 2014</b>	<b>12,559</b>	<b>461</b>	<b>173,561</b>	<b>37,814</b>	<b>224,395</b>
Surplus / (deficit) for the year	1,352	258	(25,926)	0	(24,316)
Other comprehensive income	0	0	473	0	473
<b>At 1 August 2015</b>	<b>13,911</b>	<b>719</b>	<b>148,108</b>	<b>37,814</b>	<b>200,552</b>
Surplus / (deficit) for the year	868	474	(4,967)	0	(3,625)
Other comprehensive income	0	0	(8,763)	0	(8,763)
<b>At 31 July 2016</b>	<b>14,779</b>	<b>1,193</b>	<b>134,378</b>	<b>37,814</b>	<b>188,164</b>



## Balance sheet at 31 July 2016

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Non-current assets</b>				
<b>Note 11</b> Fixed assets	372,228	352,033	346,664	319,714
<b>12</b> Heritage assets	39,346	39,346	39,167	39,167
<b>13</b> Biological assets	429	459	429	459
<b>14</b> Investment properties	50,587	49,423	25,073	24,862
<b>15</b> Non-current investments	19,902	18,520	27,944	22,536
<b>16</b> Investments in associates	11,289	11,257	10,567	10,569
	<b>493,781</b>	<b>471,038</b>	<b>449,844</b>	<b>417,307</b>
<b>Current assets</b>				
Stock	1,270	1,194	1,218	1,179
<b>17</b> Trade and other receivables	83,993	39,406	48,568	50,359
<b>18</b> Current investments	68,508	61,170	0	0
Cash and cash equivalents	46,333	38,505	44,098	34,427
	<b>200,104</b>	<b>140,275</b>	<b>93,884</b>	<b>85,965</b>
<b>19 Creditors:</b> Amounts falling due within one year	(99,767)	(91,725)	(173,292)	(127,719)
<b>Net current assets / (liabilities)</b>	<b>100,337</b>	<b>48,550</b>	<b>(79,408)</b>	<b>(41,754)</b>
<b>Total assets less current liabilities</b>	<b>594,118</b>	<b>519,588</b>	<b>370,436</b>	<b>375,553</b>
<b>20 Creditors:</b> Amounts falling due after more than one year	(152,257)	(144,506)	(141,433)	(144,506)
<b>Provisions</b>				
<b>21</b> Pension provisions	(40,839)	(29,907)	(40,839)	(29,907)
<b>22</b> Other provisions	0	(588)	0	(588)
<b>Total net assets</b>	<b>401,022</b>	<b>344,587</b>	<b>188,164</b>	<b>200,552</b>
<b>Restricted reserves</b>				
<b>23</b> Income and expenditure reserve - endowment	206,876	127,688	14,779	13,911
<b>24</b> Income and expenditure reserve - restricted	1,624	988	1,193	719
<b>Unrestricted reserves</b>				
Income and expenditure reserve - unrestricted	148,533	171,682	134,378	148,108
Revaluation reserve	43,989	44,229	37,814	37,814
<b>Total reserves</b>	<b>401,022</b>	<b>344,587</b>	<b>188,164</b>	<b>200,552</b>

The financial statements on pages 31 to 63 were approved by Council on 25 November 2016, and signed on its behalf by:

Dr P R Preston  
President of the  
Council

Sir David Bell  
KCB  
Vice-Chancellor

C A B Wright  
Director of Finance  
& Corporate  
Services

## Statement of cash flows – Year ended 31 July 2016

	Consolidated	
	2016	2015
	£'000	£'000
<b>Cash flow from operating activities</b>		
Surplus for the year	65,268	5,034
<b>Adjustments for non-cash items:</b>		
Depreciation	24,262	22,387
Gain on revaluation of investment properties	(2,212)	(4,227)
Gain on revaluation of investments	(7,469)	(2,801)
Loss on revaluation of biological assets	11	93
Amortisation of finance costs	(71)	(12)
Exchange differences	(804)	691
(Increase) / decrease in stock	(76)	26
Decrease / (increase) in receivables	4,276	(9,249)
Increase in creditors	6,581	2,084
Increase in pension provisions	10,932	13,208
Remeasurement (losses) / gains in respect of pension schemes	(8,763)	473
(Decrease) / increase in other provisions	(588)	574
Share of operating (surplus) / deficit and tax in associates	(274)	1,184
<b>Adjustments for investing or financing activities:</b>		
Investment income	(4,043)	(4,062)
Net return on pension scheme	128	37
Capital grant income	(4,697)	(2,986)
New endowments	(56)	(25)
Interest payable	5,242	5,506
Loss / (gain) on disposal of fixed assets	360	(611)
Gain on disposal of land held by endowment	(71,749)	(28,632)
Loss / (gain) on disposal of investment properties	214	(17)
Loss / (gain) on disposal of investments	57	(3,607)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>16,529</b>	<b>(4,932)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of fixed assets and investment properties	690	6,918
Proceeds from sale of land held by endowment	51,039	38,785
Net payments for investments	(1,308)	(1,479)
Investment income	3,915	4,025
Capital grants received	4,697	2,986
Payments made to acquire fixed assets	(57,162)	(60,240)
Payments made to acquire heritage assets	0	(46)
Net receipts from / (payments for) biological assets	19	(49)
Payments made to acquire investment properties	(157)	0
Adjustment to loan notes in UPP (Reading I) Holdings Limited	2	(14)
	<b>1,735</b>	<b>(9,114)</b>
<b>Cash flows from financing activities</b>		
New endowments	56	25
Interest paid	(5,242)	(5,506)
New unsecured loans	400	22,282
Repayments of amounts borrowed	(5,650)	(3,535)
	<b>(10,436)</b>	<b>13,266</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	<b>7,828</b>	<b>(780)</b>
Cash and cash equivalents at beginning of the year	<b>38,505</b>	<b>39,285</b>
<b>Cash and cash equivalents at end of the year</b>	<b>46,333</b>	<b>38,505</b>

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and applicable accounting standards.

The University is preparing its financial statements in accordance with the SORP and FRS 102 for the first time and consequently has applied the first-time adoption requirements. An explanation of how the transition has affected the reported financial position, financial performance and cash flows of the Group is provided in note 35. The University is a public benefit entity and has therefore applied the relevant public benefit requirements of applicable accounting standards.

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets. The Council believes that the going concern basis is appropriate for the reasons described in note 34.

### Basis of consolidation

The consolidated financial statements include the University, the University's subsidiary companies and the University's trusts. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal.

Intra-Group transactions, gains and losses are eliminated on consolidation. Intra-Group amounts receivable and amounts payable are also eliminated on consolidation.

The consolidated financial statements also include the Group's share of the total comprehensive income of associated undertakings using the equity method.

The consolidated financial statements do not include the activities of the Students' Union as the University does not exert control or dominant influence over policy decisions.

### Income recognition

#### (i) Goods and services

Income from the sale of goods or services is credited to the statement of comprehensive income when the goods or services are supplied or the terms of the contract have been satisfied.

#### (ii) Fee income

Fee income is credited to the statement of comprehensive income over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount.

#### (iii) Revenue grants

Revenue grants from both government and non-government sources, including all teaching and research grants, are recognised within the statement of comprehensive income when the University is entitled to the income and any performance-related conditions have been met. Income received in advance of performance-related conditions is deferred on the balance sheet and released in line with such conditions being met.

**(iv) Capital grants**

Capital grants from both government and non-government sources are recorded in the statement of comprehensive income when the University is entitled to the income subject to any performance-related conditions being met.

**(v) Investment income**

Investment income is credited to the statement of comprehensive income on a receivable basis.

**(vi) Donations and endowments**

Donations and endowments are types of non-exchange transactions without performance-related conditions. Donations and endowments with donor-imposed restrictions are recognised within the statement of comprehensive income when the University is entitled to the income. Income is retained within the restricted reserve until such time as it is utilised in line with the restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income from endowments and changes in the fair value of endowments are recorded in the statement of comprehensive income in the period in which they arise and as either restricted or unrestricted income according to the terms applicable to the individual endowment fund.

Donations with no restrictions are recorded within the statement of comprehensive income when the University is entitled to the income.

The main types of endowment are given below:

- unrestricted permanent endowments are funds where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- restricted expendable endowments are funds where the donor has specified a particular objective, other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.
- restricted permanent endowments are funds where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

The University's trusts are excluded from University endowments and are included on consolidation.

**(vii) Agency arrangements**

Funds which the University receives and disburses as paying agent on behalf of a funding body or other organisation are excluded from the statement of comprehensive income where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

**Accounting for retirement benefits**

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Reading Employees' Pension Fund (UREPF) and the University of Reading Pension Scheme (URPS).

USS is a multi-employer hybrid scheme which has both defined benefit and defined contribution elements. Until 5 April 2016, the scheme was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. 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 University 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 Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, contributions are recognised as an expense in the period during which services are rendered by employees. Additionally, since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contractual commitment to fund past deficits within the USS scheme.

UREPF is a defined benefit scheme which closed to new members on 31 July 2011. The assets of the scheme are held in a separate trustee-administered fund. The scheme is valued every three years by a professionally qualified independent actuary using the projected unit credit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuary reviews the progress of the scheme. The Group's net obligation is calculated by discounting to present value the estimated amount of future benefit that employees have earned in return for their service in the current and prior periods less the fair value of any plan assets. The statement of comprehensive income is charged with the current service cost, any past service costs and the net financing cost attributable to the pension liabilities and return on assets. Actuarial gains and losses on the scheme, including the differences between expected and actual return on scheme assets, are recognised in other comprehensive income. When the calculation results in a surplus, the asset recognised is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

URPS is a defined contribution scheme which was established on 1 August 2011 and is available to staff not eligible to join the USS scheme. Contributions are recognised as an expense in the period during which services are rendered by employees.

A small number of staff remain in other pension schemes.

## Employee benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the period in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

## Leases

### (i) Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Assets held under finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Minimum lease payments are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(ii) Operating leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

**(iii) Service concession arrangements**

Fixed assets held under service concession arrangements are recognised on the balance sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under each service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

**(iv) Lessor accounting**

Where the University acts as a lessor under an operating lease, the leased asset is recognised within tangible fixed assets and lease income is recognised on a straight-line basis over the lease term. Where the University acts as a lessor under a finance lease, an amount receivable is recognised on the balance sheet and lease payments are split between crediting the principle amount and finance income.

**Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income in the period in which they arise. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at foreign exchange rates ruling at the balance sheet date. Income and expenditure of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are reported in other comprehensive income.

**Taxation**

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 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. Non-charitable subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Deferred tax is provided in full in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or less tax in the future have occurred at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

## Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a tangible fixed asset have different useful lives, they are accounted for as separate items of tangible fixed assets. Costs incurred in relation to a tangible fixed asset after its initial purchase or production are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance. The costs of any such enhancements are added to the carrying amount of the tangible fixed asset concerned.

Assets under construction are not depreciated until they are brought into use.

Where material, a tangible fixed asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted.

Expenditure to ensure that tangible fixed assets maintain their standard of performance is recognised in the statement of comprehensive income when it is incurred. The University has a comprehensive planned maintenance programme, which is reviewed on an annual basis.

### (i) Land and buildings

Freehold land is not depreciated as it is considered to have an indefinite useful life.

The components of freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Fabric – construction 50 years
- Fabric – improvements and extensions 30 years
- Mechanical and electrical 20 years

### (ii) Plant, machinery and equipment

The purchase of equipment costing less than £10,000 per individual item or group of related items is charged to the statement of comprehensive income in the year of acquisition. All other equipment is capitalised and depreciated over its expected useful life as follows:

- Plant and machinery 10-30 years
- Furniture and fittings 10 years
- Computer systems and associated software 4-10 years
- Motor vehicles and general equipment 4 years
- Equipment acquired for specific research projects 3 years

**(iii) Borrowing costs**

Borrowing costs directly relating to expenditure on the construction, development or major refurbishment of a qualifying tangible fixed asset are capitalised. The amount capitalised is calculated using the University's weighted average cost of borrowings over the period from the commencement of the work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

**Heritage assets**

Heritage assets are books, manuscripts, specimens, artworks, objects or other assets that have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are capitalised and recognised at their cost or value where reasonably obtainable. Revaluations are carried out periodically by an external valuer. Heritage assets are not depreciated due to their long economic life and high residual value.

**Agriculture**

Biological assets are living animals or plants held as non-current assets from which economic benefits flow to the University. Agricultural produce is the harvested product of a biological asset. The University's farming operations include dairy cattle which are classified as biological assets. Dairy cattle are stated at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the statement of comprehensive income. The associated agricultural produce, milk, is stored only for a short time before onward sale and hence the value held is not considered material and is not included on the balance sheet.

The University's operations also include arable farming from which economic benefits are derived. The plants and their harvested crops are treated as current assets within stock.

**Investment properties**

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the statement of comprehensive income. Properties are not depreciated but are revalued annually according to market conditions as at the balance sheet date.

**Investments**

Investments which are publicly traded, or where their fair value can be measured reliably, are held at fair value with movements recognised in the statement of comprehensive income. Other investments are stated at cost less any provision for impairment in their value.

Associated undertakings are those entities in which the University has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total comprehensive income of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

**Stock**

Stock is stated at the lower of cost and net realisable value after making due provision for obsolete and slow moving items.



## Cash and cash equivalents

Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts.

Deposits are repayable on demand if they are available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## Financial instruments

Basic financial instruments are recognised in accordance with the requirements set out in Section 11 of FRS 102. Other, more complex, financial instruments may be used from time to time and these are measured at fair value, in accordance with Section 12 of FRS 102, with changes in fair value being recognised in the statement of comprehensive income. Where the criteria of Section 12 for hedge accounting are met, the provisions of that Section are adopted.

## Provisions, contingent liabilities and contingent assets

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is determined by discounting the expected future cash flows at a rate that reflects risks specific to the liability.

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

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

Contingent assets and liabilities are disclosed by way of note where there is a possible rather than actual or probable asset or obligation arising from a past event or where it is not possible to measure the asset or obligation.

## Reserves

Reserves are allocated between restricted and unrestricted reserves.

Restricted reserves include endowment reserves and other restricted reserves. Where the terms of an endowment indicate a restriction on the use of the fund, the balance is held within restricted endowment reserves. Other restricted reserves include amounts received for which a donor has designated a specific purpose for the use of these funds.

All other reserves are treated as unrestricted.

## Notes to the financial statements

1	Tuition fees and education contracts	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	Full-time home and EU students	82,716	74,774	82,716	74,773
	Full-time international students	49,851	44,734	48,907	44,496
	Part-time students	13,679	14,313	10,688	11,366
	Research training support grants	4,798	4,158	4,798	4,158
	Short course fees	1,094	1,152	0	0
	Education contracts	343	733	343	733
		<b>152,481</b>	<b>139,864</b>	<b>147,452</b>	<b>135,526</b>

2	Funding body grants	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	Recurrent grants				
	Higher Education Funding Council (HEFCE)	24,224	22,299	24,224	22,299
	National College for Teaching and Leadership (NCTL)	0	275	0	275
	Capital grants	4,501	2,741	4,501	2,741
	Specific grants				
	Higher Education Academic Subject Centres	258	310	258	310
	Higher Education Innovation Fund	1,990	2,171	1,990	2,171
	Other	47	63	47	63
		<b>31,020</b>	<b>27,859</b>	<b>31,020</b>	<b>27,859</b>

3	Research grants and contracts	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	Research Councils	14,673	14,483	14,673	14,483
	Charities	2,877	2,799	2,877	2,799
	Industry and commerce	5,624	4,509	5,371	4,246
	Government (UK and overseas)	9,367	10,297	9,367	10,297
	Research and Development Expenditure Credit (RDEC)	180	2,008	180	2,008
		<b>32,721</b>	<b>34,096</b>	<b>32,468</b>	<b>33,833</b>

4	Other income	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	Residences, catering and conferences	10,331	10,033	10,305	10,002
	Other capital grants	196	50	572	242
	Other income	39,343	41,007	38,263	37,200
		<b>49,870</b>	<b>51,090</b>	<b>49,140</b>	<b>47,444</b>

5	Investment income	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	Income from short-term investments	3,915	4,025	2,082	1,753
	Net return on pension scheme	128	37	128	37
		<b>4,043</b>	<b>4,062</b>	<b>2,210</b>	<b>1,790</b>

**6 Donations and endowments**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
New endowments	56	25	56	25
Donations with restrictions	1,514	1,132	1,206	905
Unrestricted donations	650	626	480	369
Other non-recurrent grants	664	1,079	664	1,079
	2,884	2,862	2,406	2,378
Gain on disposal of land held by endowment	71,749	28,632	0	0
	<b>74,633</b>	<b>31,494</b>	<b>2,406</b>	<b>2,378</b>

**Gain on disposal of land held by endowment**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Shinfield West	71,705	0	0	0
Cutbush Lane North	(83)	16,125	0	0
Manor Site	127	12,507	0	0
	<b>71,749</b>	<b>28,632</b>	<b>0</b>	<b>0</b>

On 9 November 2015 land to the south of Reading known as Shinfield West was sold to a consortium of developers. The land had been held under endowment within the National Institute for Research in Dairying Trust, a connected charitable institution of the University. This followed similar disposals of land in the same area in the previous year known as Cutbush Lane North and the Manor Site. The disposals were all part of a larger development of housing and infrastructure in the area as part of the South of M4 Strategic Development Location (SDL) being undertaken by the University and other parties.

Under the terms of the contracts for these disposals, the University is obliged to contribute to significant infrastructure and site improvement works which are a requirement of the planning permission obtained for sites within the SDL. Some of these works have been carried out already and some will be carried out over the next few years. The University has accounted for each disposal as two separate components:

- (i) the sale of land
- (ii) the provision of a serviced site to the developers

In order to split the disposals into these two elements, an estimate has been made of the contribution to the site servicing costs and a mark-up of 20% on cost has been assumed in line with typical margins achieved by development companies. The amount of income recognised for this element has been determined by the percentage of site servicing costs incurred by the balance sheet date. The remainder of the proceeds have been allocated to the sale of land.

The total gain on disposal recognised in the year is shown below.

	Sale of land £'000	Site servicing £'000	2016 £'000	2015 £'000
<b>Shinfield West</b>				
Proceeds	81,977	17,827	99,804	0
Less: Deferred proceeds relating to future obligations	0	(14,360)	(14,360)	0
	81,977	3,467	85,444	0
Less: Book value of costs incurred	(10,923)	(2,816)	(13,739)	0
Gain recognised in the year	71,054	651	71,705	0
<b>Cutbush Lane North</b>				
(Loss) / gain recognised in the year	0	(83)	(83)	16,125
<i>Manor Site</i>				
Gain recognised in the year	0	127	127	12,507
<b>Total gain recognised in the year</b>	<b>71,054</b>	<b>695</b>	<b>71,749</b>	<b>28,632</b>

Deferred proceeds relating to future obligations are included in deferred income in creditors. For the Shinfield West disposal, the buyer is paying over a period of three years and the outstanding proceeds are shown in trade and other receivables at their discounted value.

**7 Staff costs**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Analysis of staff costs</b>				
Salaries	117,500	110,358	113,870	107,574
Social security costs	10,147	9,051	9,967	8,889
Movement on USS provision	2,868	15,288	2,868	15,288
Other pension costs	26,607	23,712	26,071	23,313
Other staff costs	1,501	2,570	1,490	2,480
	<b>158,623</b>	<b>160,979</b>	<b>154,266</b>	<b>157,544</b>

**Emoluments of the Vice-Chancellor**

	2016 £	2015 £
Sir David Bell:		
Salary	257,550	255,000
Pension contributions	42,789	40,800
	<b>300,339</b>	<b>295,800</b>

Remuneration of higher paid staff, excluding employer's pension contributions:

	2016 Number	2015 Number
£100,000 to £109,999	11	11
£110,000 to £119,999	9	10
£120,000 to £129,999	11	7
£130,000 to £139,999	1	3
£140,000 to £149,999	2	3
£150,000 to £159,999	3	1
£160,000 to £169,999	0	1
£170,000 to £179,999	0	1
£180,000 to £189,999	2	2
£190,000 to £199,999	1	0
£200,000 to £209,999	0	0
£210,000 to £219,999	0	0
£220,000 to £229,999	0	0
£230,000 to £239,999	0	1
£240,000 to £249,999	0	0
£250,000 to £259,999	1	0
	<b>41</b>	<b>40</b>

Compensation for loss of office payable in respect of 1 member of staff earning in excess of £100,000 per year (2015:1)

	2016 £	2015 £
	50,002	45,000

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University has identified its key management personnel as being the members of the University Executive Group consisting of the Vice-Chancellor, the Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Chief Operating Officer and the Chief Strategy Officer & University Secretary.

	2016 £	2015 £
Salary and benefits of key management personnel (including pension contributions)	1,253,762	1,234,532

**7 Staff costs (continued)**

Average staff numbers by major category:	2016	2015
	Number	Number
Academic	925	848
Research	330	327
Management and specialist	876	767
Technical	153	151
Other	998	962
	<b>3,282</b>	<b>3,055</b>

**8 Interest and other finance costs**

	Consolidated		University	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Loan interest	4,331	4,393	4,331	4,393
Interest charge on USS pension deficit recovery plan	941	460	941	460
Exchange differences	(285)	306	(323)	273
Other	255	347	722	244
	<b>5,242</b>	<b>5,506</b>	<b>5,671</b>	<b>5,370</b>

**9 Analysis of total expenditure by activity**

	Consolidated		University	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Academic and related expenditure	150,088	159,181	146,145	154,988
Administration and central services	34,278	40,985	31,024	40,549
Premises	45,140	40,484	40,098	39,040
Residences, catering and conferences	11,919	9,167	11,887	9,167
Research grants and contracts	22,719	23,032	21,144	22,974
Other expenses	24,629	20,405	19,143	10,329
	<b>288,773</b>	<b>293,254</b>	<b>269,441</b>	<b>277,047</b>

	Consolidated		University	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Other operating expenses include:</b>				
Operating lease rentals				
Land and buildings	4,517	2,329	1,375	1,964
Other	1,316	1,618	1,231	1,601
External auditor's remuneration				
Audit services	181	149	96	85
Non-audit services	224	361	144	270

Included in other operating expenses is an amount of £4,831,000 (2015: £12,144,000) in respect of the review of efficiency and effectiveness. In addition to this amount, expenditure of £6,724,000 (2015: £11,488,000) arising from the review has been treated as capital expenditure and is included in additions to fixed assets.

**10 Taxation charge**

	Consolidated		University	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Share of current tax from associates	(135)	460	0	0
Tax payable on the Research and Development Expenditure Credit (RDEC)	39	438	39	438
Overseas - current tax	140	169	0	0
Overseas - deferred tax	(128)	23	0	0
	<b>(84)</b>	<b>1,090</b>	<b>39</b>	<b>438</b>

## 11 Tangible fixed assets

### Consolidated

	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2015	383,068	11,717	120,537	32,569	547,891
Additions	5,964	1,714	17,365	32,119	57,162
Transfers between categories	19,128	0	0	(19,781)	(653)
Transfers to investment properties	0	0	0	(59)	(59)
Disposals	(13,505)	0	(12)	(142)	(13,659)
Exchange differences	545	8	677	(32)	1,198
<b>At 31 July 2016</b>	<b>395,200</b>	<b>13,439</b>	<b>138,567</b>	<b>44,674</b>	<b>591,880</b>
<b>Depreciation</b>					
At 1 August 2015	131,685	3,881	60,292	0	195,858
Transfers between categories	(653)	0	0	0	(653)
Charge for the year	14,006	551	9,705	0	24,262
Disposals	(27)	0	(12)	0	(39)
Exchange differences	83	6	135	0	224
<b>At 31 July 2016</b>	<b>145,094</b>	<b>4,438</b>	<b>70,120</b>	<b>0</b>	<b>219,652</b>
<b>Net book value at 31 July 2016</b>	<b>250,106</b>	<b>9,001</b>	<b>68,447</b>	<b>44,674</b>	<b>372,228</b>
<b>Net book value at 31 July 2015</b>	251,383	7,836	60,245	32,569	352,033

### University

	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2015	349,446	11,705	118,373	30,420	509,944
Additions	2,189	1,715	13,974	32,369	50,247
Transfers between categories	18,036	0	0	(18,036)	0
Transfers to investment properties	0	0	0	(309)	(309)
Disposals	(330)	0	0	(142)	(472)
<b>At 31 July 2016</b>	<b>369,341</b>	<b>13,420</b>	<b>132,347</b>	<b>44,302</b>	<b>559,410</b>
<b>Depreciation</b>					
At 1 August 2015	126,572	3,869	59,789	0	190,230
Charge for the year	12,960	529	9,027	0	22,516
<b>At 31 July 2016</b>	<b>139,532</b>	<b>4,398</b>	<b>68,816</b>	<b>0</b>	<b>212,746</b>
<b>Net book value at 31 July 2016</b>	<b>229,809</b>	<b>9,022</b>	<b>63,531</b>	<b>44,302</b>	<b>346,664</b>
<b>Net book value at 31 July 2015</b>	222,874	7,836	58,584	30,420	319,714

Included in land and buildings above is land which is not depreciated as follows:

	Consolidated		University	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Land not depreciated	23,631	23,540	15,540	15,540

Interest of £725,000 has been capitalised in the year to 31 July 2016 (2015: £568,000) and is included within tangible fixed assets.

Total aggregate capitalised finance costs to date within the cost of tangible fixed assets at 31 July 2016 were £4,512,000 (2015: £3,873,000).

## 12 Heritage assets

Heritage assets include many unique items and collections which the University has accumulated since incorporation. These are held and maintained principally for their contribution to knowledge and culture. The University conserves these assets and augments the collections where appropriate in order to enable use of the assets for teaching and research and access to the assets for engagement with members of the public. The items and collections are carefully catalogued and custodianship is given to specific areas and persons for their care and maintenance.

The University's collections span museum, archive and library holdings of regional, national and international significance. These include the University Library, the Museum of English Rural Life, the Cole Museum of Zoology, the Herbarium, the Ure Museum of Greek Archaeology, and other important teaching and research departmental museum, library and archive collections. These collections can be viewed by members of the public (some collections can only be viewed by appointment).

The University Library holds collections of rare books including early printed books from the handpress era (pre-1851), private press books, modern literary first editions and other printed material. It also contains around 140 collections of historical and literary papers, a small number of historical manuscripts and a large body of University archives and records.

The Museum of English Rural Life (MERL) reopened in October 2016 after a £3 million redevelopment project which radically transformed the public displays with new interactive and immersive galleries. The collections tell the story of rural England. The collection has over 25,000 objects and the museum library has the most comprehensive collection of books related to rural England with around 100,000 volumes. The collection also contains hundreds of hours of historic film and over 1 million photographs, including material from prominent agricultural publications and organisations. The archives cover more than 4.5 kilometres of shelving and hold records from the thirteenth to the twenty-first century.

The Cole Museum of Zoology was established in the early 20th century by Francis J. Cole, Professor of Zoology from 1907 to 1939. It contains around 4,000 specimens. The museum illustrates the relationship between form and function in the animal kingdom and houses one of Britain's most important zoological collections. Highlights include complete skeletons of a male Indian elephant, a killer whale, a five metre reticulated python and a pair of giant spider crabs.

The Herbarium in the School of Plant Sciences was founded in 1900 and contains over 260,000 dried plant specimens. The collection is rich in specimens from Europe, North Africa, Macaronesia, the Middle East, temperate South America and the Falkland Islands. Ferns and fern allies are also represented on a worldwide scale. There are very significant British lichen and bryophyte holdings

The Ure Museum of Greek Archaeology was formed in the early 1920s and contains the fourth largest collection of ancient Greek ceramics in Britain. The collection primarily consists of material from the Greek and Greco-Roman civilisations of the Mediterranean, most notably Greek and Etruscan ceramics and terracottas. Other artefacts include prehistoric pottery, as well as metal and stone artefacts of Greek and Roman date. There is also an important collection of Egyptian antiquities, ranging from the Pre-dynastic to the Roman period. There are approximately 2,000 objects in the museum.

The University is home to the Beckett International Foundation and the Beckett Collection, the world's largest collection of resources relating to Samuel Beckett, and has many internationally-renowned Beckett scholars.

The collections are revalued periodically by Adam Schoon, an external antique and fine art dealer and valuer with over 35 years' experience, on a 'walk through' basis for insurance purposes. The last valuation was in December 2012. The movement on heritage assets is:

<b>Consolidated</b>	2016	2015	2014	2013	2012
<b>Cost or valuation</b>	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with University funds	0	46	962	8	0
At 1 August	39,346	39,300	38,338	23,097	23,097
Revaluations	0	0	0	15,233	0
<b>At 31 July</b>	<b>39,346</b>	<b>39,346</b>	<b>39,300</b>	<b>38,338</b>	<b>23,097</b>
<b>University</b>	2016	2015	2014	2013	2012
<b>Cost or valuation</b>	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with University funds	0	46	962	8	0
At 1 August	39,167	39,121	38,159	22,947	22,947
Revaluations	0	0	0	15,204	0
<b>At 31 July</b>	<b>39,167</b>	<b>39,167</b>	<b>39,121</b>	<b>38,159</b>	<b>22,947</b>

**12 Heritage assets (continued)**

The split of heritage assets by type of asset is:

	Consolidated		University	
	2016	2015	2016	2015
<b>Cost or valuation</b>	£'000	£'000	£'000	£'000
Books & manuscripts	25,708	25,708	25,708	25,708
Artworks	3,938	3,938	3,938	3,938
Natural history	2,156	2,156	2,156	2,156
Agricultural	4,176	4,176	4,176	4,176
Other	3,368	3,368	3,189	3,189
	<b>39,346</b>	<b>39,346</b>	<b>39,167</b>	<b>39,167</b>

**13 Biological assets****Consolidated & University****Fair value less costs to sell**

	Dairy cattle	Total
	£'000	£'000
At 1 August 2015	459	459
Net decrease in livestock	(19)	(19)
Decrease in fair value less costs to sell	(11)	(11)
<b>At 31 July 2016</b>	<b>429</b>	<b>429</b>

**14 Investment properties**

	Consolidated
	Total
	£'000
<b>Fair value</b>	
At 1 August 2015	49,423
Additions	157
Transfers from fixed assets	59
Disposals	(1,264)
Increase in value of properties in year	2,212
<b>At 31 July 2016</b>	<b>50,587</b>

	University
	Total
	£'000
<b>Fair value</b>	
At 1 August 2015	24,862
Additions	157
Transfers from fixed assets	309
Disposals	(1,264)
Increase in value of properties in year	1,009
<b>At 31 July 2016</b>	<b>25,073</b>

The University and its trusts hold a number of commercial and residential investment properties. All properties are valued on a cyclical basis with the intention of revaluing all properties at least once every three years. Valuations are carried out by a firm of independent valuers in accordance with the RICS appraisal and valuation manuals. An index is applied in respect of properties which have not been revalued at the end of the current financial year to reflect the movement in the property market during the year.



**15 Non-current investments****Consolidated****Cost or valuation**

	Listed investments £'000	Other investments £'000	Total £'000
At 1 August 2015	18,475	45	18,520
Additions	658	0	658
Changes in market value	724	0	724
<b>At 31 July 2016</b>	<b>19,857</b>	<b>45</b>	<b>19,902</b>

**University****Cost or valuation**

	Listed investments £'000	Subsidiary companies £'000	Total £'000
At 1 August 2015	18,475	4,061	22,536
Additions	658	4,026	4,684
Changes in market value	724	0	724
<b>At 31 July 2016</b>	<b>19,857</b>	<b>8,087</b>	<b>27,944</b>

**Listed investments comprise:**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Sarasin & Partners Alpha CIF for Endowments	19,780	18,414	19,780	18,414
Genus plc	77	61	77	61
	<b>19,857</b>	<b>18,475</b>	<b>19,857</b>	<b>18,475</b>

These investments have been stated at market value where they are listed on a recognised stock exchange. Where there is no active market the investments have been stated at cost.

**16 Investments in associates**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Share of operating surplus / (deficit) in associates	139	(724)	0	0
Share of current tax from associates - credit / (charge)	135	(460)	0	0
(Deficit) / surplus on revaluation of fixed assets	(240)	3,397	0	0
Total comprehensive income in the year for associates	34	2,213	0	0
At 1 August	11,257	9,030	10,569	10,555
Other movements in year	(2)	14	(2)	14
<b>At 31 July</b>	<b>11,289</b>	<b>11,257</b>	<b>10,567</b>	<b>10,569</b>

The University is party to an arrangement with UPP in respect of the provision and operation of its student residential accommodation. The accommodation is operated by UPP (Reading I) Limited, a wholly-owned subsidiary of UPP (Reading I) Holdings Limited. The University has granted long leasehold interests to UPP (Reading I) Limited in respect of the accommodation. The University has a 20% holding in both the equity and loan notes of UPP (Reading I) Holdings Limited and has accounted for its interest as an investment in an associated undertaking.

	Shares £'000	Loan notes £'000	Total £'000
At 1 August 2015	441	10,128	10,569
Movements in year	0	(2)	(2)
<b>At 31 July 2016</b>	<b>441</b>	<b>10,126</b>	<b>10,567</b>

## 16 Investments in associates (continued)

The loan notes are interest-bearing, secured and subordinate to the senior lender's security. They are transferrable subject to certain restrictions.

Under the arrangement with UPP, the associate and its wholly-owned subsidiaries have responsibility for the provision and operation of the accommodation. The University continues to provide certain soft facilities management services in respect of the accommodation.

Consideration has been made as to whether the arrangement meets the criteria for classification as a service concession arrangement under Section 34 of FRS 102. Under the arrangement with UPP, the University has some, but not complete, control over the use and pricing of the accommodation units. The contract specifies a maximum price which may be charged, but UPP (Reading I) Limited are able to set a lower price. The University requires the rooms to be let primarily to students, but UPP (Reading I) Limited are able to fill any remaining rooms with non-students if the University consistently fails to fill the places.

The University takes on the risk of students defaulting on rental payments and some of the void risk for students not taking up assigned places. However, the University does not guarantee any particular level of occupancy or nominate a certain number of rooms. It also considers its involvement to be more akin to an agency arrangement rather than acting as principal. For these reasons, there is no minimum lease payment figure under the arrangement and therefore no asset or liability has been accounted for.

Included in the statement of comprehensive income are amounts receivable from / (payable to) the associate and its subsidiaries in respect of the following services.

Consolidated & University	Income	Expenditure	2016	Income	Expenditure	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Rent collection	1,473	0	1,473	1,343	0	1,343
Facilities management services	1,635	0	1,635	1,629	0	1,629
Utilities	1,011	0	1,011	898	0	898
Estates service charge and infrastructure fees	468	0	468	429	0	429
Vacation residence and conferencing	0	(205)	(205)	0	(998)	(998)
Wifi upgrade	36	0	36	689	0	689
Interest receivables on loan notes	865	0	865	848	0	848
Other income	53	0	53	38	0	38
Other expenditure	0	0	0	0	(73)	(73)
	<b>5,541</b>	<b>(205)</b>	<b>5,336</b>	<b>5,874</b>	<b>(1,071)</b>	<b>4,803</b>

The University charges and receives rents from students. Payments are made to UPP (Reading I) Limited with reference to the number of units of student accommodation sold during the year. Payments made to UPP (Reading I) during the year totalled £27,530,000 (2015: £26,834,000) and have been netted with the income received from students in the statement of comprehensive income.

## 17 Trade and other receivables

	Consolidated		University	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Research grants receivables	3,535	3,331	3,535	3,331
Trade receivables	14,556	17,417	11,462	14,063
Proceeds due on the sale of Shinfield West	9,963	0	0	0
Other receivables	7,733	7,804	7,400	7,704
Prepayments and accrued income	7,624	8,551	7,217	8,269
Amounts due from subsidiary undertakings	0	0	15,404	13,173
Amounts due from University endowment trusts	0	0	1,868	1,553
Amounts due from associated undertakings - UPP (Reading I) Limited	1,285	1,840	1,285	1,840
	<b>44,696</b>	<b>38,943</b>	<b>48,171</b>	<b>49,933</b>
<b>Amounts falling due after more than one year:</b>				
Proceeds due on the sale of Shinfield West	38,900	0	0	0
Other receivables	397	463	397	426
	<b>83,993</b>	<b>39,406</b>	<b>48,568</b>	<b>50,359</b>

The proceeds from the sale of Shinfield West are receivable in instalments over the 3-year period following the point of completion in November 2015. The amounts due have been included at their discounted value as shown below (2015: nil). A discount rate of 1.5% has been applied in line with similar debt instruments.

**17 Trade and other receivables (continued)**

<b>Consolidated</b>	Full value	Discounted
	£'000	£'000
Receivable in less than one year	10,000	9,963
Receivable in greater than one year	40,000	38,900
	<b>50,000</b>	<b>48,863</b>

**18 Current investments**

<b>Consolidated</b>	Total £'000
<b>Cost or valuation</b>	
At 1 August 2015	61,170
Net additions	593
Changes in market value	6,745
<b>At 31 July 2016</b>	<b>68,508</b>

<b>University</b>	Total £'000
<b>Cost or valuation</b>	
At 1 August 2015	0
Net additions	0
Changes in market value	0
<b>At 31 July 2016</b>	<b>0</b>

**Listed investments comprise:**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Segregated portfolios managed by Sarasin & Partners	60,696	53,880	0	0
Sarasin & Partners Alpha CIF for Endowments	7,812	7,290	0	0
	<b>68,508</b>	<b>61,170</b>	<b>0</b>	<b>0</b>

These investments have been stated at market value.

**19 Creditors: amounts falling due within one year**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Unsecured loans	3,402	5,650	3,402	5,650
Trade payables	7,785	7,901	7,714	7,203
Social security and other taxation payable	3,366	3,013	3,286	2,867
Other payables	20,108	18,583	19,852	18,191
Accruals and deferred income	53,061	48,275	44,045	44,758
Deferred income on land disposals	5,463	1,601	0	0
Amounts due to subsidiary undertakings	0	0	1,385	1,424
Amounts due to University endowment trusts	0	0	87,026	40,924
Amounts due to associated undertakings – UPP (Reading I) Limited	6,582	6,702	6,582	6,702
	<b>99,767</b>	<b>91,725</b>	<b>173,292</b>	<b>127,719</b>

**Deferred income**

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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Tuition fees	6,516	6,740	3,377	3,909
Research grants received on account	15,133	15,486	15,133	15,486
Other income	13,288	12,250	12,823	12,218
	<b>34,937</b>	<b>34,476</b>	<b>31,333</b>	<b>31,613</b>

**Deferred income on land disposals**

As explained in note 6, a proportion of the income on the sales of Shinfield West, Cutbush Lane North and the Manor Site has been deferred and will be recognised when the associated site servicing outputs are delivered. The portion due in less than one year relates to those outputs expected to be delivered within the next 12 months.

**20 Creditors: amounts falling due after more than one year**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Unsecured loans	141,014	144,016	141,014	144,016
Net finance costs to be amortised over the term of the unsecured loans	419	490	419	490
Deferred income on land disposals	10,652	0	0	0
Other payables	172	0	0	0
	<b>152,257</b>	<b>144,506</b>	<b>141,433</b>	<b>144,506</b>

	Consolidated & University	
	2016 £'000	2015 £'000
<b>Analysis of loans:</b>		
Due within one year: or on demand	3,402	5,650
Due between one and two years	3,177	3,295
Due between two and five years	11,951	10,499
Due in five years or more	125,886	130,222
	<b>144,416</b>	<b>149,666</b>
Less: Due within one year or on demand	(3,402)	(5,650)
<b>Total loans due after more than one year</b>	<b>141,014</b>	<b>144,016</b>

The University issued a bond for £70m through a private placement facilitated by The Royal Bank of Scotland in May 2007. This loan is unsecured and is repayable in 2047 by a single payment of £70m. Interest is payable half yearly in arrears at a coupon rate of 5.42%.

The University has a £60m sterling loan from Barclays Bank plc with a term of 37 years. It currently has a repayment holiday until July 2019. The interest rate on this loan is at a set margin of 1.4% above LIBOR.

The University has a loan from the Homes & Communities Agency which is being used to fund the construction of the Shinfield Eastern Relief Road and motorway bridge associated with the University's land disposals in Shinfield. The amount outstanding at 31 July 2016 was £13.6m (2015: £19.0m). The loan is repayable by quarterly instalments until September 2021. The interest rate on this loan is at a set margin of 1.31% above the EU reference rate for the UK.

**Deferred income on land disposals**

As explained in note 6, a proportion of the income on the sales of Shinfield West, Cutbush Lane North and the Manor Site has been deferred and will be recognised when the associated site servicing outputs are delivered. The portion due in more than one year relates to those outputs expected to be delivered beyond the next 12 months.

**21 Pensions provisions**

<b>Consolidated &amp; University</b>	Obligation to fund USS deficit	UREPF scheme deficit	Total
	£'000	£'000	£'000
At 1 August 2015	30,844	(937)	29,907
Net charge to statement of comprehensive income	25,621	12,262	37,883
Contributions paid in year	(21,812)	(5,139)	(26,951)
<b>At 31 July 2016</b>	<b>34,653</b>	<b>6,186</b>	<b>40,839</b>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) has arisen from the contractual obligation of employers within the scheme, including the University, to make additional contributions to reduce the overall deficit arising from past performance. An assessment has been made of the expected future employees within the scheme and the salary payments over the period of the contracted obligation in assessing the value of this provision.

The Group's net obligation in respect of the University of Reading Employees' Pension Fund (UREPF) has been calculated by discounting to present value the estimated amount of future benefits that employees have earned in return for their service in the current and prior periods less the fair value of any plan assets.

More information on the Group's pension schemes is given in note 33.

**22 Other provisions**

	Consolidated		University	
	SSE closure provision £'000	Total £'000	SSE closure provision £'000	Total £'000
At 1 August 2015	588	588	588	588
Utilised in year	(214)	(214)	(214)	(214)
Transferred to accruals and deferred income	(88)	(88)	(88)	(88)
Credit to statement of comprehensive income	(286)	(286)	(286)	(286)
<b>At 31 July 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

In July 2015 the University announced the closure of the School of Systems Engineering (SSE). A provision of £588,000 was made for redundancy costs. During the year a number of payments were made. The remaining balance has been reclassified as an accrual within creditors and the resulting overprovision has been released to the statement of comprehensive income.

**23 Endowment reserves**

	Consolidated			University	
	Unrestricted permanent £'000	Restricted permanent £'000	Restricted expendable £'000	2016 £'000	2015 £'000
At 1 August					
Capital	2,444	6,857	115,036	124,337	87,430
Accumulated income	502	2,537	312	3,351	3,015
	2,946	9,394	115,348	127,688	90,445
New endowments	0	0	56	56	25
Income	99	290	3,803	4,192	4,064
Expenditure	(25)	(108)	(4,807)	(4,940)	(27)
Gain on disposal of land held by endowment	0	0	71,749	71,749	28,632
Increase in value of investment properties	0	0	1,203	1,203	2,312
Increase in value of investments	126	363	6,815	7,304	2,500
Transfers to unrestricted reserves	0	0	(376)	(376)	(263)
<b>At 31 July</b>	<b>3,146</b>	<b>9,939</b>	<b>193,791</b>	<b>206,876</b>	<b>127,688</b>
<b>Represented by:</b>					
Capital	2,571	7,219	193,469	203,259	124,337
Accumulated income	575	2,720	322	3,617	3,351
	<b>3,146</b>	<b>9,939</b>	<b>193,791</b>	<b>206,876</b>	<b>127,688</b>
	Unrestricted permanent £'000	Restricted permanent £'000	Restricted expendable £'000	2016 £'000	2015 £'000
At 1 August					
Capital	2,444	6,857	1,265	10,566	9,523
Accumulated income	502	2,537	306	3,345	3,036
	2,946	9,394	1,571	13,911	12,559
New endowments	0	0	56	56	25
Income	99	290	51	440	417
Expenditure	(25)	(108)	(54)	(187)	(139)
Increase in value of investments	126	363	70	559	1,049
<b>At 31 July</b>	<b>3,146</b>	<b>9,939</b>	<b>1,694</b>	<b>14,779</b>	<b>13,911</b>
<b>Represented by:</b>					
Capital	2,571	7,219	1,376	11,166	10,566
Accumulated income	575	2,720	318	3,613	3,345
	<b>3,146</b>	<b>9,939</b>	<b>1,694</b>	<b>14,779</b>	<b>13,911</b>

**23 Endowment reserves (continued)**

Analysis by asset	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Land and property	55	9,615	0	0
Investment properties	25,514	24,561	0	0
Investments	83,622	75,204	15,069	13,989
Receivables due in greater than one year	38,900	0	0	0
Funds held by the University	65,250	19,677	(292)	(78)
Other	(6,465)	(1,369)	2	0
	<b>206,876</b>	<b>127,688</b>	<b>14,779</b>	<b>13,911</b>

**24 Restricted reserves**

Restricted funds / donations	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
At 1 August	988	658	719	461
New donations	1,514	1,132	1,206	905
Expenditure	(921)	(802)	(732)	(647)
Transfers from unrestricted reserves	43	0	0	0
<b>At 31 July</b>	<b>1,624</b>	<b>988</b>	<b>1,193</b>	<b>719</b>

**Analysis of restricted funds / donations by type of purpose**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Lectureships and staff-related	0	59	0	59
Scholarships and bursaries	721	391	721	391
Research support	379	151	379	151
Reading Real Estate Foundation	431	269	0	0
Other	93	118	93	118
	<b>1,624</b>	<b>988</b>	<b>1,193</b>	<b>719</b>

**25 Net debt**

	At 1 August 2015	Movement	At 31 July 2016
	£'000		£'000
<b>Consolidated</b>			
Cash at bank and on deposit	38,505	7,828	46,333
Cash and cash equivalents	38,505	7,828	46,333
Current investments	61,170	7,338	68,508
Debt due within one year	(5,650)	2,248	(3,402)
Debt due after one year	(144,016)	3,002	(141,014)
	<b>(49,991)</b>	<b>20,416</b>	<b>(29,575)</b>

**26 Capital commitments**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Provision has been made for the following capital commitments:				
Commitments contracted for	50,981	21,561	50,981	19,549

These commitments arise from contracts included in the ongoing capital programme.

## 27 Contingent liabilities

The University reclaimed all the VAT incurred in the construction of the Agriculture building at Earley Gate which was completed in 1996 and was the subject of a lease and leaseback arrangement with a third party. HM Revenue and Customs challenged this recovery of VAT and raised an assessment to tax for £1.2m. The University appealed the assessment and emphasised that no cash advantage was sought under the arrangement. The ongoing lease arrangements ensure that VAT is paid by the University. The University stood behind a similar case which was brought to the courts by the University of Huddersfield. That case was unsuccessful, but there are key differences in the arrangements undertaken by Reading and Huddersfield. The University will now consider whether to continue to appeal the assessment or to seek a compromise with HMRC.

As part of its development of the Shinfield Eastern Relief Road and related bridge over the M4, the University has provided performance guarantee bonds to Wokingham Borough Council for £12.2m and the Highways Agency for £3.8m. In the event that the University fails to deliver the road and the bridge, the guaranteed amounts would become payable by the guarantor, Barclays Bank plc, who would then seek to recover the costs from the University.

The University has undertaken to provide continued support to its trusts and subsidiary companies for a period of at least twelve months from the date of approval of those undertakings' financial statements.

## 28 Future lease obligations and receivables

The total future minimum lease payments due under non-cancellable operating leases are as follows:

	Land and buildings £'000	Other £'000	2016 £'000	2015 £'000
<b>Consolidated</b>				
<b>Future minimum lease payments due:</b>				
Not later than 1 year	3,122	451	3,573	3,014
Later than 1 year and not later than 5 years	23,654	796	24,450	17,108
Later than 5 years	38,900	0	38,900	44,627
	<b>65,676</b>	<b>1,247</b>	<b>66,923</b>	<b>64,749</b>
<b>University</b>				
<b>Future minimum lease payments due:</b>				
Not later than 1 year	1,322	361	1,683	2,213
Later than 1 year and not later than 5 years	5,224	761	5,985	7,112
Later than 5 years	18,076	0	18,076	19,909
	<b>24,622</b>	<b>1,122</b>	<b>25,744</b>	<b>29,234</b>

Included in the University and consolidated totals for land and buildings is £23,868,000 in respect of the Enterprise Centre on the Whiteknights campus (2015: £25,092,000). The lease runs until 2036. Also included in the consolidated total is £40,683,000 in respect of the EduCity campus in Malaysia (2015: £34,741,000). Payments are denominated in Malaysian ringgits and the lease runs until 2027.

In addition, under the terms of the arrangement with UPP, the University makes payments with reference to the number of units of student accommodation sold during the year. At 31 July the University was committed to making payments in respect of those students who had accepted offers of accommodation for the forthcoming year. Further details of the arrangement are given in note 16.

The group also acts as lessor in a number of lease agreements. The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

**28 Future lease obligations and receivables (continued)**

	Land and buildings £'000	Other £'000	2016 £'000	2015 £'000
<b>Consolidated</b>				
<b>Future minimum lease payments receivable:</b>				
Not later than 1 year	5,345	0	5,345	3,704
Later than 1 year and not later than 5 years	5,862	0	5,862	3,153
Later than 5 years	2,245	0	2,245	4,150
	<b>13,452</b>	<b>0</b>	<b>13,452</b>	<b>11,007</b>

	Land and buildings £'000	Other £'000	2016 £'000	2015 £'000
<b>University</b>				
<b>Future minimum lease payments receivable:</b>				
Not later than 1 year	2,786	0	2,786	2,354
Later than 1 year and not later than 5 years	3,949	0	3,949	3,016
Later than 5 years	1,774	0	1,774	4,150
	<b>8,509</b>	<b>0</b>	<b>8,509</b>	<b>9,520</b>

**29 Amount disbursed as agent - Consolidated & University**

	NCTL Bursary 2016 £'000	NCTL Bursary 2015 £'000
Excess of income over expenditure at 1 August	401	206
Income		
Funding Council grants	2,199	2,258
Expenditure		
Disbursed to students	(2,313)	(2,063)
<b>Excess of income over expenditure at 31 July</b>	<b>287</b>	<b>401</b>

The University acts only as a paying agent in relation to National College for Teaching and Leadership (NCTL) bursaries, distributing them to students. The funds received and related disbursements are therefore excluded from the statement of comprehensive income.

**30 Disclosure of related party transactions**

Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. Expenditure totalling £14,520 was incurred in respect of Text Matters Limited, a company in which a member of Council has a significant interest. There were no outstanding amounts.

Council members do not receive remuneration or fees in respect of their services as Council members. The expenses of Council members incurred and claimed in the performance of their duties including attendance at Council meetings are reimbursed by the University. All such reimbursements are subject to approval by the Secretary to the Council. The total expenses paid to or on behalf of 10 members of Council was £1,840 (2015: £1,378 to 7 members of Council) which related to travel and subsistence expenses incurred.



### 30 Disclosure of related party transactions (continued)

The University's financial statements include the following balances due from Reading University Students' Union (RUSU):

	2016	2015
	£'000	£'000
<b>Due from RUSU</b>	<b>462</b>	<b>489</b>

The University paid the following grants to RUSU:

	2016	2015
	£'000	£'000
Core block grant	1,112	1,033
Specific grant	18	44
	<b>1,130</b>	<b>1,077</b>

Transactions with the University's 20% owned associate, UPP (Reading I) Holdings Limited, and its wholly owned subsidiary, UPP (Reading I) Limited, are set out in note 16.

### 31 Subsidiary undertakings

The subsidiary companies, wholly-owned or effectively controlled by the University, are as follows:

Name of company	Country of registration	Principal activity	Status
Henley Business Angels Limited	England & Wales	Business launch support	Limited by guarantee
Henley Business School Limited	England & Wales	Management education	100% owned
Reading Real Estate Foundation	England & Wales	Real estate education	Limited by guarantee
Thames Valley Science Park Limited	England & Wales	Property letting business	100% owned
The University of Reading Science & Technology Centre Limited	England & Wales	Ceased trading in year	Limited by guarantee
Henley Business School GmbH	Germany	Management education	100% owned
Henley Business School (Hong Kong) Limited	Hong Kong	Ceased trading in year	100% owned
RUMAL Reading Sdn. Bhd.	Malaysia	Overseas campus	100% owned
Henley Business School (South Africa) Limited	South Africa	Management education	100% owned
The Henley Business School (South Africa)	South Africa	Not currently trading	100% owned
Henley Management College (South Africa) Section 21A	South Africa	Not currently trading	100% owned

### 32 Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. These connected institutions are included in the consolidation since the University is the sole trustee of each and exercises control over each one's activities. The movements in the year on the total funds of all connected institutions, as reported in their own accounts, were as follows:

	At 1 August 2015	Total income	Total expenditure	Other gains and losses	At 31 July 2016
	£'000	£'000	£'000	£'000	£'000
Research Endowment Trust	99,735	2,703	(3,677)	6,997	105,758
National Institute for Research in Dairying Trust	27,824	72,566	(1,078)	599	99,911
Hugh Sinclair Trust	5,828	231	(315)	296	6,040
Beckett International Foundation	7	1	(3)	0	5
Greenlands Trust	16,624	3	(603)	0	16,024

### 32 Connected charitable institutions (continued)

The Research Endowment Trust provides funds for specific research and education projects at the University of Reading.

The National Institute for Research in Dairying Trust aims to promote and develop high quality research into agriculture and food at the University of Reading.

The Hugh Sinclair Trust promotes research into human nutrition at the University of Reading.

The Beckett International Foundation provides seminars and exhibitions on and promotes research into the works of Samuel Beckett. It also contributes to the preservation and cataloguing of the Samuel Beckett Archive held by the University of Reading.

The Greenlands Trust aims to advance education and learning in business and management studies which it does through the provision of specific grants to Henley Business School at the University of Reading.

### 33 Pension schemes

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Reading Employees' Pension Fund (UREPF) and the University of Reading Pension Scheme (URPS). USS provides benefits based on final pensionable salary for academic and related employees for all UK universities. The UREPF and URPS schemes provide benefits for other members of University staff. Contributions are also paid to the Teachers Pension Scheme (TPS) for a small number of staff and to other pension schemes in overseas jurisdictions.

#### Total pension costs for the year

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
USS contributions	21,812	19,604	21,540	19,369
Movement on USS provision	2,868	15,288	2,868	15,288
UREPF current service cost	3,324	2,893	3,292	2,865
URPS	1,240	1,069	1,224	1,056
Other pension schemes	231	146	15	23
<b>Total pension costs</b>	<b>29,475</b>	<b>39,000</b>	<b>28,939</b>	<b>38,601</b>

Included in other creditors are unpaid pension contributions of £2,451,000 (2015: £2,111,000).

#### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a multi-employer hybrid scheme which has both defined benefit and defined contribution elements.

For the defined benefit element of the scheme, the University contributes a specified percentage of payroll costs up to a certain salary threshold. Since 1 April 2016, the percentage has been 18% with a salary threshold of £55,000 per annum. Prior to that date (and throughout the whole of the previous year) the percentage was 16% with no salary threshold. Members currently accrue a pension of 1/75th for each year of service along with a 3/75th lump sum under a career average earnings arrangement.

For those employees wishing to make additional voluntary contributions (AVCs) and for those earning in excess of the salary threshold, a defined contribution element will shortly be introduced. The University will match AVCs made by all employees up to a maximum of 1%. It will also contribute 12% for members on earnings above the salary threshold.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis from other institutions which contribute to the scheme and therefore accounts for the scheme as if it were a defined contribution scheme. The following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the 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 provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

### 33 Pension schemes (continued)

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

		2016	2015
Discount rate		3.6%	3.3%
Pensionable salary growth	Year 1	N/A	3.5%
	Year 2 onwards	N/A	4.0%
Price inflation (CPI)		2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

- Male members' mortality 98% of S1NA ['light'] YoB tables - no age rating
- Female members' mortality 99% of S1NA ['light'] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates, the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016 Years	2015 Years
Males currently aged 65	24.3	24.2
Females currently aged 65	26.5	26.4
Males currently aged 45	26.4	26.3
Females currently aged 45	28.8	28.7

	2016	2015
Scheme assets	£49.8 bn	£49.1 bn
Total scheme liabilities	£58.3 bn	£60.2 bn
FRS 102 total scheme deficit	£8.5 bn	£11.1 bn
FRS 102 total funding level	85%	82%

The trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2031. The University has made provision for its share of the recovery plan as outlined in note 21.

#### University of Reading Employees' Pension Fund (UREPF)

The University participates in the UREPF, which is a funded UK defined benefit pension scheme where contributions are held in a separate trustee-administered fund.

The University paid contributions at a rate of 23.8% of pensionable salaries and members were required to contribute 6.25% of pensionable salaries. Salary sacrifice arrangements exist for those members wishing to participate. Under these arrangements, participating members agree to a reduction in salary in return for the University paying the 6.25% contribution on their behalf. The University also contributed an additional amount of £1.94m as well as a further £600,000 towards the administration costs of the scheme.

From 1 August 2016 University contributions will remain at 23.8% and member contributions will remain at 6.25%. The University will also contribute an additional amount of £2.04m as well as a further £600,000 towards the administration costs of the scheme for the year ended 31 July 2017.

A full actuarial valuation was carried out at 31 July 2014 by a qualified independent actuary. The actuary has reviewed the progress of the scheme since the valuation date in determining the net deficit at 31 July 2016. The service cost has been calculated using the projected unit credit method. The discount rate is one of the key assumptions used in calculating the value of the liabilities and is based on AA rated corporate bond yields. The expected return on plan assets is also based on the discount rate.

**33 Pension schemes (continued)**

<b>Analysis of movement in benefit obligation</b>	2016 £'000	2015 £'000
At 1 August	151,057	137,889
Current service cost	3,324	2,893
Interest expense	5,642	5,753
Benefits paid from plan	(5,170)	(4,987)
Plan participants' contributions	29	38
Premiums paid	0	(62)
Remeasurements - Effect of changes in assumptions	19,404	7,566
Remeasurements - Effect of changes in adjustments	(347)	1,967
<b>At 31 July</b>	<b>173,939</b>	<b>151,057</b>

<b>Analysis of movement in plan assets</b>		
Fair value at 1 August	151,994	136,285
Interest income	5,770	5,790
Employer contributions	5,139	5,397
Plan participants' contributions	29	38
Benefits paid from plan	(5,170)	(4,987)
Administrative expenses paid from plan assets	(303)	(473)
Premiums paid	0	(62)
Remeasurements - Return on plan assets	10,294	10,006
<b>Fair value at 31 July</b>	<b>167,753</b>	<b>151,994</b>

<b>Amounts recognised in the balance sheet</b>		
Defined benefit obligation	(173,939)	(151,057)
Fair value of plan assets	167,753	151,994
<b>Net defined benefit (liability) / asset</b>	<b>(6,186)</b>	<b>937</b>

<b>Components of pension cost</b>		
Current service cost	3,324	2,893
Interest expense on defined benefit obligation	5,642	5,753
Interest income on plan assets	(5,770)	(5,790)
Administrative expenses paid from plan assets	303	473
<b>Total cost recognised in surplus before tax</b>	<b>3,499</b>	<b>3,329</b>
Remeasurements	8,763	(473)
<b>Total cost recognised in the statement of total comprehensive income</b>	<b>12,262</b>	<b>2,856</b>

<b>Scheme assets</b>	2016 £'000	2015 £'000
The weighted-average asset allocation was as follows:		
Equities	84,255	79,224
Gilts	65,395	35,199
Corporate bonds	6,180	27,057
Property	7,256	6,318
Other	4,667	4,196
	<b>167,753</b>	<b>151,994</b>

**33 Pension schemes (continued)**

<b>Actual return on plan assets</b>	2016 £'000	2015 £'000
Interest income	5,770	5,790
Remeasurements - Return on plan assets	10,294	10,006
	<b>16,064</b>	<b>15,796</b>

<b>Experience gains and losses</b>	2016 £'000	2015 £'000
Remeasurements - Return on plan assets		
Amount	10,294	10,006
Percentage of plan assets	6.1%	6.6%
Remeasurements - Effect of experience adjustments		
Amount	347	(1,967)
Percentage of present value of plan liabilities	0.2%	(1.3%)

<b>Weighted average assumptions used to determine benefit obligations</b>	2016	2015
Discount rate	2.60%	3.80%
Rate of salary increases	3.70%	4.25%
Rate of RPI price inflation	2.70%	3.25%
Rate of CPI price inflation	1.80%	2.35%
Assumed life expectancy on retirement at age 65:		
Male member aged 65 (current life expectancy)	23.0	23.0
Male member aged 45 (life expectancy at age 65)	25.2	25.2
Female member aged 65 (current life expectancy)	25.3	25.1
Female member aged 45 (life expectancy at age 65)	27.5	27.4

<b>Weighted average assumptions used to determine cost relating to defined benefit plan</b>	2016	2015
Discount rate	3.80%	4.25%
Rate of salary increases	4.25%	4.25%
Rate of RPI price inflation	3.25%	3.25%
Rate of CPI price inflation	2.35%	2.35%

The University participates in the URPS, which is a funded defined contribution pension scheme in the UK. The University pays contributions at a rate of 5% of pensionable salaries for members who have been employed for less than five years and 7% for members who have been employed for more than five years. Members are required to contribute 4% of pensionable salaries. Salary sacrifice arrangements exist for those members wishing to participate. Under these arrangements, participating members agree to a reduction in salary in return for the University paying the 4% contribution on their behalf.

**34 Accounting estimates and judgements**

In preparing these financial statements, judgements have been made in determining the most appropriate methods of applying the University's accounting policies to the economic transactions which have arisen during the year. It has also been necessary to make assumptions about the future in determining the values of assets and liabilities at the balance sheet date.

The financial statements have been prepared on the going concern basis which the Council believes to be appropriate. The University has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The strength of the University's asset base and the impact of significant savings through the efficiency and effectiveness review have put the University on a sound footing for the future. The Council is therefore satisfied that the University and its subsidiaries and trusts have adequate resources to continue in operational existence for the foreseeable future.

### 34 Accounting estimates and judgements (continued)

In recent years the University has disposed of a number of landholdings in the Shinfield area. The scale of these disposals has required the University to undertake significant obligations in respect of infrastructure development and maintenance in the local area. In accounting for these disposals, estimates have been made of the total obligations in order to calculate the amount of income to be deferred until these obligations are met. The obligations will be reassessed annually.

In respect of pension schemes, FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the statement of comprehensive income. USS meets the definition of a multi-employer scheme. Therefore, a liability has been recorded within pension provisions for the University's contractual commitment to fund past deficits within the USS scheme. The calculation of this provision has relied on the actuary's overall view of the funding of the scheme and the University's assumptions on future salary payments and the most appropriate discount rate to be applied. Variations in these estimates could lead to a significant change in the provision.

The overall deficit on the UREPF scheme has been included in pension provisions. A number of actuarial assumptions have been made in estimating the deficit.

### 35 Transition to FRS 102 and the 2015 SORP

These are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies on pages 35 to 41 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information for the year ended 31 July 2015 and the opening balance sheet position at 1 August 2014.

The first-time adoption has necessitated a number of changes to the University's previous accounting policies. In preparing these financial statements under the revised accounting policies, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of the key changes in accounting policies which have had the most significant impact and the effect on the University's financial position and performance is set out below.

#### Changes in accounting policies

##### Grant income recognition

Grant income is recognised in the statement of comprehensive income when the University is entitled to the income and any performance-related conditions have been met. Previously, grant income was matched against related expenditure. The impact on revenue grants is small, but the impact on capital grants is more significant. Under the old accounting policy, capital grants were deferred and released to the income and expenditure account in line with the depreciation charge on the asset constructed or acquired. Under the new accounting policy, the income is recognised when any performance-related conditions have been met, typically the completion of construction or acquisition of an asset. The effect of this change in policy has been to accelerate the recognition of income from capital grants. This change has had very little effect on the total net assets of the University since the capital grants previously deferred were reported within total funds rather than liabilities, but it has led to a reduction in total comprehensive income of £2.0m for the year ended 31 July 2015.

##### Retirement benefits - USS scheme

USS is a multi-employer defined benefit scheme for which the University is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and it therefore accounts for the scheme as if it were a defined contribution scheme. FRS 102 requires that where there is an agreement to fund a scheme deficit between the employers, each employer should recognise a liability for the contributions payable that arise from the agreement. Consequently, the University's new accounting policy is to record a liability within provisions for its contractual commitment to fund past deficits within the USS scheme. The effect of this change in policy has been to reduce consolidated net assets at 31 July 2015 by £30.8m and to reduce the total comprehensive income for the year then ended by £15.7m.

##### Employee benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the period in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement. Under its old accounting policies, the University did not recognise a liability for unused benefits accrued during the year. The most significant impact has been the recognition of a liability for annual leave accrued in a year but not taken until the following year. The effect of this change has been to reduce consolidated net assets at 31 July 2015 by £3.6m.

**35 Transition to FRS 102 and the 2015 SORP (continued)****Depreciation of freehold buildings**

Under its old accounting policy, the University depreciated freehold buildings over a period of 50 years and building improvements and extensions over a maximum of 30 years. This policy has been revised to recognise that different components of a building may have different useful economic lives. Under the new policy, the components of a building are depreciated as follows:

- Fabric - construction 50 years
- Fabric - improvements and extensions 30 years
- Mechanical and electrical 20 years

The effect of this change in policy has been to reduce consolidated net assets at 31 July 2015 by £14.7m and to reduce the total comprehensive income for the year then ended by £0.9m.

**Agriculture**

The University's farming operations include dairy cattle which, under FRS 102, are classified as biological assets within non-current assets. They are stated at fair value less costs to sell. Under its previous accounting policies, dairy cattle were classified as stock within current assets and were stated at the lower of cost and net realisable value. The impact of this change on overall net assets has been small and no adjustment has been required to the total net assets at 31 July 2015.

**Investments in associates**

The University's associated undertaking, UPP (Reading I) Holdings Limited, made a number of changes to its own accounting policies which have had an impact on the amounts stated in the consolidated financial statements. The key adjustments relate to the measurement of certain debt instruments at amortised cost and the provision for deferred tax on revalued property, plant and equipment. The overall effect of these changes has been to reduce consolidated net assets at 31 July 2015 by £0.6m and to reduce the total comprehensive income for the year then ended by £0.3m.

**Effect on financial position**

	Consolidated		University	
	31 July 2015 £'000	1 August 2014 £'000	31 July 2015 £'000	1 August 2014 £'000
Net assets reported in previous financial statements	394,699	367,920	249,495	256,688
Adjustments:				
Obligation to fund past deficit within the USS scheme	(30,844)	(15,095)	(30,844)	(15,095)
Liability for annual leave carried over	(3,586)	(3,425)	(3,558)	(3,405)
Cumulative depreciation of tangible fixed assets	(14,661)	(13,794)	(14,661)	(13,793)
Investments in associates	(588)	(286)	0	0
Other adjustments	(433)	(3)	120	0
<b>Net assets in accordance with FRS 102</b>	<b>344,587</b>	<b>335,317</b>	<b>200,552</b>	<b>224,395</b>

**Effect on financial performance**

	Consolidated	University
	Year ended 31 July 2015 £'000	Year ended 31 July 2015 £'000
Reported in previous financial statements:		
Deficit for the year retained within general reserves	(14,687)	(8,011)
Other gains and losses	43,060	3,145
Total recognised gains / (losses) in the year	28,373	(4,866)
Adjustments:		
Capital grant income	(2,028)	(2,761)
Increase in obligation to fund past deficits within the USS scheme	(15,748)	(15,748)
Increase in liability for annual leave carried over	(161)	(153)
Depreciation charge for the year	(867)	(867)
Share of operating deficit and tax in associates	(302)	0
Other adjustments	3	552
<b>Total comprehensive income for the year in accordance with FRS 102</b>	<b>9,270</b>	<b>(23,843)</b>

## **UNIVERSITY OF READING FINANCIAL STATEMENTS 2015-2016**

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