



University of  
**Reading**

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**FINANCIAL  
STATEMENTS**

2018–2019





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# **FINANCIAL STATEMENTS**

2018–2019



# CONTENTS

<b>4</b>	President's foreword
<b>6</b>	Vice-Chancellor's foreword
<b>8</b>	Strategic report
<b>10</b>	Development and performance
<b>14</b>	Providing value for money
<b>18</b>	Understanding our risks
<b>26</b>	Financial performance in the year
<b>31</b>	Statement on public benefit
<b>34</b>	Civic University
<b>36</b>	Teaching
<b>37</b>	Research
<b>38</b>	Research for a better world
<b>40</b>	Environmental matters
<b>41</b>	Community
<b>42</b>	Key regional partnerships
<b>43</b>	Governance statement
<b>48</b>	Report of the Remuneration Committee
<b>54</b>	The Council and Officers
<b>56</b>	Independent auditor's report to the Council of the University of Reading
<b>58</b>	Key financial statements
<b>62</b>	Statement of principal accounting policies
<b>69</b>	Notes to the financial statements

# **PRESIDENT'S FOREWORD**

## **Paul Preston**

There can be no doubt that the higher education sector in the UK is facing seismic change. The past year has demonstrated, however, that the University of Reading stands ready to face the future with confidence.

In addition to consolidating our place in the top 30 of UK universities in both the QS World University Rankings and the Times Higher Education World University Rankings, we also improved our overall satisfaction rating in the National Student Survey.

With a new Vice-Chancellor, Professor Robert Van de Noort, appointed in February 2019, the University has commenced a review of its strategy. The University has grown significantly in recent years, helping us to meet the demands of an increasingly competitive sector. We must, however, continue to adapt as the nation and the world in which we operate continue to change. At the centre of the new strategy remains our commitment to financial sustainability and rigorous financial management, to ensure that we are equipped to deliver the highest quality academic and support services.

We also remain committed to providing the best possible physical environment for our staff and students. Our capital investment programme has recently delivered on a large-scale refurbishment of our Library. These newly revamped facilities, opened to staff and students at the start of the 2019/20 academic year, are already developing into the vibrant heart of our community. Already, the light, bright, open foyer space has hosted several exhibitions, and the improved study and learning facilities are constantly bustling.

The construction of our magnificent new Health and Life Sciences facility is well advanced, and will be open to its new occupants by summer 2020. With the main structure complete, work on the interior of the building is continuing apace. The building is on track to provide a world-class home for the School of Biological Sciences and our Cole Museum of Zoology. The Library and Health and Life Sciences projects have also delivered important environmental benefits, making major contributions to our already impressive carbon-reduction efforts.

Meanwhile, Brexit is changing our relationship with the world, but Reading remains a genuinely global institution, with a staff, student and alumni community from around the globe. Universities will play a critical role in maintaining and building the UK's global connections, and our commitment to international engagement remains unchanged.

We retain our target for student mobility – that by 2026, at least a third of our students will spend some time overseas as part of their degree. Our Malaysia campus is the first, and currently only, overseas campus in Malaysia to receive approval to offer a degree in law. The first cohort of students from our joint academy with the Nanjing University of Information Science and Technology in China have recently arrived to study here in the UK.

Certainly, challenges remain. With such uncertainty facing both the sector and the nation, it is impossible to predict what the future will bring. What I do know, is that the University of Reading will be leading the way.

# VICE-CHANCELLOR'S FOREWORD

## Professor Robert Van de Noort

I am truly honoured to have become the 10th Vice-Chancellor of the University of Reading. Having already served four-and-a-half years as Pro-Vice-Chancellor, Deputy Vice-Chancellor and then Acting Vice-Chancellor, I feel I know the University well, but I am still surprised almost every day by new examples of the incredible contribution our University community makes.

As well as important contributions globally and nationally, the University plays a critical role in our local community. This point was verified by an independent economic analysis report commissioned in 2018, which estimated that the University activities in the UK adds at least £800m to the national economy, and more than half of it to the economy of the Thames Valley. The economic impact of our international operations, in Malaysia, South Africa, China and elsewhere, are yet to be calculated. There are many examples of our impact – from our teaching, research and outreach activities – in this report, and they highlight how much we have to offer the world.

Our ability to truly deliver on the transformational power of higher education depends on maintaining our financial sustainability. The University has undergone several years of significant growth. This has allowed us to strengthen our financial position, but indefinite growth is not viable and will not insulate us from the volatility facing higher education institutions across the world. So, for all our successes, this has been a challenging year too; we continue our focus on robust financial management, reducing underlying costs and targeted investment in key initiatives. Without this, we cannot deliver on our core mission.

It is for these reasons that sustainability is one of the four principles in our new University strategy. Yet, financial sustainability does not stand alone. As a community we remain steadfast in our commitment to environmental sustainability, recognising that the University of Reading has a critical role to play in climate change research, and as educators and custodians of the future. Alongside sustainability, three further principles underpin our future: a diverse and thriving community; a commitment to excellence in our undergraduate and postgraduate education and research; and being a university that is engaged with the world, including our local communities.

Delivering on these principles will not always be easy. There will be times when they may not sit comfortably together, and in the past year we have had to make some difficult decisions to ensure our financial position remains sustainable over time. This has included a voluntary redundancy scheme in the UK and a restructuring of the University of Reading Malaysia. I am proud, however, that our sense of community has remained strong throughout. The strategy development process has been based in consultation with colleagues, students and external stakeholders, and the response has been constructive and thoughtful. This only increases my confidence that, together, we can continue to be a force for good in an uncertain world.

My vision for the University of Reading in the years leading up to our centenary as an independent university is, quite simply, that it transforms people's lives through the excellence of our education and research. This is a promise on which I remain confident that we can deliver.

**Professor Robert Van de Noort**  
**Vice-Chancellor**

27 November 2019

# 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 21,000 students across a broad range of disciplines and attracts high-quality students and academics from around the world.

The University has more than 3,500 staff (full-person equivalent) from 95 countries, extensive teaching space and laboratories, access to cutting-edge research, a strong reputation in the UK and a growing reputation overseas.

## Redeveloping our strategic direction

The University of Reading is among the UK's top universities and has a proud history of innovation and social influence that stretches back many years. The University is currently undergoing a process of strategy renewal, with a focus on building its strengths and distinctiveness, retaining its global outlook, and building deeper connections with its local community.

Under this emerging strategy, the University is committed to being a diverse, inclusive and sustainable community; responsive to, stimulated by, and informing changes in the world around it.

A commitment to excellence and innovation in teaching and research allows us to transform lives and strengthen our position as we approach our centenary year in 2026.

A number of key performance indicators (KPIs) will be developed to measure performance against the new strategy. These KPIs will be informed by external data, allowing performance to be benchmarked against the rest of the sector. They will be reviewed regularly and responsive action taken where necessary.

**IN THE  
TOP 20%  
OF WORLD  
INSTITUTIONS FOR  
FIVE YEARS IN A ROW<sup>1</sup>**



**98%  
OF OUR RESEARCH  
IS INTERNATIONALLY  
RECOGNISED  
and 78% is  
internationally excellent<sup>2</sup>**



1 The University of Reading is ranked 205th out of 1,070 institutions ranked in the QS World University Rankings, 2020 and was ranked among the top 20% in the QS World University Rankings 2016-2019.

2 Based on our submissions judged to be world leading, internationally excellent and internationally recognised in overall quality by the Research Excellence Framework (REF) 2014 and the Times Higher Education's analysis of REF 2014. See the overall table of excellence at [www.timeshighereducation.com](http://www.timeshighereducation.com)

AWARDED

**SILVER**

in the Teaching Excellence and Student Outcomes Framework<sup>3</sup>



**84%**

OVERALL STUDENT SATISFACTION matches the sector average<sup>6</sup>



**21,620**

STUDENTS from around 165 countries<sup>4</sup>



ACROSS ALL LEVELS OF STUDY

**56%** of our students are women,

**35%** are from a black and minority ethnic background and

**10%** have declared a disability<sup>7</sup>

**13,835**

UNDERGRADUATE STUDENTS and

**7,785**

POSTGRADUATE STUDENTS<sup>5</sup>



**80%** of graduates in full-time work are in PROFESSIONAL OR MANAGERIAL ROLES<sup>8</sup>

**94%** of graduates in work or further study SIX MONTHS AFTER GRADUATING<sup>8</sup>

<sup>3</sup> Teaching Excellence Framework – Office for Students, awarded 2017–2020.

<sup>4</sup> HESA 2017/18 Student Record and Aggregate Offshore Record, figures rounded to the nearest five.

<sup>5</sup> HESA 2017/18 Student Record and Aggregate Offshore Record, figures rounded to the nearest five.

<sup>6</sup> Reading received a score of 84% for Overall Student Satisfaction in the National Student Survey (NSS) 2019.

<sup>7</sup> HESA 2017/18 Student Record and Aggregate Offshore Record.

<sup>8</sup> Based on the 2016–17 Destinations of Leavers from Higher Education (DLHE) survey of 2,779 University of Reading First Degree Leavers, of which 73% responded..

# DEVELOPMENT AND PERFORMANCE

The University continues to grow, with more than 13,000 undergraduate and almost 8,000 postgraduate students now studying at Reading both in the UK and abroad.



The University is listed among the top 20% of world institutions ranked in QS World University Rankings, 2020, a position it has now held for five consecutive years. It was ranked in the top 250 universities in the 2019 Times Higher Education (THE) World University Rankings, as well as retaining its position amongst the top 30 of UK institutions ranked in both the THE and QS tables. Reading was also ranked 40th nationally in the Complete University Guide, 2020.

Consistent with both its world-leading academic credentials in climate science



and its institutional commitment to sustainability, the University retained its 'First Class' rating in the 2019 People & Planet University League. Its environmental and ethical performance saw it rank 28th out of 154 institutions in the scheme. The 134-hectare Whiteknights campus also won its ninth Green Flag Award in 2019, recognising it as one of Britain's top green spaces.

The Economist Full-time MBA Ranking 2018 placed the Henley Business School in the top 5 business schools in the UK and the top 15 schools in Europe. It ranked

first in the UK and second in Europe for potential to network, and second in the UK and third in Europe for personal development and education experience. The Financial Times Global Executive Education survey 2019 placed Henley Business School fourth in the UK and 20th in the world for the combined ranking of open and custom programmes of participating business schools. This is a rise from 23rd in 2018.

The University has already invested £500m into teaching, student accommodation and research facilities, to provide the best

teaching, learning and research opportunities for its staff and students. The 2026:TRANSFORM programme is a significant commitment. Launched in 2016, many of the reasons behind this ten-year capital investment programme stem directly from student feedback about the need for more study space and better technical resources. Sustainability is another important driver, including improving energy efficiency and reducing our carbon emissions, and contributing to the 40% reduction in carbon footprint from baseline 2008/09 levels.



In 2018–19, the University of Reading Malaysia campus underwent a review, with a new operational structure now in place.

The new structure reflects a long-term commitment to this vibrant and fast-growing market, with changes to the programme portfolio focusing on foundation and undergraduate degrees in areas of demand, and further enhances employment prospects of our students. The addition of an undergraduate law programme makes the University of Reading Malaysia the first, and currently only, overseas campus in Malaysia to have received approval to offer a degree in law.

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 joint academy established by the two institutions 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. The first full cohort of NUIST students were welcomed to the UK in the 2019/20 academic year.

The Henley Business School celebrated ten years as part of the University of Reading in 2018. The business school has launched its first global Executive MBA, which began in October 2019. It's an enhanced multi-campus programme to be delivered across the UK and campuses in Germany, Denmark and Finland, and features a global syllabus, immersive overseas study experiences, and innovative teaching based on live projects.



Having recently completed refurbishment of lecture theatres and our student nightclub, we continue to invest in our future with an ambitious update of the Library, as well as a brand-new Health and Life Sciences Building.

An investment of more than £55m is being made to enhance our teaching and research space through a new Health and Life Sciences building. Construction has started, with the building scheduled to open in summer 2020. It will be a huge improvement to existing teaching and research facilities, and will include a state-of-the-art bioresource unit. In addition, the Cole Museum of Zoology will be housed inside, securing this rich heritage collection for future reference and research.



To a university student, a library is much more than a building: it is integral to their learning journey. This is why we've invested more than £40m into the modernisation of our Library. The project began in summer 2016 and was completed in autumn 2019. The biggest improvements include increasing space for individual and group study, introducing a more efficient system for borrowing and returning books, improving access throughout the building, and reducing our energy usage and carbon emissions.



# PROVIDING VALUE FOR MONEY

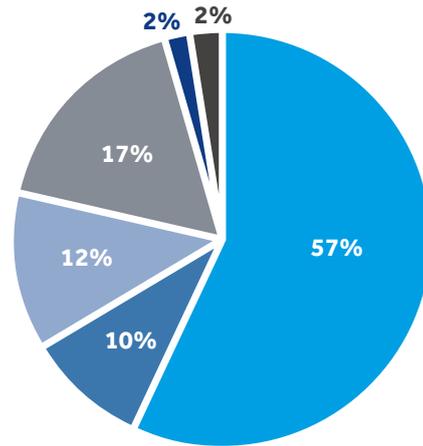
In this section we outline how we create, sustain and improve value for our stakeholders.

The Office for Students (OfS) has included value for money as a key regulatory objective, and the Higher Education and Research Act 2017 gives OfS the power to ensure that universities monitor how they provide value for money. In achieving this, we need to recognise the close interrelationships between our education and research activities, and that we should demonstrate value for money for both students and the taxpayer.

By attending university, our students are making a considerable investment in their future, both in time and money. University is a hugely personal experience and there are a range of ways that the University provides value for money. This will vary from person to person, based on their course of study, individual needs and interests, and the services and facilities they access.

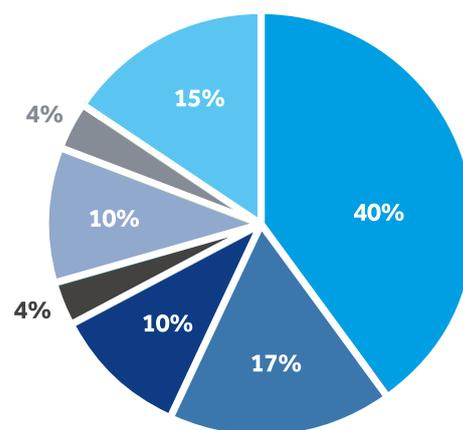
The higher education sector in the UK has a fantastic record of educating students who then go on to make a major contribution to their own personal development, wider society and commerce. As result the UK higher education system is one of the most popular in the world, and one that overseas graduates strive to access.

## Income streams



- Tuition fees and education contracts
- Funding body grants
- Research grants and contracts
- Other income
- Investment income
- Donations and endowments

## Breakdown of expenditure



- Academic and related expenditure
- Administration and central services
- Premises
- Catering and conferences
- Research grants and contracts
- Other expenses
- Movement in USS pension provision



**There are four main ways that the University of Reading offers students value for money by:**

- The value that our students get from their experience of university – both now and in the long term – as alumni of a well-respected university with global presence.
- The wider benefit that studying provides, including transferable skills and developing career prospects.
- The way that higher education institutions benefit society as a whole economically, socially and culturally – through both the education of our students and through the contribution of our research to solving global challenges.
- The efficiency and effectiveness with which a university's finances are managed, with financial sustainability being one of the emerging principles underlying the University's new strategy.



**By studying with us, our students see the benefits of a University of Reading experience in a number of ways, including:**

- directly in relation to their course – including teaching, supervision and materials, one-to-one supervision, and investment in continual teaching and technological improvement
- the wider university experience – including services and facilities like the Library and study space, the high-spec SportsPark, placement opportunities, the award-winning Careers Service, and relaxing parkland and grounds.



**We are a major employer in the Thames Valley region.**

In addition, our international sites serve both to benefit the host country (for example employment, skilled development and knowledge exchange) and to generate benefits for Reading, the Thames Valley and the UK through export earnings, international networks and an enhanced profile for Reading.



We also work closely with the Reading University Students' Union (RUSU) – run by students, for students, to represent our student community – to ensure that a student perspective is reflected in our decision making. This covers the full range of university life, like teaching, welfare, diversity initiatives and our environment.

# FULFILLING POTENTIAL

We are committed to providing our diverse community of students and staff with what they need to fulfil their potential.



## Supporting our thriving Students' Union, RUSU

The annual £1m Student Experience Capital Fund – now in its third year – is an initiative developed in partnership with RUSU. The fund resources projects suggested by students to enhance their experience. Recent projects approved include increased investment in 'Personal Capture' – which allows students to easily record teaching material – improved sporting facilities including a new 3G pitch, and improved study and meeting space.

## Providing the best academic support

Our enhanced Academic Tutor system, introduced in 2018, provides all undergraduate and postgraduate taught students with personalised support from a member of our academic staff throughout their course of study. Tutors work in partnership with students and the University's wider support services to support academic, personal and professional development. Described as 'sector-leading' by the UK Advising and Tutoring Group, this model has led to improved student feedback on academic support in the 2019 National Student Survey.





## Improving welfare services

- Enhancing our triage process to help students get the right help sooner
- Establishing a new team of welfare officers
- Launching a free online support community available 24/7.



## Diverse and inclusive

- 35% of our professors are women<sup>1</sup>, which is significantly higher than the national average<sup>2</sup>.
- We are a Stonewall Top 100 Employer, ranked 80 out of the 445 UK organisations that submitted for the Stonewall Workplace Equality Index 2019.
- We have developed and launched a robust four-year action plan taking us towards race and ethnicity equality.



## Preparing for employment

We have expanded our award-winning career mentoring programme, THRIVE, which gives students a year of collaboration with successful, professional alumni. This often leads to unique opportunities in the workplace and beyond. Mentors may be able to offer a workplace visit, introductions to fellow professionals, guidance on CVs and interview technique, and the opportunity for personal growth.



## Enriching opportunities

We encourage our students to study abroad and experience life in another country as part of their degrees. Students who study abroad are not only more likely to find graduate employment, but also start work on a higher wage<sup>3</sup>. It's a valuable opportunity to learn a new language and gain skills and life experiences that employers are looking for.

<sup>1</sup> Based on internal data, rounded up from 34.9%.

<sup>2</sup> "Equality+ higher education, Staff statistical report 2018", Advance HE, 2018. [www.advance-he.ac.uk/resources/2018\\_HE-stats-report-staff.pdf](http://www.advance-he.ac.uk/resources/2018_HE-stats-report-staff.pdf)

<sup>3</sup> UUKi (2017) Gone International: Mobility Works

# UNDERSTANDING OUR RISKS

In common with all organisations, we are affected by a large number of different risks. However, informed risk taking is essential if the University is to innovate and succeed

Effective risk management is about ensuring that all significant risks are understood and prioritised – as part of business as usual – to increase the probability of successful outcomes, while protecting the reputation and sustainability of the University.

## Our approach to risk management

The University has a responsible approach to risk management, seeking to recognise and manage exposure to risks. The pursuit of knowledge, innovation, strategic aims, and implementing strategic developments will always have risks. Risk also has to be balanced against the University's obligations to use charitable funds and public money responsibly and prudently. Effective risk management increases the probability of successful outcomes while promoting the reputation and sustainability of the University. A balanced assessment of risks has to be taken; there will be occasions when taking calculated risks will be appropriate if commensurate with potential reward, and there are also risks involved in doing nothing.

## Process

The University's approach to the management, oversight and monitoring of risks has been to build risk management into its structures and processes through a framework comprising:

- Governance
- Risk Appetite Statement
- Identification, evaluation and management of significant risks
- Policy
- Control environment

The University's approach is to minimise its exposure to compliance, reputational and finance risk. The University has a very low risk appetite where there is a likelihood of significant and lasting damage to its provision of teaching and research; loss of life or harm to students, staff, visitors; significant and lasting reputational damage; significant financial loss or negative variations to financial plans; illegal or unethical activity; and breaches of regulatory compliance. The University will endeavour to eliminate such risks or reduce them to the lowest practical level.

The University has a high appetite for risk in the context of encouraging and promoting critical enquiry, academic freedom, and open debate. The University is also open to innovation in education and student experience where such activities support and enhance its reputation and position, and do not expose it to undue finance, compliance, or reputational risk.

The Risk Management Group monitors and reviews emerging and changing risks throughout the year. It reports to both the University Executive Board and to the Audit Committee. Each year, an annual report on its work is produced. Risk Appetite is also reviewed on an annual basis.

Risk owners assess risk regularly, and risk registers are reviewed by the Risk Management Group. In addition, school and function risk registers form part of the yearly submission to the University's planning process. All major projects have individual risk registers, and risk assessment is incorporated into planning and decision-making processes.

Each year, the Internal Audit Team base their audit plan around the risk register, undertaking reviews of key areas according to a rolling plan.

Effective risk management is built on continuous review and improvement. The Risk Management Group has this year considered a risk maturity review and has developed a plan to improve risk maturity levels across several areas.

## Summary of the University's structure of corporate governance and responsibility pertaining to risk management

Committee	Role	Responsibility
<b>Council</b>	Oversight	<ul style="list-style-type: none"> <li>• To oversee risk management within the University</li> <li>• To set the tone and influence the risk culture within the University</li> </ul>
<b>Audit Committee</b>	Challenge and oversight	<ul style="list-style-type: none"> <li>• To oversee risk management within the University</li> <li>• Set the tone and influence risk culture within the University (as delegated to by the Council)</li> <li>• To agree risk appetite, and the monitoring and management of significant risks</li> <li>• To review the University's approach to risk management</li> </ul>
<b>University Executive Board</b>	Ownership	<ul style="list-style-type: none"> <li>• To own and review the effectiveness of risk management</li> <li>• To implement policies on risk management</li> <li>• To identify and evaluate significant risks</li> </ul>
<b>Risk Management Group</b>	Implementation, Coordination and Advice	<ul style="list-style-type: none"> <li>• To keep under review the risk register</li> <li>• To maintain and develop the systems that support risk management</li> </ul>
<b>Internal Audit</b>	Assurance and Testing	<ul style="list-style-type: none"> <li>• To report on the effectiveness of the University's risk management processes</li> </ul>

## Risk register

The University's risk register is formally reviewed and updated annually by the Audit Committee. The most recent update was approved at the Audit Committee on 6 June 2019.

The table below sets out those risks considered the most material, drawn from the risk register. The list is not exhaustive and is in no particular order.

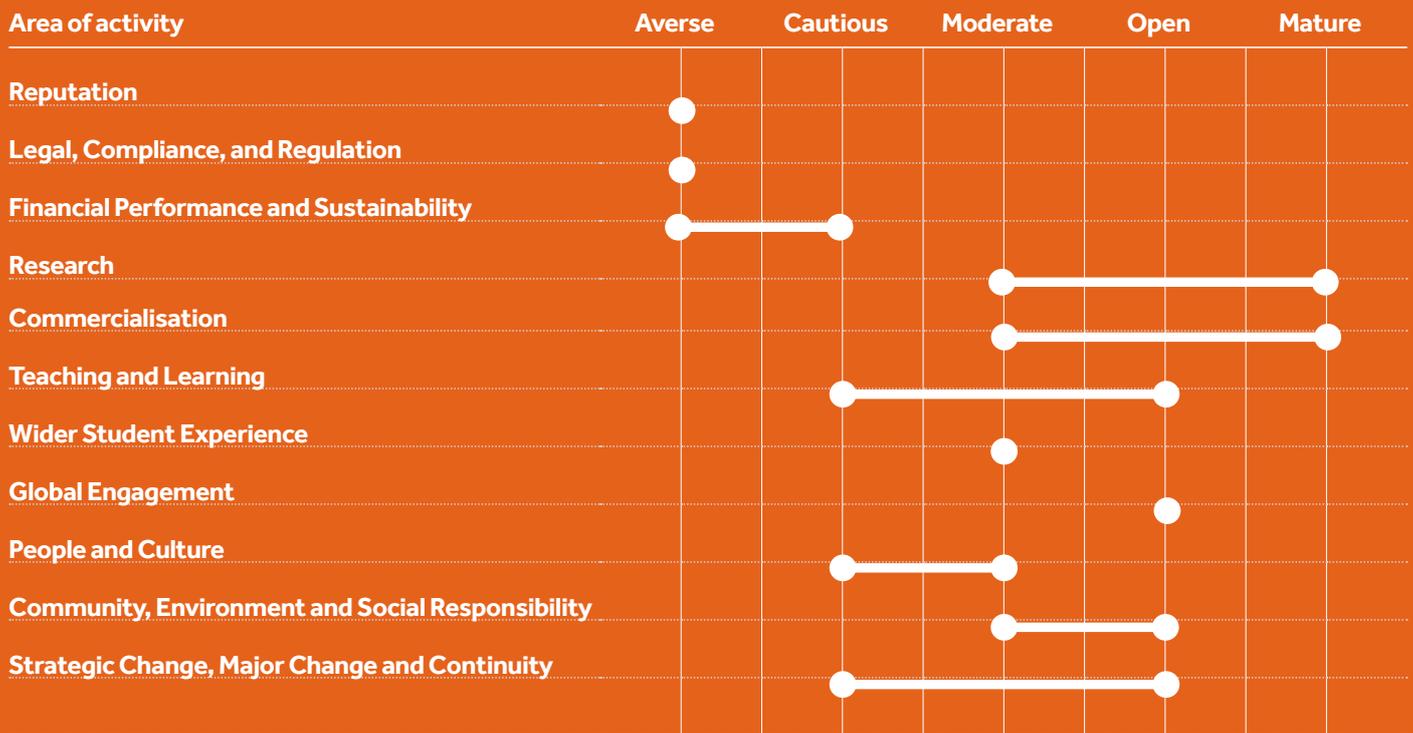
Risk area	Description of risk	How we seek to mitigate
<b>Employees and supporting our people</b>	Failure to attract and retain high-quality staff may negatively impact the quality and recognition of both teaching and research, reputation and recruitment.	<p>The University has established a People Plan Board to initiate and monitor work to enhance the recruitment and employment experience of staff at the University, which will address identity/brand, experience, resilience and development offering. The University is consulting its staff in the development of its new strategy.</p> <p>The University established a Brexit Working Group to closely monitor and identify the possible implications for UK Universities of the UK's decision to leave the European Union. Work is focusing on student recruitment, research, staff recruitment and retention, and student exchange and mobility.</p>
<b>Brand and reputation</b>	Failure to maintain an internationally competitive position and global reputation – regarding the quality and recognition of both teaching and research – may lead to lower positions in league tables, and negative impact upon our reputation, recruitment and retention.	<p>The new strategy will include a new identity/brand overseen by our Marketing, Communication and Engagement Team.</p> <p>The University continues to invest in its activity with international partners and has established an International Partnerships Team to support activity with our existing overseas teaching and exchange partners, as well as to develop new ones. In addition to following the University's 2020 Research Plan and Research and Innovation Strategy, the University has developed a Global Engagement Strategy and Action Plan with clear milestones to 2020, overseen by the Global Engagement Strategy Board and Global Engagement Leadership Team.</p> <p>By clear strategic planning and effective operational management of our overseas campuses (including UoRM, which is overseen by RUMAL Reading Sdn Bhd), including regular reporting to senior University committees.</p>

Risk area	Description of risk	How we seek to mitigate
<b>Facilities and infrastructure</b>	<p>Failure to deliver capital projects on budget and on time, lack of space to support the growth of the University and/or failure to ensure buildings and estate infrastructure are adequately maintained due to financial challenges or insufficient funds may result in lack of appropriate teaching, learning and accommodation space, students, a diminished student experience and loss of income.</p> <p>Failure for IT to meet the needs of the University for the services provided could lead to diminished staff and student experience.</p> <p>Failure of the University's external web presence at critical times could lead to loss of income and reputational damage.</p>	<p>Governance structures and processes are in place to monitor use of space, and make recommendations regarding space matters, in accordance with the Space Management Policy and underpinned by the Estates Strategy. The University has invested in making improvements to optimise learning spaces. Continued investment in systems projects are improving the experience of working and studying at the University for its staff and students.</p> <p>The creation of the new Advancement Team has improved and coordinated collaboration across departments. The University is currently investing in a new, robust platform for its website.</p>
<b>Teaching and learning</b>	<p>Failure to maintain or enhance teaching and learning quality and the student experience may negatively impact our reputation, recruitment and retention.</p>	<p>Institution-wide frameworks are in place to enhance the learning experience for students, including the curriculum and assessment and feedback. The University continues to implement access and widening participation activity and runs initiatives to improve diversity and inclusion.</p> <p>Investment continues to be made in the development of innovative teaching practices through the Teaching &amp; Learning Development Fund. The University's institution-wide programme (FLAIR) promotes and supports academic development. There is a focus on the recruitment of teaching-intensive funded academic staff.</p> <p>The plans and priorities of Schools and Functions are reviewed annually. Teaching and Learning facilities are also regularly reviewed, and the University works closely with the Students' Union to engage with, and seek the views of, students. Student participation and attendance on University committees and working groups is actively encouraged, and student experience has been made a more prominent part of the remits of the University's top teaching and learning committees, including the Council.</p>

Risk area	Description of risk	How we seek to mitigate
<b>Research</b>	Failure to maintain or improve our annual research income, in response to changing political and regulatory environments, may lead to loss of research revenue and negatively impact our global reputation.	The University has a 2020 Research Plan and a dedicated Research Excellence Framework Planning Group to oversee preparations. Through its Research and Innovation Strategy, the University will respond to new research opportunities and collaboration, strategically investing in partnerships and enhancing the quality control of applications.
	Failure to sufficiently exploit the development of economic and social impact from our research and enterprise activity may lead to loss of research revenue and negatively impact our global reputation.	The Impact Support Unit within Research & Enterprise Services, and the Knowledge Transfer Centre, offer support and guidance to academics to enhance research and funding, accessing expertise and opportunities for academic staff and graduates. The University has developed an innovation strategy and structure for strategic partnerships, as well as investing in research communication as part of the MCE function.
<b>Digital transformation and data</b>	A compromise to information security (including confidentiality, integrity and availability) may lead to failure to comply with information and data regulations, financial loss and reputational damage.	The University has policies in place pertaining to information security (including internal IT cyber security policies) and information compliance. The University's retention policy was updated in line with new GDPR legislation. Information compliance training is mandatory, and user awareness initiatives such as phishing awareness campaigns run periodically.
	Failure to meet the needs of the University and/or existing technology which falls behind may lead to a diminished student and staff experience, and reputational damage.	Robust controls are in place around the University's digital infrastructure. We use robust and usable IT systems, essential to data storage and manipulation. A governance structure is in place which has oversight of systems projects, systems management and future technology requirements. There is a rolling programme of upgrades to IT infrastructure across the University.

Risk area	Description of risk	How we seek to mitigate
<b>Income and financial sustainability</b>	<p>Failure to maintain the financial sustainability of the institution may lead to loss of assets and investment income, financial loss, and inability to fund strategic objectives.</p> <p>Failure to recruit appropriate quality of undergraduate and postgraduate students to target levels.</p>	<p>Forecasting, budgeting and planning are well-established processes and support the financial strategy. Controls in place include a cycle of monitoring and corrective action and effective management of short- and long-term cash flow. The use of our investment portfolio follows our Investments Strategy, both of which are monitored and reviewed regularly by Investments Committee.</p> <p>The Marketing and Communications Office are responsible for the promotion of University programmes following an effective marketing approach, and for ensuring the University has an effective web presence, which is currently being invested in.</p> <p>The admissions process has been centralised and applications are monitored regularly during the recruitment cycle. Processes are in place to monitor campaign impact, analyse targets, metrics, outreach and the delivery of aspects of the Access Agreement. The University offers several targeted bursaries, scholarships and internal studentships.</p>
<b>Pension schemes, liabilities and servicing costs</b>	<p>Liabilities and costs rise to levels where they may have a significant influence on the University's future financial performance and sustainability.</p>	<p>Governance structures are in place to monitor the major schemes (USS and UREPF) and their performance. Active engagement with UUK and USS on future valuations of USS and the potential for scheme reform and rule changes.</p>
<b>Brexit</b>	<p>Impact of Brexit on our ability to access and deliver core services, funding and financial sustainability, and the ability to recruit students and staff.</p>	<p>In 2018, the University has established a working group, chaired by a member of the University Executive Board, with representation from a wide range of functions and services. The group has overseen our preparation activity in critical areas including accommodation, catering, IT, estate management, procurement, student services, overseas placements, human resources and student recruitment. It has also developed and monitored an institution-wide risk register, supported by risk registers held by professional functions. It has also coordinated communication to our staff and students to ensure that our community is both aware of our preparations and of the activity that they need to undertake in preparation for the UK's departure from the European Union.</p>

# Our appetite for risk



**Professor Robert Van de Noort**  
Vice Chancellor

**Sam Foley**  
Chief Financial Officer

# FINANCIAL PERFORMANCE

## IN THE YEAR

The surplus/deficit position in 2019 is heavily influenced by investment transactions, such as a large land sale, which can lead to large variations year on year. In 2018–19 we sold a significant proportion of our land holding at Willington Down Farm near Didcot, generating an in-year surplus of £18m.

In addition, the University – alongside other universities – has to recognise a pension provision under FRS 102 for any estimated future contributions under the formally agreed USS Scheme deficit recovery plan. At 31 July 2018, the plan in force was for universities with USS membership to pay additional contributions of 2.1% until 2031. For Reading this resulted in a provision of nearly £33m, which was included in our 2018 balance sheet. A new deficit recovery plan based on the 2017 valuation of USS (which was finalised in January 2019) was approved. This formal recovery plan period now extends to 2034 and assumes additional contributions of 5.0%. It is estimated on current modelling that this has increased the University's provision to £93m at 31 July 2019, so an in-year charge of £60m. Initially, modelling based on the latest 2018 USS valuation (finalised in September 2019) indicates that the provision will reduce markedly in the financial year 2019/20, by £45m.

Without these two major items the University made a small underlying deficit, caused in part by our redundancy costs in the UK.

	2019 £'000	2018 £'000
<b>(Deficit)/surplus for the year</b>	<b>(43,336)</b>	<b>(20,456)</b>
<b>Add back: USS provision movement</b>	<b>59,906</b>	<b>(324)</b>
<b>Deduct: Major land sales</b>	<b>(17,953)</b>	
<b>Underlying performance for the year</b>	<b>(1,383)</b>	<b>(20,780)</b>

The University recorded growth in its core tuition and research income streams, which contributed to group income for the year of £322m.

Group expenditure for the year was £391m.

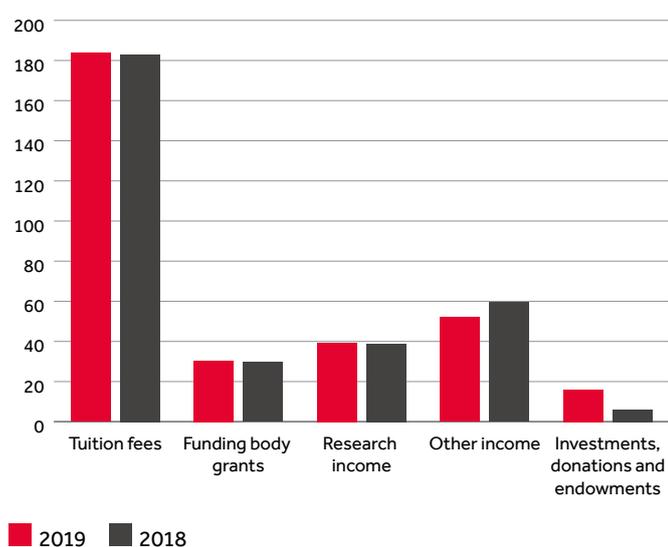
The University remains focused on keeping costs under tight control to maximise value, and also the delivery of efficiency savings wherever possible. The University has seen significant improvement in the financial performance of its longer-established academic activities. It is committed to continuing this trend of growing academic surpluses, in order to re-invest in the future of the institution.

Financial operating results from our campus in Malaysia have been short of expectations, with deficits recorded in recent years, resulting in significant provisions made in 2017/18 for contractual obligations associated with the main building lease and other contracts as well as impairment of the fixed assets. The provisions totalled £20.9m in 2017/18 (which created our significant reported deficit in 2017/18) and increased slightly to £21.6m in 2018/19. The subsidiary's own accounts for the year show a small surplus, so the net effect on the Group of our Malaysia operation in 2018/19 was broadly break even. The financial result of our Malaysia subsidiary in 2018/19 was a small profit of £0.3m, which was the combination of an operating deficit of £7m, before a reduction in the provision for historic liabilities due of £7.3m. The campus is operated by RUMAL Reading Sdn Bhd, whose activities are kept legally and financially distinct from the University in the United Kingdom.

During the year, the University sold a significant proportion of its land and property holding at Willington Down near Didcot – which had been classified as an investment property. The sale generated a surplus of £18m in-year after meeting our costs and the University will receive staged payments over the next five years from the buyer.

Other comprehensive income also included re-measurement losses of £15.2m on the locally managed UREPF pension scheme. These losses arose from actuarial assumptions around life expectancy, inflation and discount rates, changes to the membership profile and investment returns.

## Group income (£m)



Income from all sources totalled £322m, a 1.4% increase over the previous year, with growth recorded in tuition fees and research income.

Tuition fees increased by £1m to £183.6m, with student number growth static in 2018/19. It is important for the University to grow its income to ensure that it keeps pace with the inflationary pressures on its costs and to allow it to achieve its plans for sustainable growth and development. A variety of options are being explored.

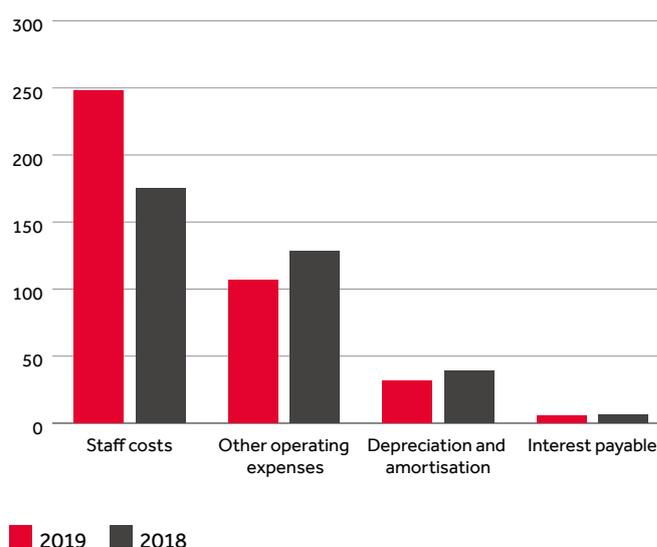
Funding body grants increased slightly in the year to £30.5m, but these grants now make up less than 10% of total income.

Total research income grew by 1.3% to £39.4m as a result of an increase in the rate and value of new grant awards.

Other income fell by £5.9m to £54.6m. Other income arises from a number of sources including executive education, property rentals, catering, conferences, the SportsPark, consultancy and enterprise activities.

Income from investments, donation and endowments totalled £13.5m. This was a mixture of improved investment performance, new endowments received, and a growing endowment fund due to in-year investment decisions.

## Group expenditure (£m)



Overall group expenditure (if the increased USS provision is excluded) fell as 2017/18 included significant RUMAL provisions, detailed above.

Total staff costs (excluding pension provision) rose by 7.3% to £188.1m (2018: £175.3m), of which £5m was due to a University voluntary redundancy scheme run in early 2019 and the remainder the effect of an annual pay award and incremental progression. The increased USS provision of £60m is a direct result of the recovery plan assumptions agreed as part of 2017 scheme valuation process. The 2018 USS scheme valuation has recently been published and we expect a significant reversal on the provision in 2019/20. USS have already embarked on a 2020 valuation process – which in turn will generate a new recovery plan – so we expect future volatility around this provision. It is a non-cash effect, and many external agencies and our banking covenants exclude the movement on this provision when assessing our year-on-year financial performance.

Other operating expenses totalled £107.0m (2018: £128.5m) and depreciation and amortisation on fix assets totalled £31.1m. Provisions relating to RUMAL in 2017/18 resulted in a total charge of £12.2m in other costs, and an additional £8.7m in depreciation in the Group statement of comprehensive income, which help explain the year-on-year movements.

Interest payable was £5.3m in 2018-19.

## Financial position

Consolidated net assets totalled £410.5m at 31 July 2019 (2018: £469.1m). The decrease against the previous year can be attributed primarily to the accounting treatment for the USS pension scheme. Net current assets stood at £113.0m (2018: £82.1m).

## Fixed assets and our infrastructure

The University continues to invest in the future. We have already invested £500m in teaching, research and student accommodation projects in the past decade, and have agreed £50m of projects to further improve our facilities, so we can continue to provide a high-quality environment for our teaching, learning and research and to support both current and future students and staff. This long-term programme of infrastructure developments is designed to enhance the University's academic activity and ensure that it continues to be regarded as a world-class university both in the UK and internationally.

A major refurbishment of the Library and a new Health and Life Sciences complex are both almost complete and will both will be fully open in the next year.

The University offers a wide range of accommodation options for its students in partnership with its accommodation provider, University Partnerships Programme (UPP). Demand for high-quality, affordable accommodation, located on or near our main Whiteknights campus, continues to grow and the University is developing a long-term accommodation strategy to help us meet these requirements as effectively as possible.

## Investments and investment properties

The University is fortunate to hold a number of investments in land and property that allows us to operate effectively and will generate long-term value.

The total investments held by the University and its trusts were valued at £123m (2018: £87.6m), with £26.4m of new investment made during the year. The returns generated from these investments have helped to fund specific research activity in the year, as well as supporting a range of prizes for achievements, scholarships and bursaries.

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 of Council. 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. We are working closely with the Students' Union to ensure this aspect of our approach to investment is given prominence.

The University and its trusts hold some properties for their investment potential. Their combined market value at 31 July 2019 was £93.2m (2018: £140.6m). The main reason for the decrease year-on-year relates to the sale of land at Didcot.

## Pensions surplus/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 surplus of £24.5m at 31 July 2019 (2018: £38.6m). The negative in-year movement was mainly driven by the re-measurement losses reported in the year. The University has made some modest additional cash payments to the scheme in recent years and this has helped to rectify a historic deficit. As well as making regular employer contributions, the University funds £0.6m per annum towards the scheme's administration costs.

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 agreed contributions to reduce the overall deficit on the scheme.

The University has recognised a provision of £93.4m for its share of the additional contributions (2018: £32.8m) in accordance with the deficit funding plan agreement accompanying the agreed 2017 actuarial valuation.

## Cash flow and borrowings

The Group generated a net cash inflow from operating activities of £25.5m (2018: £17.6m), and sees this measure as a key indicator of year-on-year financial performance. The net decrease in cash and cash equivalents for the year was £10.6m (2018: increase of £37.4m). The decrease was due to continued investment in capital projects temporarily exceeding cash inflows from assets sales and an investment of £25m of those sale proceeds in our Sarasin & Partners portfolio. The University will complete two major capital projects in 2019/20, which are the end point of a major cycle of investment, and is currently assessing the shape and size of our future capital programme.

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 a number of unsecured borrowings including a £70m corporate bond, a £60m sterling long-term loan facility and a fully drawn £50m revolving credit facility.



# 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 Office for Students (OfS) since its recent replacement of 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 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 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. It also 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 any problems that arise during a student's time at Reading.

The University 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 about higher education; the opportunities it affords, application process, and education and career pathways.



## Community

The University is proud to play a key role locally and regionally and works hard to ensure that our economic, cultural and education benefits are shared beyond our campuses.

Every day we are open to the local community, through our SportsPark, four museums and award-winning grounds. Our Whiteknights campus, a 130-hectare parkland, was voted among the most-popular green spaces in the UK in the 2019 Green Flag People's Choice Award for the ninth year running, from more than 1,800 entries. The Whiteknights campus is a beautiful, green oasis situated within a residential area bordering Reading and Wokingham Boroughs. With its distinctive woodland walks, conservation meadows and large lake, its appeal stems from both the natural beauty of the landscape and the University's architectural diversity.

The campus acts as a green lung, providing an environment, changing with the seasons, for visitors of all ages to enjoy and benefit from.

Thousands of people have also attended our public events, such as lectures, music concerts and exhibitions, and there have now been more than a million registrations from around 190 countries for our free online courses.

In 2017, we announced an exciting partnership with the British Museum to develop a significant new collection storage and research facility, now under construction. It is a first-of-its-kind partnership between a national museum and a UK university; it delivers study and research benefits to students and academics, and the facility will host visits from members of the public via a booking system.

## Research

The University aims to deliver outstanding research, a significant proportion of which is specifically designed to have a meaningful impact on knowledge, people or the economy, or to enhance or change society for the better.

Moreover, the University is committed to supporting its researchers to actively engage with both public and professional audiences, to ensure that our research contributes to global debates and benefits the economic and social life of Reading, the UK, and the wider world.



# CIVIC UNIVERSITY

## MUSEUMS

The University's Museum of English Rural Life has joined with Reading Museum to form 'Museums Partnership Reading' – a National Portfolio Organisation funded by Arts Council England. £1m will be invested over four years to improve educational opportunities and engagement for young people, vulnerable adults and our diverse local community.

## BUSINESS

Ground-breaking research is having a transformative impact on businesses locally and globally. For example, working in collaboration with biotechnology company Clasado Ltd, our researchers developed a novel prebiotic called 'BiMuno', which improves gut health. Already estimated to be worth \$3bn worldwide, the product was used by Team GB to help avoid gastrointestinal illness in Rio in 2016.

## COMMUNITY PROJECTS

In 2017/18, students volunteered more than 12,000 hours of their time to community projects through the University's Reading Experience and Development Award, designed to help them make the most of their extra-curricular experiences.

## APPRENTICESHIPS

Henley Business School is working to create and deliver apprenticeship programmes for businesses in England across a range of sectors, including telecoms, pharmaceutical, healthcare and banking. This initiative is one of the first of its kind, and will help companies upskill their workforce, and support the Government's goal of improving productivity through the apprenticeship levy.

The economic, cultural and educational benefits of the University reach beyond our campuses into Reading, Wokingham and the wider Thames Valley.

### SCHOOLS

Our 'Students in Schools' scheme is more than 20 years old and continues to go from strength to strength. Last year, 400 students volunteered across 40 schools in Wokingham and Reading, collectively investing more than 6,000 hours of their time. Alongside teachers, students build relationships with pupils, helping to raise aspirations and encourage them to continue into higher education.

### OUR TOWN'S FUTURE

A multidisciplinary research team from the University is supporting a project to reimagine the future of Reading. 'Reading 2050' sees an ambitious, smart and sustainable future for Reading, with green technology, culture and diversity, and our town's rivers and parks at the centre of development.

### SCHOLARSHIPS FOR REFUGEES

**“Universities are places for people from all over the world and from all walks of life. We welcome to Reading those fleeing violence and persecution in their own countries and we value the contribution those seeking sanctuary can make to the University and the town in general.”**

**Professor Robert Van de Noort, Vice-Chancellor**

The Reading Refugee Scholarship Scheme provides University scholarships for refugees in the local area. Developed in partnership with Reading Refugee Support Group (RRSG) and our Students' Union (RUSU), we aim to support and engage with our town's refugee community.

# TEACHING

As an established and highly successful research-intensive institution with a global reach, we have teaching, learning and the student experience at our heart.

The University works in partnership with our students and the Reading University Students' Union to build a supportive and engaging environment where learners at all stages of their careers are equipped to fulfil their intellectual and personal potential. The goal is to produce graduates who have developed a range of skills, including mastery of their discipline, skills in research and enquiry, personal effectiveness and self-awareness, and global engagement and multicultural awareness.

The University's Pro-Vice Chancellor for Teaching and Learning and five Teaching and Learning Deans provide strategic leadership and lead activity in their areas of particular responsibility: quality, student experience, international, student achievement, and engagement and future direction. They also lead University-wide strategic projects in teaching and learning.

The Teaching and Learning Strategy 2018–21, with its focus on academic excellence and outstanding learning experience, builds on the successes of its forerunner, and enables Reading to continue and complete some of the major projects that it has embarked on. These include implementing our Curriculum Framework and £5m investment in Electronic Management of Assessment. The sector-leading Academic Tutor System, introduced in the 2018/19 academic year, supports students with their academic, personal and professional development through proactive and structured academic conversations informed by student data.

The strategy also enhances the focus on staff development and reward, with the University aiming to recruit and develop well-qualified professional academic staff and encourage innovative approaches to teaching and learning and make use of technological developments in learning methods. The University continues 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 has made more than 100 awards in total.

Overall student satisfaction, as measured by the 2019 National Students Survey, increased to 84%. Satisfaction also continues to improve at discipline level, with nine areas achieving an overall satisfaction score of 90% or above. More than 2,400 final-year undergraduates completed the survey year, representing a 70% response rate – a significant increase from 66% in 2018.



Teaching  
Excellence  
Framework



# RESEARCH

With 98% of its research assessed as internationally recognised in the Research Excellence Framework 2014, the University has a global reputation for the quality of its research.

As a broad-based, research-intensive institution, Reading's 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 academics and postgraduate research students and provides them with a stimulating and supportive research environment and training.

Overall, research income was **£39.4m**, an increase of £0.5m on the previous year.

**The University of Reading's research is structured around four themes:**

- Environment
- Agriculture, Food and Health
- Heritage & Creativity
- Prosperity & Resilience.

Each theme is led by one of four Research and Innovation Deans, who support the Pro-Vice-Chancellors for Research in implementing the University's research strategy.

**98%**  
**OF OUR RESEARCH**  
**IS INTERNATIONALLY**  
**RECOGNISED**  
**and 78% is**  
**internationally excellent**<sup>1</sup>



<sup>1</sup> Based on our submissions judged to be world leading, internationally excellent and internationally recognised in overall quality by the Research Excellence Framework (REF) 2014 and the Times Higher Education's analysis of REF 2014. See the overall table of excellence at [www.timeshighereducation.com](http://www.timeshighereducation.com)

# RESEARCH FOR A **BETTER WORLD**

Our world-leading research helps to transform the lives of people locally, nationally and internationally. Through it, we discover more about ourselves and the world in which we live. At the same time, we build a stronger and more resilient economy, enhance social and individual wellbeing, and influence policy and practice.



**Professor Emily Black** is helping millions of smallholder farmers across Africa look forward to a more secure future, thanks to satellite-derived estimates of rainfall that are helping insurance companies provide effective cover against drought. Current insurance only compensates for proven crop losses. Emily's weather-index insurance provides an alternative, paying out if cumulative rainfall measures below a pre-agreed threshold. Using satellites rather than rain gauges has made this approach feasible for many more farmers, and this new model is being rolled out across Africa.



Image courtesy of Jorge Rungo, FATHUM Surveying team, Mozambique

**Dr Andrea Ficchi** and **Dr Rebecca Emerton** provided real-time flood hazard reports that helped national and international aid agencies, and the UK government's Department for International Development, to deliver aid to those most in need when catastrophic flooding hit Mozambique in 2019. Predicting natural events is challenging, but pinpointing regions most at risk using cutting-edge flood risk-mapping tools helped ensure life-saving shelter, food, drinking water and supplies could be targeted effectively, while minimising risk to aid agency staff.



**Professor Andrew Kakabadse** has asked the question 'Is the government fit for purpose?' His inquiry into the effectiveness of the civil service and the relationship between ministers and officials is believed to be the biggest of its kind since the 1854 Northcote-Trevelyan Report, from which the civil service was established. His work was based on more than 140 confidential meetings with government officials. The report was submitted as evidence to the Public Administration and Constitutional Affairs Committee.

**51%**

of all research publications from 2013–2018 were a result of **INTERNATIONAL COLLABORATION**<sup>1</sup>

**£35M**

is the value of **NEW AWARDS WON** in 2018/19<sup>2</sup>  
Our success rate with Research Councils was 33%<sup>3</sup>



**37** **RESEARCH DIVISIONS** covering four themes with nearly 1,000 staff members



### **Professor James Ferryman**

is transforming the future of travel by using travellers' own smartphones as paperless travel documents. Robust border control is essential. Using a smartphone app and innovative biometric technology, travellers can simply walk or drive through without stopping as necessary checks are made automatically. This new approach can undertake checks quickly and accurately, reducing queues and frustration, and will soon be trialled at a land border in Poland and at London's St Pancras Eurostar station.



### **Professor Rosa Freedman**

is making children in conflict zones safer, thanks to robust new guidelines developed in partnership with specialist organisation, Keeping Children Safe. The guidelines are transforming the way peacekeeping forces are recruited and trained, and help ensure international standards for child safeguarding are applied worldwide. They improve consistency across organisations within the United Nations and help them adhere to global standards, while ensuring staff also understand the local context in which they are working.



### **Dr Jacqui Turner**

is shining a light on the female pioneers of British politics – in particular, Nancy Astor. Jacqui was instrumental in the installation of a memorial to Astor in the House of Commons, and contributed to a major exhibition at Westminster called Voice & Vote. In addition, she is managing the 'Astor 100' initiative, which includes a major series of events and seeks to make information relating to Nancy Astor – along with other early female MPs – accessible to the general public, by engaging with historical and contemporary female narratives in parliament.

<sup>1</sup> 50.9% rounded up based on SciVal data from 2013–2018.

<sup>2</sup> Based on data recorded in the Research Services award database of total amount of awards funding pledged in 2018/19.

<sup>3</sup> Times Higher Education Research Council Success rate analysis – 2017/18; 32.9% rounded up.

# ENVIRONMENTAL MATTERS

Aligned with its leadership in teaching and researching a wide range of environmental subjects, the University is proud to be a leader in delivering environmental sustainability in its operations. It continues to make improvements in its resource use in a number of key areas, delivering on its aim to continually reduce its environmental impacts.

In 2018/19, the University reached another milestone in reducing its carbon footprint, reaching a 40% reduction against its baseline 2008/09 levels, some of the largest reductions across the university sector<sup>1</sup>. This has delivered cumulative financial savings of £29m since 2011, keeping energy costs under control at a time when energy prices have risen significantly.

Some significant projects have been delivered over the year, funded through a combination of internal and external funds. In summer 2018, the University's 1,000th individual solar panel was installed, and this number is increasing rapidly, with almost 1,400 now installed, including most recently through a partnership with Reading Community Energy Society. The University's district heating network has been extended to two further buildings, and significant water savings are being delivered from investing in centralised chilled water and vacuum systems in two large chemistry teaching laboratories, as part of a wider refurbishment.

Environmental matters are increasingly headline news, in particular in a call for more urgent action to tackle human-made climate change, as well as the significant impacts of single-use plastics and other mass consumerism. The University has made significant strides in reducing its reliance on, and consumption of, single-use products over the last year. In spring 2018, a 20p paper cup levy was introduced, with funds raised ring-fenced to support wider sustainability in the catering department.

This has led to 56% of hot drinks now being served in re-usable cups and, in early 2019, paper cup recycling collection points were installed in every building, to ensure that when single-use cups remain necessary, they are at least disposed of properly. Meanwhile, the refillable Sustain It bottle initiative continues to save 150,000 single-use plastic bottles per year; and every new student living in halls of residence this year was provided with a free reusable bottle or mug to support their sustainability choices.

In the area of sustainable travel, we continue a rolling programme of pathway improvements to better enable shared spaces for pedestrians and cyclists, reducing pinch points and potential conflicts in response to feedback from our biennial travel surveys. This has supported the achievement, four years early, of our 83% target for journeys to and from campus to be made sustainably – and we will continue to set further targets to improve sustainable travel option.

Of course, there is more to be done, and environmental issues are increasingly at the forefront of current and prospective students at the University. We are proud to have retained our certification to both the ISO140001 Environmental Management standard and the ISO50001 Energy Management standard for another year, and the management systems that underpin these certifications set in place the long-term planning and decision-making necessary to ensure we continue to deliver on our environmental commitments.

<sup>1</sup> Source: 2017/18 HESA Estates Management Records, available at <https://www.hesa.ac.uk/data-and-analysis/estates>

# COMMUNITY

The University of Reading is an important anchor institution, making a significant economic, social and cultural contribution to Reading and Thames Valley Berkshire (TVB), as well as other locations in the world.

An independent report commissioned by the University from economic consultants Hatch Regeneris<sup>1</sup> in 2018 estimated that the University generates at least £800m in Gross Value Added (GVA)<sup>2</sup> and 11,550 Full Time Equivalent (FTE) jobs for the UK economy, of which around 55% accrues to Thames Valley Berkshire.

To put this into context, this means that:

- around one in every 27 jobs in the whole of Reading and Wokingham can be traced back to the University
- this GVA contribution is equivalent to 1.3% of all GVA in the Thames Valley area
- for every direct job at the University, a further 2.4 jobs are supported across the UK economy.

Every day we are open to the local community, through our SportsPark, four museums and award-winning grounds. Our Whiteknights campus, a 130-hectare parkland, was voted among the top ten most popular green spaces in the UK, for the ninth consecutive time, in the 2019 Green Flag People's Choice Award.

Thousands of people have also attended our public events, such as lectures, music concerts and exhibitions, and more than half a million people from as many as 190 countries have signed up to our free online courses.

Beyond these quantitative economic measures, the report also found that the University supports Reading and the Thames Valley by:

- supplying highly skilled graduates: more than 20% of graduates stay locally, and most contribute to the future growth of London and the south east. The University is a major supplier and supporter of Continuing Professional Development for both business and key public services like schools, health and care.
- driving business productivity: through knowledge exchange, particularly for businesses located on the University estate at Whiteknights and the Thames Valley Science Park.

<sup>1</sup> [www.reading.ac.uk/economicimpact](http://www.reading.ac.uk/economicimpact)

<sup>2</sup> Gross Value Added (GVA) is the key measure of the value of goods and services produced by an organisation, sector or region. It is measured as the difference between income and the value of bought in goods and services, or the sum of gross profits before interest costs, taxes, depreciation and amortisation and total employment costs.

# KEY REGIONAL PARTNERSHIPS



## WORKING TOGETHER IN WEATHER RESEARCH

Our 40-year partnership with the European Centre for Medium-Range Weather Forecasts (ECMWF) is one of our most valued. Together, we are advancing understanding of weather and climate and making a real-world impact on the humanitarian aid response to extreme weather events. In 2019, 35 live joint projects, including large European projects, have enabled the latest Reading research to support ECMWF's work as the world-leading centre for medium-range weather forecasting. The partnership also supports the education and training of the next generation of climate scientists, at both master's and PhD level.



## GROWING SCIENTIFIC INNOVATION IN THAMES VALLEY

Tenants are moving into the flagship £35m Gateway building at our Thames Valley Science Park, which will provide flexible office and laboratory space and high-speed digital infrastructure for around 20 technology-led companies. Additionally, the Rutherford Cancer Centre has already opened, providing services for children and adults in the local community. A long-term project, the Science Park will take up to 20 years to fully develop, representing a significant investment for the University. It will not only be the largest dedicated science business park in the region, but also one of the largest in the south east. The campus-style setting has been designed to encourage collaboration, and once completed, it will have the potential to provide up to 5,000 new jobs.



## OPENING UP THE BRITISH MUSEUM'S COLLECTION

This is a first-of-its-kind partnership between a national museum and a UK university. Based in Wokingham, the centre will house objects from the British Museum's world-renowned archaeological collections, offering the opportunity for collaborative research and community engagement. Joint funding from the University and the British Museum will strengthen the partnership by supporting innovative scientific and historical research on the collections. The planned building will provide custom-designed space to store, study and share the collection. Construction will begin in 2019 and be completed by spring 2023.



## MEETING THE HEALTHCARE CHALLENGES OF THE REGION

The University is developing an even stronger partnership with the Royal Berkshire NHS Foundation Trust and the Berkshire Healthcare NHS Foundation Trust. Through collaborative research and knowledge exchange, we aim to address some of the most important healthcare challenges in the region. Existing work has included student placements in the Royal Berkshire Hospital for the Physician Associates programme, and research between bariatric and health psychologists to help understand motivations of patients who have undergone surgery. There are several joint clinics on the Whiteknights campus.

# 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 Office for Students (OfS), Research England, 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 University has reviewed – and continues to review – its governance arrangements, and is satisfied that the University has fully complied with OfS's and others' guidelines throughout the financial year, including being fully compliant with the CUC Code of Governance.

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 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, promoting teaching, learning and research, and making provision for the general welfare of students, with much of the detailed work falling to sub-committees.

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.

The Council has also:

- approved the annual report of the Audit Committee
- approved the annual Learning and Teaching Report
- approved the approach taken by the Remuneration Committee in setting senior staff pay and in adopting the CUC Remuneration Code
- received briefings, and provided advice to, the University, on such matters as student mental health and degree clarifications, and the University of Reading Malaysia
- approved, and monitored, significant capital investment.

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 separate 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 accountable officer as required by the Office for Students as part of its regulatory framework. 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, Heads of Service and Function, Deans, Heads of School and Heads of Function 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 of schools, departments and functions, 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.

Following a review of its effectiveness in 2016–17, the Senate has operated in a different form, with time devoted to one or two major items of strategy, led by senators who are not members of the Executive Board, as well as to necessary items of governance. Senators are positive about this new way of working. A significant change in the membership of Senate, encouraging a more diverse membership including more junior staff, was implemented in 2018–19.

## Committees of Council

The Council has six 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 four 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 is comprised solely of lay members. 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.
- the Investments Committee, which has responsibility for managing long-term investments of the University and its trusts, and overseeing the operational management of the investment property portfolio.

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. It 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 OfS, 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 Audit 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 that 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. The corporate risk register is 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.

No significant internal control weaknesses or failures arose during the financial year or have arisen up to the date these financial statements are signed.

During the year, the University and one of its connected trusts, the National Institute for Research in Dairying Trust (NIRD), have been in discussions to resolve some legacy governance issues that were self-reported to OfS and the Charity Commission. These discussions are progressing well and are still ongoing. To date, they have not raised any issues that would have a material impact on the University. The University is the sole Trustee of NIRD, and NIRD is accounted for as part of the University group.

## 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 that 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/OfS 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.
- 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

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, 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.

- 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.

## 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

# REPORT OF THE REMUNERATION COMMITTEE

This report summarises the business of the Remuneration Committee for the academic year and financial year to 31 July 2019, and sets out how the Committee had discharged its responsibilities.

The Remuneration Committee is one of six principal committees of the University's Council.

It 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 other members of the University Executive Board (UEB), Deans, Heads of School, the Professoriate and Grade 9 Professional and Managerial Staff.

Reports to the Committee highlight any staff whose pay exceeds £100k. The Committee also approves severance payments for any staff whose pay exceeds £100k, and approves all severance payments in excess of £90k. The Committee also approves any out-of-cycle salary increases, such as where retention cases are agreed.

It has the power to make recommendations to the Council on the contractual arrangements and the terms and conditions of employment for such staff.

In discharging its responsibilities the Committee is informed by, and adheres to, the requirements of the Higher Education Senior Staff Remuneration Code as set out by the Committee of University Chairs (CUC) and the Office for Student (OfS).

The Committee has five members, all of whom are lay members of the Council. Members are nominated to the Council by the Appointments and Governance Committee with due regard to the skills and experience required for the good-running of the Remuneration Committee.

## Members of the Committee for the reporting period were:

- **Dr Paul Preston** (President of the Council)
- **Mr Robin Evans** (Vice-President of the Council and Chair of the Committee)
- **Mrs Kate Owen** (Vice-President of the Council)
- **Mr Steve Sherman** (Lay member of the Council)
- **Mrs Sue Woodman** (Lay member of the Council)

It is chaired by a Vice-President of the Council, and the University Secretary, Head of Governance and the Director of Human Resources are in attendance at its meetings. No employees of the University are present when their own remuneration or expenses are under consideration.

## The Committee has met on three occasions in 2018/19 on the following dates:

- 22 October 2018
- 29 January 2019
- 11 June 2019

**Attendance at the meeting was as follows:**

	Eligible to attend	Actual attendance
<b>Dr Preston</b>	3	3
<b>Mr Evans</b>	3	3
<b>Mrs Owen</b>	3	3
<b>Mr Sherman</b>	3	3
<b>Mrs Woodman</b>	3	3

No declarations of interests were made by committee members in the reporting period.

The Committee reports directly to the Council and receives reports and recommendations from its Professorial Staff Salaries Advisory Group, its Senior Staff Salaries Advisory Group, and from the Vice-Chancellor in respect of his direct reports respectively. These Advisory Groups, the Vice-Chancellor 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 CUC and OfS may, from time to time, provide.

The Committee is committed to having a transparent and consistent approach to its work. There has been continued interest by stakeholders, regulators and the government regarding remuneration of University leaders and Vice-Chancellors in particular. Concerns have been raised about the levels of pay, value for money and transparency. The Committee has already taken steps to improve transparency and accountability through the provision of additional information. The Committee has agreed to increase further the information that it reports about the University's remuneration policies and approach toward senior post holders' rewards.

**Institutional context**

The University has more than 3,500 staff from more than 93 nations, and is home to more than 18,000 students from more than 150 countries.

We offer a wide range of programmes from the pure and applied sciences to languages, humanities, social sciences, business and arts. New research and the latest thinking continually feed into our teaching, with our academic staff working at the forefront of their fields of expertise, and we remain one of the most popular higher education choices in the UK. The University is one of the foremost research-led universities in the UK. It is home to 37 research divisions, many of which are recognised as international centres of excellence.

We have a global presence – with our Whiteknights and London Road campuses in Reading, Henley Business School (South Africa) in Johannesburg, and the University of Malaysia in Iskandar. The University also has a number of international partnerships and collaborations with institutions in China, USA, Canada, Malaysia, Russia, Ghana, Italy, Philippines, France, Australia, Thailand, the Netherlands, Singapore, Japan and Greece.

The University has recorded strong growth in its core tuition and research income streams, contributing to group income totalling £321m for the 2018–19 financial year.

We are investing a further £50m into improving our campus facilities, which includes upgrading existing facilities and creating brand new ones. This exciting programme of capital investment projects is known as 2026: TRANSFORM.

We are ranked among the top 20% of world institutions for five years (University of Reading is ranked 205th out of 1070 institutions ranked in the QS World University Rankings 2020 and was ranked among the top 20% in the QS World University Rankings 2016-19), 24th out of 116 UK institutions in the THE Student Experience Survey, 2018, and 32nd in the UK according to the THE World University Rankings for 2017-18, the Times and Sunday Times Good University 2018, and the Complete University Guide 2019.

## Approach to remuneration

The over-arching purpose of the Remuneration Committee is to assist the University with the effective recruitment, retention and motivation of staff. In doing so it is guided by, and abides with, the Committee of University Chairs (CUC) Remuneration Code, adapted as appropriate for local purposes (but with no diminution of its intent and purpose). The Committee is committed to ensuring fair, appropriate and justifiable levels of remuneration, and demonstrating procedural fairness, transparency and accountability.

Embracing diversity and inclusion is critical to the success of the University of Reading. The Remuneration Committee fully supports the University's commitment to diversity and inclusion, and is mindful of, and informed by, the University's stated targets for staff.

Insofar as it is possible, the Committee has aligned the arrangements for senior staff pay and reward with those mechanisms available for all staff. The majority of the University's staff are placed on one of eight grades, on a pay structure based on the national pay spine, and receive automatic annual incremental progression until they reach the top of the relevant grade. There are further opportunities to recognise contributions above and beyond normal expectations, ranging from small, celebratory vouchers, lump-sum payments and consolidated incremental increases. Senior staff have no expectation of automatic incremental progression, but have analogous arrangements to recognise and reward contribution. All staff receive the nationally agreed pay award determined annually via the Joint Negotiating Committee for Higher Education Staff (JNCHES).

The Committee's approach to the remuneration and reward of senior staff is set out in full within its Senior Staff Remuneration Policy.

The Committee has developed a strong evidence-based ethos to its work and has agreed the following guiding principles:

- ensure that salaries, benefits and any proposed adjustments to those represent good value for money and a proper use of public monies, seeking appropriate advice and guidance where required
- require all proposals for salary adjustment to have been appropriately scrutinised and be evidence-based
- recognise the value of appropriately rewarding staff for contributions that are above and beyond the normal expectations of their role
- expect ratios of senior staff pay to all University staff to be contained within reasonable and defensible parameters
- operate in the most transparent and accountable manner possible
- seek explanation if it considers there has been significant or persistent under performance, whether or not a salary adjustment is being proposed.

The Committee has access to a range of benchmark information to best inform its decision-making in respect of senior staff remuneration. The primary source of information is the annual UCEA Senior Staff Remuneration Survey. This survey provides comprehensive salary benchmarking across the HE sector. The Committee also has access to benchmarking reports from the Director of Human Resources, with particular attention drawn to comparator information relating to:

- Pre-1992 HEIs by income (£202m–£400m).
- HEIs within the London/South-East region.
- Russell Group HEIs.

The Committee seeks to contain senior staff salaries in the median-to-upper quartile range within the relevant comparator groups above, while being mindful of varying levels of individual contribution and length of service, and variations in portfolios of responsibilities.

Records of Committee meetings and decisions taken demonstrate adherence to the Committee's agreed practice and the principles noted above.

## Vice-Chancellor's remuneration

The Vice-Chancellor is the University's de facto Chief Executive Officer and, as such, has overall responsibility for the effective management of the University. The Vice-Chancellor is the accountable officer (as set out in OfS Regulatory Advice 10) responsible for effective governance and the financial stewardship of the University. The Vice-Chancellor is responsible to, and works closely with, the President of the Council in these matters and in all other aspects of the work of the governing body.

Working alongside Council members, the Senate and the University Executive Board, the Vice-Chancellor leads the strategic development of the University, ensuring its academic and financial sustainability.

The University has a global presence, and the Vice-Chancellor is required to promote its interests at home and overseas, and expected to develop strong relationships with government representatives, the Office for Students, Universities UK (the representative organisation for UK universities) and other key stakeholders.

The Vice-Chancellor role is highly visible, multifaceted and very challenging. Leading the institution, ensuring its good governance and financial stability, and representing its interests across a complex matrix of settings is time-consuming and demanding of the post-holder. With all of this in mind, the Remuneration Committee considers arrangements for the Vice-Chancellors' remuneration. The Committee utilises evidence from both inside and outside the higher education sector to benchmark the Vice-Chancellor's pay. The President of Council sets the Vice-Chancellor's objectives on the Committee's behalf, ensuring they are aligned to the University strategy.

The Vice-Chancellor's appraisal is conducted by the President of the Council, following consultation with the Remuneration Committee.

From the academic year 2018/19 onwards, decisions regarding the Vice-Chancellor's salary and any additional reward (consistent with the arrangements for other senior staff) will be taken at the autumn term meeting of the Remuneration committee on the basis of proposals presented by the President.

It should be noted that such decisions had previously been taken at the Committee's summer term meeting, the arrangements having been altered to allow the Committee the best opportunity to scrutinise senior staff performance in light of the objectives set, both collectively and individually, for institutional and personal performance during the whole of the relevant academic year.

In assessing personal and collective performance, the Committee gives due regard to a series of institutional performance indicators:

- financial performance – notably Academic Group Surplus and University Group Surplus
- student numbers – undergraduate and postgraduate
- research income – grant and contract income
- external accreditation – notably the Annual Provider Review, the Teaching Excellence Framework and the Research Excellence Framework
- league tables (for the previous five years) – notably the National Student Survey ("Overall Satisfaction" rating), *The Times and Sunday Times Good University Guide*, *The Guardian University Guide*, *The Complete University Guide*, *The Times Higher Education Student Experience Survey*, *The Times Higher Education World University Rankings*, and the QS World Rankings
- staff survey outcomes – notably the Employer of Choice, Advocacy and Quality of Service scores (as measured against agreed "acceptable" scores and higher education sector median scores).

Sir David Bell left the University on 21 September 2018. Professor Robert Van de Noort was Acting Vice-Chancellor, with effect from 22 September 2018, until his subsequent appointment as Vice-Chancellor, with effect from 22 February 2019.

The Remuneration Committee acknowledges the Vice-Chancellor's (Professor Van de Noort) personal request for a salary on appointment that was below the £220–£280k range, which members considered appropriate and reasonable for the role. This has had a significant impact on the ratios below.

The following table illustrates the full-time equivalent payments made to the Vice-Chancellor for each of the three periods above:

<b>Emoluments of the Vice-Chancellor</b>	<b>2018–19 Period 3</b>	<b>2018–19 Period 2</b>	<b>2018–19 Period 1</b>	<b>2017–18</b>
Salary	195,000	195,000	264,809	264,809
Bonus		3,000		
Performance-related pay <sup>1</sup>				2,000
Benefits			14,962	14,962
Sub-total	195,000	198,000	279,771	281,771
Pension costs	38,025	35,100	47,400	47,400
<b>Total</b>	<b>233,025</b>	<b>233,100</b>	<b>327,171</b>	<b>329,171</b>

The Vice-Chancellor also participates in the available salary sacrifice scheme in respect of his USS contributions; this opportunity is available to all staff across all the relevant pension schemes.

## Pay ratios

**Vice-Chancellor's basic pay ratio**  
(as measured against basic median pay for all staff):

Date	Median	Salary	Ratio
2017–2018	30,688	264,809	8.63–1
2018–2019 Period 1	30,688	264,809	8.63–1
2018–2019 Period 2	32,236	195,000	6.05–1
2018–2019 Period 3	30,395	195,000	6.42–1

**Vice-Chancellor's total pay ratio**  
(as measured against total median pay for all staff):

Date	Median	Salary	Ratio
2017–2018	30,688	281,771	9.18–1
2018–2019 Period 1	30,688	281,771	9.18–1
2018–2019 Period 2	32,402	198,000	6.11–1
2018–2019 Period 3	30,463	195,000	6.40–1

Period 1: 01/07/2018–21/09/2018  
Period 2: 22/09/2018–22/02/2019  
Period 3: 23/02/2019–31/07/2019

## Payments to members of the governing body

The Council is the University's governing body. 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, promoting teaching, learning and research, and making provision for the general welfare of students, with much of the detailed work falling to sub-committees. Here, 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. Lay members of the Council receive no remuneration for their role in these bodies although they are reimbursed for expenses incurred in attending meetings.

## External appointments

The Remuneration Committee accepts that senior staff may, from time to time, be engaged in work for outside bodies that may be paid or unpaid, recognising the potential value to the individual but also to the University in terms of profile, relationship-building, and exposure to outside thinking and processes. The University's general rules as set out within its Consultancy Policy apply equally to senior staff.

For senior staff, prior approval for outside work, not being undertaken in the individual's private time, must be sought before any commitment is made. The President of Council will agree broadly the range of external commitments appropriate for the Vice-Chancellor, explicitly approving further activity on a case-by-case basis. The same principle applies for other senior staff, with approval to be granted by the Vice-Chancellor.

<sup>1</sup> The University does not operate a formal performance-related pay scheme; however, the Remuneration Committee may award a bonus (in the form of a one-off lump sum payment). See Senior Staff Remuneration Policy.

Approval will not be granted where there is a clear conflict of interest, there is no clear value to the individual's development or to the University, or where the time commitment is deemed inconsistent with the needs of the substantive University post. Senior staff must ensure that they meet all the reasonable requirements of their University employment.

Approved additional earnings, other than that classified as University Consultancy, may be retained by the individual member of senior staff. All such earnings should be disclosed and may be subject to audit from time to time.

## Expenses

The University's rules – as set out in its Travel and other Expenses, Benefits, Hospitality and Gifts policy – apply equally to senior staff.

Senior staff are allowed to reclaim their proper and reasonable business expenses, but they are expected to apply sensible discretion.

All expenses of members of UEB are published openly. The Remuneration Committee have access to such reports and reserve the right to seek further details and explanation of particular items.

## Details on compensation for loss of office

No severance arrangements have required the Remuneration Committee's approval during 2018–19.

## Committee activities during 2018/19

In addition, during 2018/19, the Committee has:

- (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, including USS
- (vi) reviewed the Henley Business School salary structure
- (vii) established a policy on market-related supplements
- (viii) undertaken a review of the Grade 9 pay and grading structure
- (ix) 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 2019
- (x) 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 2019
- (xi) noted work being undertaken in regard to the Staff Survey results 2018
- (xii) discussed an approach to managing the performance of members of the University Executive Board
- (xiii) reviewed guidance issued by the OfS, UCEA and HEFCE
- (xiv) reviewed and discussed the Gender Pay Gap Report.

# THE COUNCIL AND OFFICERS

## The Council

### **Class 1: Ex officio**

The Vice-Chancellor

The Deputy Vice-Chancellor

Three of the Pro-Vice-Chancellors

The Dean of the Henley Business School (Professor J.L.G. Board, BA, PhD)

### **Class 2: Sixteen persons not being employees or registered students of the University to be appointed by the Council**

Mr T. Beardmore-Gray, MA, FCA (Chair of Audit Committee)

Mr K. Corrigan, BA, FCCA

Mrs P. Egan, BA, CBE

Dr P.A. Erskine, BA, Hon LLD

Mr R.E.R. Evans, BSc, FRICS (Vice-President of the Council and Chair of Remuneration Committee)

Mrs H. Gordon, MBA

Mrs K. Owen, BA (Vice-President of Council and Chair of the Student Experience Committee)

Dr P.R. Preston, BSc, PhD (President of the Council)

Mr S.C.C. Pryce, BSc, ACA (Chair of the Investments Committee)

Dr B. Rawal, BSc, MBBS, MSc, FRCPath, FFPM

Mr S.P. Sherman, FCA

Ms S.M. Woodman, BA

### **Class 3: 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 under Ordinance A1**

Professor L.T. Butler, BA, PhD (resigned with effect from 31 March 2019)

Professor J.R. Park, BSc, CertEd, PhD

### **Class 4: One member of the Senate not being a registered student of the University to be appointed by the Senate**

Professor C.L. Furneaux, EdD, MA, Dip TEO, NTF, SFHEA

### **Class 5: One member of staff who is employed in grades 6-9 at the time of his or her election shall be elected by and amongst his or her own number**

Professor C.L. Furneaux, EdD, MA, Dip TEO, NTF, SFHEA

### **Class 6: One member of staff who is employed in grades 1-5 at the time of his or her election shall be elected by and from amongst his or her own number**

Ms M. Hargreaves

**Class 7: Two Officers of the Students' Union and two alternates as determined from time to time by the Council after consultation with the Students' Union.**

The President of the Students' Union

Welfare Officer of the Students' Union

## The Officers of the University

### Chancellor

The Rt. Hon. the Lord Waldegrave of North Hill

### Vice-Chancellor

Sir David Bell, KCB, MA, MEd, DipEd, PGCE, HonDUniv, HonEdD (until 21 September 2018)

Prof. R. Van de Noort, BA, Drs, PhD, FSA, PFHEA (acting from 22 September 2018, permanent from 22 February 2019)

### President of the Council

Dr P.R. Preston, BSc, PhD

### Vice-Presidents of the Council

Mr R.E.R. Evans, BSc, FRICS

Mrs K. Owen, BA

### Deputy Vice-Chancellor

Professor R. van de Noort, BA, Drs, PhD, FSA, PFHEA (until 21 September 2018)

Professor G. Brooks, BPharm, PhD, MRPharmS, FAHA (from 22 September 2018)

### Pro-Vice-Chancellors

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

Professor M. Fellowes, BSc, ARCS, PhD, DIC, PgCert, FRSB (from 22 September 2018)

Mr V. Raimo BA, MA, FCIM

Professor P. Yaqoob, MA, MPhil, RNutr, Fafn, FHEA

Professor D. Zaum, BA, MPhil, DPhil

### Heads of Service

Ms S. Foley, Chief Financial Officer, BA, FCPFA

Dr R.J. Messer, Chief Strategy Officer and University Secretary, BA, PhD

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

## Report on the audit of the financial statements

### Opinion

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

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

We have audited the financial statements which comprise:

- the Group and University statements of comprehensive income
- the Group and University statements of changes in reserves
- the Group and University statements of financial position
- the Group statement of cash flows
- the statement of principal accounting policies
- the related notes 1 to 37.

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

### Basis for opinion

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

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

### Conclusions relating to going concern

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

- the Council's use of the going concern basis of accounting in preparation of the financial statements is not appropriate or
- the Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the University's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

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

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

We have nothing to report in respect of these matters.

### **Responsibilities of the Council**

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

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

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

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

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

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

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

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes during the year ended 31 July 2019 have been applied to those purposes and managed in accordance with relevant legislation
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2019
- the requirements of the OfS's Accounts Direction have been met.

### **Use of our report**

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

## **Deloitte LLP**

Statutory Auditor  
St Albans, United Kingdom  
27 November 2019

## Statement of comprehensive income

Year ended 31 July 2019

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Note Income</b>				
1 Tuition fees and education contracts	183,632	182,921	174,972	173,370
2 Funding body grants	30,537	29,771	30,537	29,771
3 Research grants and contracts	39,389	38,882	39,128	38,641
4 Other income	54,584	60,486	52,622	59,045
5 Investment income	5,974	2,335	3,579	393
6 Donations and endowments	7,499	2,780	4,619	1,861
<b>Total income</b>	<b>321,615</b>	<b>317,175</b>	<b>305,457</b>	<b>303,081</b>
<b>Expenditure</b>				
7 Staff costs	188,115	175,329	180,458	168,910
7, 23 Staff costs - movement in pension provision	59,906	(324)	59,906	(324)
Other operating expenses	107,033	128,511	101,292	118,905
11, 12 Depreciation and amortisation	31,100	39,073	30,067	27,864
8 Interest and other finance costs	5,306	6,320	5,783	6,746
9 <b>Total expenditure</b>	<b>391,460</b>	<b>348,909</b>	<b>377,506</b>	<b>322,101</b>
<b>Total income less total expenditure</b>	<b>(69,845)</b>	<b>(31,734)</b>	<b>(72,049)</b>	<b>(19,020)</b>
Gain/(loss) on disposal of property, plant and equipment	2,527	1,508	(722)	(89)
15 Gain/(loss) on disposal of investment properties	17,953	(10)	17,953	(8)
Gain on disposal of investments	5,125	1,862	-	-
15 (Loss)/gain on revaluation of investment properties	(4,483)	4,120	(6,707)	2,991
Gain on revaluation of investments	5,331	2,420	967	504
Impairment of non-current investments	-	-	-	(8,087)
17 Share of operating surplus in associates	209	1,570	-	-
<b>Deficit before tax</b>	<b>(43,183)</b>	<b>(20,264)</b>	<b>(60,558)</b>	<b>(23,709)</b>
10 Taxation charge	(153)	(192)	(126)	(92)
<b>Deficit for the year (including (increase)/decrease in pension provision)</b>	<b>(43,336)</b>	<b>(20,456)</b>	<b>(60,684)</b>	<b>(23,801)</b>
17 Surplus on revaluation of property, plant and equipment held by associate	1,952	-	-	-
17 Tax credit on revaluation of property, plant and equipment held by associate	-	1,527	-	-
36 Remeasurement (losses)/gains in respect of pension schemes	(15,201)	35,802	(15,201)	35,802
Exchange differences on consolidation of overseas subsidiaries	(1,957)	(109)	-	-
<b>Total comprehensive (loss)/income for the year</b>	<b>(58,542)</b>	<b>16,764</b>	<b>(75,885)</b>	<b>12,001</b>
Represented by:				
Endowment comprehensive income for the year	18,595	6,255	2,802	641
Restricted comprehensive income/(loss) for the year	1,107	(1,209)	952	(1,325)
Unrestricted comprehensive (loss)/income for the year	(80,196)	10,191	(79,639)	12,685
Revaluation reserve comprehensive income for the year	1,952	1,527	-	-
	<b>(58,542)</b>	<b>16,764</b>	<b>(75,885)</b>	<b>12,001</b>

## Statement of changes in reserves

### Year ended 31 July 2019

	Income and expenditure account				Total £'000
	Endowment	Restricted	Unrestricted	Revaluation reserve	
	£'000	£'000	£'000	£'000	
<b>Consolidated</b>					
<b>At 1 August 2017</b>	<b>214,178</b>	<b>1,993</b>	<b>185,665</b>	<b>50,485</b>	<b>452,321</b>
Surplus/(deficit) for the year	6,255	(1,209)	(25,502)	-	(20,456)
Other comprehensive income	-	-	35,693	1,527	37,220
Transfers between endowment and unrestricted reserves	(323)	-	323	-	-
<b>At 1 August 2018</b>	<b>220,110</b>	<b>784</b>	<b>196,179</b>	<b>52,012</b>	<b>469,085</b>
Surplus/(deficit) for the year	18,595	1,107	(63,038)	-	(43,336)
Other comprehensive income	-	-	(17,158)	1,952	(15,206)
Transfers between endowment and unrestricted reserves	(9)	-	9	-	-
<b>At 31 July 2019</b>	<b>238,696</b>	<b>1,891</b>	<b>115,992</b>	<b>53,964</b>	<b>410,543</b>
	Income and expenditure account				Total £'000
	Endowment	Restricted	Unrestricted	Revaluation reserve	
	£'000	£'000	£'000	£'000	
<b>University</b>					
<b>At 1 August 2017</b>	<b>14,018</b>	<b>1,498</b>	<b>161,944</b>	<b>37,814</b>	<b>215,274</b>
Surplus/(deficit) for the year	641	(1,325)	(23,117)	-	(23,801)
Other comprehensive income	-	-	35,802	-	35,802
<b>At 1 August 2018</b>	<b>14,659</b>	<b>173</b>	<b>174,629</b>	<b>37,814</b>	<b>227,275</b>
Surplus/(deficit) for the year	2,802	952	(64,438)	-	(60,684)
Other comprehensive income	-	-	(15,201)	-	(15,201)
<b>At 31 July 2019</b>	<b>17,461</b>	<b>1,125</b>	<b>94,990</b>	<b>37,814</b>	<b>151,390</b>

## Statement of financial position

At 31 July 2019

	Consolidated		University	
	2019 £'000	2018 <i>restated</i> £'000	2019 £'000	2018 <i>restated</i> £'000
<b>Note Non-current assets</b>				
<b>11</b> Intangible assets	11,652	7,706	11,652	7,706
<b>12</b> Property, plant and equipment	377,292	359,131	360,232	341,024
<b>13</b> Heritage assets	39,346	39,346	39,167	39,167
<b>14</b> Biological assets	590	592	590	592
<b>15</b> Investment properties	93,242	140,606	66,019	115,562
<b>16</b> Non-current investments	23,898	20,718	23,708	20,487
<b>17</b> Investments in associates	22,751	20,590	10,567	10,567
	<b>568,771</b>	<b>588,689</b>	<b>511,935</b>	<b>535,105</b>
<b>Current assets</b>				
Stock	1,285	1,329	1,272	1,300
<b>18</b> Trade and other receivables	102,074	80,429	97,759	56,023
<b>19</b> Current investments	99,152	66,859	-	-
Cash and cash equivalents	47,123	57,734	43,617	55,992
	<b>249,634</b>	<b>206,351</b>	<b>142,648</b>	<b>113,315</b>
<b>20 Creditors:</b> Amounts falling due within one year	(136,617)	(124,219)	(239,597)	(224,184)
<b>Net current assets/(liabilities)</b>	<b>113,017</b>	<b>82,132</b>	<b>(96,949)</b>	<b>(110,869)</b>
<b>Total assets less current liabilities</b>	<b>681,788</b>	<b>670,821</b>	<b>414,986</b>	<b>424,236</b>
<b>21 Creditors:</b> Amounts falling due after more than one year	(188,102)	(193,053)	(181,318)	(184,972)
<b>Provisions</b>				
<b>23</b> Pension provisions	(68,890)	5,846	(68,890)	5,846
<b>24</b> Other provisions	(14,253)	(14,529)	(13,388)	(17,835)
<b>Total net assets</b>	<b>410,543</b>	<b>469,085</b>	<b>151,390</b>	<b>227,275</b>
<b>Restricted reserves</b>				
<b>25</b> Income and expenditure reserve – endowment	238,696	220,110	17,461	14,659
<b>26</b> Income and expenditure reserve – other restricted	1,891	784	1,125	173
<b>Unrestricted reserves</b>				
Income and expenditure reserve – unrestricted	115,992	196,179	94,990	174,629
Revaluation reserve	53,964	52,012	37,814	37,814
<b>Total reserves</b>	<b>410,543</b>	<b>469,085</b>	<b>151,390</b>	<b>227,275</b>

The financial statements on pages 58 to 95 were approved by Council on 27 November 2019, and signed on its behalf by:

**Dr P R Preston**  
President of the Council

**Professor R Van de Noort**  
Vice-Chancellor

**Ms S Foley**  
Chief Financial Officer

## Statement of cash flows

Year ended 31 July 2019

	Consolidated	
	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>		
Deficit for the year before tax	(43,183)	(20,264)
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	31,100	39,073
Loss/(gain) on revaluation of investment properties	4,483	(4,120)
Gain on revaluation of investments	(5,331)	(2,420)
Gain on revaluation of biological assets	(41)	(96)
Exchange differences	(1,970)	(600)
Decrease/(increase) in stock	44	(62)
Decrease/(increase) in receivables	275	(401)
Increase in creditors	10,742	4,091
Increase/(decrease) in pension provisions	59,949	(1,572)
(Decrease)/increase in other provisions	(276)	12,969
Share of operating surplus in associates	(209)	(1,570)
<b>Adjustments for investing or financing activities:</b>		
Investment income	(5,974)	(2,335)
Capital grant income	(1,912)	(7,828)
New endowments	(1,606)	(25)
Interest payable	5,306	6,320
Gain on disposal of property, plant and equipment	(2,527)	(1,508)
(Gain)/loss on disposal of investment properties	(17,953)	10
Gain on disposal of investments	(5,125)	(1,862)
	<b>25,792</b>	<b>17,800</b>
Tax paid	(291)	(192)
<b>Net cash inflow from operating activities</b>	<b>25,501</b>	<b>17,608</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of property, plant and equipment and investment properties	24,922	1,588
Proceeds from sales of land in previous years	25,000	15,000
Net payments for investments	(25,019)	(1,106)
Investment income	4,835	2,242
Capital grants received	1,912	7,828
Payments made to acquire property, plant and equipment	(60,229)	(46,516)
Net receipts/(payments) for biological assets	43	(20)
Payments made to acquire investment properties	(1,446)	(361)
	<b>(29,982)</b>	<b>(21,345)</b>
<b>Cash flows from financing activities</b>		
New endowments	1,606	25
Interest paid	(4,581)	(5,699)
New unsecured loans	-	50,000
Repayments of amounts borrowed	(3,155)	(3,177)
	<b>(6,130)</b>	<b>41,149</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>	<b>(10,611)</b>	<b>37,412</b>
Cash and cash equivalents at beginning of the year	57,734	20,322
<b>Cash and cash equivalents at end of the year</b>	<b>47,123</b>	<b>57,734</b>

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The University of Reading is registered with the Office for Students (OfS) in England. The address of the registered office is Whiteknights House, Whiteknights, Reading, RG6 6UR.

## Statement of compliance

The Group and University financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015. They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Accounts Direction issued by the OfS, the terms and conditions of funding for higher education institutions issued by OfS, and the terms and conditions of the Research England grant.

The University has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for the University in its separate financial statements.

The University is a public benefit entity and has therefore applied the relevant public benefit requirements of applicable UK laws and accounting standards.

## Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain assets including investment properties, biological assets and certain investments.

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report. This report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities.

The Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the annual financial statements. Furthermore, 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 University's financial strategy has a clear focus on sustainability and facilitating efficient and effective working practices.

The financial statements are prepared in sterling, which is the functional currency of the Group and rounded to the nearest £'000.

## 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 in the statement of financial position 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 that are recognised within the statement of comprehensive income when the University is entitled to the income and any performance-related conditions have been met.

Where donations and endowments include donor-imposed restrictions, income is retained within a 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.

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 property, plant and equipment, 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 that 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 that has both defined benefit and defined contribution elements. 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 that 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, and the rates of contribution payable being determined by the trustees on the advice of the actuary. 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, the net financing cost attributable to the pension liabilities and return on assets and administrative expenses paid from plan 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 that 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

Items of property, plant and equipment held under service concession arrangements are recognised in the statement of financial position 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 property, plant and equipment, 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 in the statement of financial position 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 reporting 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 reporting 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 Part 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 UK corporation tax 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 expenditure. Irrecoverable VAT is included in the costs of such expenditure. Any irrecoverable VAT allocated to an item of property, plant and equipment is included in its cost.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full in respect of all timing differences that have originated but not reversed at the reporting 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 reporting 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 reporting 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.

## Intangible assets

Intangible assets acquired or developed are initially recognised at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

Software acquired or developed	4–10 years
--------------------------------	------------

A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable.

## Property, plant and equipment

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

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

Where material, the anticipated useful economic life of PPE is reviewed annually, and the accumulated and future depreciation adjusted.

Expenditure to ensure that PPE maintains its 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. The expected useful lives of these components are shown below, although where it is expected that an individual asset will have a shorter or longer useful life, its life is adjusted accordingly.

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. The expected useful lives by class of asset are shown below, although where it is expected that an individual asset will have a shorter or longer useful life, its life is adjusted accordingly.

Plant and machinery	10 years
General equipment	10 years
Computers	4 years
Motor vehicles	4 years
Equipment acquired for specific research projects	3 years

### (iii) Impairment

A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of an item of PPE may not be recoverable.

### (iv) Borrowing costs

Borrowing costs directly relating to expenditure on the construction, development or major refurbishment of qualifying PPE 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 stated at cost less accumulated impairment losses. Heritage assets are capitalised where information on their cost or value is available. Where this information is not available without undue cost, the assets are not capitalised. 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 that 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 in the statement of financial position.

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 reporting date.

## Investments in associated undertakings

Associated undertakings are those entities in which the University has significant influence, but not control, over the financial and operating policies. In the consolidated financial statements, investments in associated undertakings are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the surplus or deficit and other comprehensive income of the associate.

## Stock

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

## Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group has chosen to adopt sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments.

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of a financial instrument and they are classified according to the substance of the contractual arrangements entered into.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

**(i) 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.

**(ii) Investments**

Investments that are publicly traded, or where their fair value can be measured reliably, are subsequently measured at fair value with movements recognised in the statement of comprehensive income. Other investments, including investments in subsidiaries and associates, are subsequently measured at cost less any provision for impairment in their value in the University's statement of financial position.

Where fair value measurement is applied, the best evidence of fair value is considered to be a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

**(iii) Debt instruments**

Debt instruments payable or receivable that meet the conditions in paragraph 11.8(b) of FRS 102 are subsequently measured at amortised cost using the effective interest method. Other debt instruments not meeting these conditions are measured at fair value with movements recognised in the statement of comprehensive income.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or, substantially, all of the risks and rewards of the ownership of the asset are transferred to another party.

Financial liabilities are de-recognised only when the obligation specified in the contract is discharged, is cancelled or expires.

Financial assets and liabilities are only offset in the statement of financial position when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Full-time home and EU students	101,357	100,721	101,357	100,720
Full-time international students	59,836	60,072	56,589	56,308
Part-time students	14,305	15,024	10,358	10,554
Research training support grants	5,107	4,957	5,107	4,957
Short course fees	1,466	1,316	-	-
Education contracts	1,561	831	1,561	831
	<b>183,632</b>	<b>182,921</b>	<b>174,972</b>	<b>173,370</b>

2 Funding body grants	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Recurrent grants</b>				
Office for Students	5,597	5,569	5,597	5,569
Research England	17,426	17,304	17,426	17,304
Capital grants	1,802	2,573	1,802	2,573
<b>Specific grants</b>				
OfS, UK Research and Innovation and HEFCE	3,238	2,198	3,238	2,198
Higher Education Innovation Fund	2,474	2,127	2,474	2,127
	<b>30,537</b>	<b>29,771</b>	<b>30,537</b>	<b>29,771</b>

The University receives its main grant funding from the Office for Students (OfS) and UK Research and Innovation (via Research England). In the previous year, it received grants from the Higher Education Funding Council for England (HEFCE) from 1 August 2017 until 31 March 2018.

3 Research grants and contracts	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Research councils	17,215	18,680	17,215	18,680
Charities	3,469	3,416	3,469	3,416
Industry and commerce	6,264	5,500	6,137	5,377
Government (UK and overseas)	12,441	11,239	12,307	11,121
Research and Development Expenditure Credit (RDEC)	-	47	-	47
	<b>39,389</b>	<b>38,882</b>	<b>39,128</b>	<b>38,641</b>

4 Other income	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Residences, catering and conferences	10,251	10,585	10,237	10,565
Other revenue grants	863	903	863	902
Other capital grants	110	5,255	119	5,577
Other income	43,360	43,743	41,403	42,001
	<b>54,584</b>	<b>60,486</b>	<b>52,622</b>	<b>59,045</b>

Other income arises from a number of sources including executive education, property rentals, catering, conferences, the SportsPark, consultancy and enterprise activities.

5 Investment income	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Income from short-term investments	4,742	1,989	2,440	300
Interest receivable on the deferred proceeds of sale of land	93	253	-	-
Net return on pension scheme	1,139	93	1,139	93
	<b>5,974</b>	<b>2,335</b>	<b>3,579</b>	<b>393</b>

6 Donations and endowments	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
New endowments	1,606	25	1,606	25
Donations with restrictions	3,060	1,721	2,723	1,390
Unrestricted donations	500	643	290	446
Income from site-servicing arrangements	2,333	391	-	-
	<b>7,499</b>	<b>2,780</b>	<b>4,619</b>	<b>1,861</b>

7 Staff costs	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Salaries	134,869	130,610	129,498	125,530
Social security costs	13,585	12,789	13,045	12,513
Pension costs	33,010	31,280	32,648	30,496
Other staff costs	6,651	650	5,267	371
	<b>188,115</b>	<b>175,329</b>	<b>180,458</b>	<b>168,910</b>
Movement in USS pension provision (see note 23)	59,906	(324)	59,906	(324)
	<b>248,021</b>	<b>175,005</b>	<b>240,364</b>	<b>168,586</b>

### Vice-Chancellor's remuneration

The Vice-Chancellor is the University's de facto Chief Executive Officer, and as such has overall responsibility for the effective management of the University. The Vice-Chancellor is the accountable officer responsible for effective governance and the financial stewardship of the University. The Vice-Chancellor is responsible to and works closely with the President of the Council in these matters and in all other aspects of the work of the governing body. Working alongside Council members, the Senate and the University Executive Board, the Vice-Chancellor leads the strategic development of the University, ensuring its academic and financial sustainability.

The University has a global presence and the Vice-Chancellor is required to promote its interests at home and overseas, and is expected to develop strong relationships with government representatives, the Office for Students, the UUK and other key stakeholders. The Vice-Chancellor role is highly visible, multi-faceted and very challenging. Leading the institution, ensuring its good governance and financial stability, and representing its interests across a complex matrix of settings is time-consuming and demanding of the post-holder. With all of this in mind, the Remuneration Committee considers arrangements for the Vice-Chancellor's remuneration. The Committee utilises evidence from both inside and outside the higher education sector to benchmark the Vice-Chancellor's pay.

The President of Council sets the Vice-Chancellor's objectives on the Committee's behalf, ensuring they are aligned to the University strategy. The Vice-Chancellor's appraisal is conducted by the President of the Council following consultation with the Remuneration Committee. In assessing personal and collective performance, the Committee gives due regard to a series of institutional performance indicators including financial performance, student numbers, research income, external accreditation, league tables and staff survey outcomes.

Sir David Bell left the University on 21 September 2018. Professor Robert Van de Noort was Acting Vice-Chancellor with effect from 22 September 2018 until his subsequent appointment as Vice-Chancellor with effect from 22 February 2019.

## 7 Staff costs (continued)

	Sir David Bell		Professor Robert Van de Noort	
	1 Aug 2018	1 Aug 2017	22 Sep 2018	N/A
From:				
To:	21 Sep 2018	31 Jul 2018	31 Jul 2019	N/A
	£000	£000	£000	£000
Salary	38	265	177	-
Bonus	-	-	3	-
Performance-related pay	-	2	-	-
Living accommodation provided	2	15	-	-
	<b>40</b>	<b>282</b>	<b>180</b>	-
Pension contributions to USS	7	47	33	-
	<b>47</b>	<b>329</b>	<b>213</b>	-

University pension contributions to USS are paid at the same rate as for other academic staff. The Vice-Chancellor also participates in salary sacrifice schemes in respect of his USS contributions and the University's car parking charges; such opportunities are available to all staff.

The current Vice Chancellor's basic salary is 6.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis. His total remuneration is currently 6.5 times the median total remuneration of staff.

The previous Vice Chancellor's basic salary was 8.7 times the median pay of staff (2018: 8.6), where the median pay is calculated on a full-time equivalent basis. His total remuneration was 9.2 times the median total remuneration of staff (2018: 9.2).

### Higher paid staff

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

	2019	2018
	Number	Number
£100,000 to £104,999	13	10
£105,000 to £109,999	8	9
£110,000 to £114,999	9	8
£115,000 to £119,999	4	5
£120,000 to £124,999	5	2
£125,000 to £129,999	2	6
£130,000 to £134,999	4	-
£135,000 to £139,999	-	3
£140,000 to £144,999	2	3
£145,000 to £149,999	1	1
£150,000 to £154,999	1	-
£155,000 to £159,999	3	2
£195,000 to £199,999	1	-
£200,000 to £204,999	-	1
£220,000 to £224,999	1	-
£260,000 to £264,999	-	1
£265,000 to £269,999	1	-
	<b>55</b>	<b>51</b>

	2019	2018
	£000	£000
Compensation for loss of office to 336 employees (2018: 66)	6,382	612

## 7 Staff costs (continued)

### 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 Financial Officer and the Chief Strategy Officer and University Secretary. This covers seven posts (2018: seven).

	2019	2018
	£000	£000
Salary and benefits of key management personnel (including pension contributions)	1,175	1,297

### Average staff numbers by major category:

	Number	Number
Academic	988	975
Research	350	363
Management and specialist	988	917
Technical	160	158
Other	1,103	1,088
	<b>3,589</b>	<b>3,501</b>

## 8 Interest and other finance costs

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loan interest	5,194	4,767	5,194	4,767
Net interest charge on pension schemes	725	621	725	621
Exchange differences	(16)	(25)	(21)	(42)
Other	(597)	957	(115)	1,400
	<b>5,306</b>	<b>6,320</b>	<b>5,783</b>	<b>6,746</b>

## 9 Analysis of total expenditure by activity

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Academic and related expenditure	157,518	148,491	151,446	142,684
Administration and central services	65,431	65,685	60,796	60,585
Premises	40,823	59,885	38,820	55,880
Catering and conferences	13,503	11,876	12,863	11,356
Research grants and contracts	39,740	38,607	39,487	38,605
Other expenses	14,539	24,689	14,188	13,315
Movement in USS pension provision	59,906	(324)	59,906	(324)
	<b>391,460</b>	<b>348,909</b>	<b>377,506</b>	<b>322,101</b>

**9 Analysis of total expenditure by activity (continued)**

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Operating lease rentals</b>				
Land and buildings	(1,901)	5,753	1,412	1,902
Other	432	260	187	164
<b>External auditor's remuneration</b>				
Audit services	204	199	112	115
Non-audit services	24	19	10	10

The consolidated operating lease rentals for land and buildings in the current year include a credit of £7,003k arising from a retrospective reduction in the rent payable at the University's campus in Malaysia.

**10 Taxation charge**

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Overseas – current tax	382	178	126	84
Overseas – deferred tax	(229)	5	-	-
Other	-	9	-	8
	<b>153</b>	<b>192</b>	<b>126</b>	<b>92</b>

Most of the University's activities in the UK are exempt from corporation tax.

**11 Intangible assets****Consolidated and University**

	Software £'000	Software under development £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2018 – restated	6,207	2,688	8,895
Additions	2,394	2,487	4,881
Transfers between categories	2	(2)	-
<b>At 31 July 2019</b>	<b>8,603</b>	<b>5,173</b>	<b>13,776</b>
<b>Amortisation</b>			
At 1 August 2018 – restated	1,189	-	1,189
Charge for the year	935	-	935
<b>At 31 July 2019</b>	<b>2,124</b>	<b>-</b>	<b>2,124</b>
<b>Net book value at 31 July 2019</b>	<b>6,479</b>	<b>5,173</b>	<b>11,652</b>
<b>Net book value at 31 July 2018 – restated</b>	<b>5,018</b>	<b>2,688</b>	<b>7,706</b>

## 11 Intangible assets (continued)

During the year, the University identified a number of items that had been incorrectly disclosed as property, plant and equipment in previous years as they relate to software purchased or developed. The 2018 figures have been restated to correct the historic misclassification of these intangible assets as shown below:

<b>At 31 July 2018</b>	Software £'000	Software under development £'000	Total £'000
<b>Cost or valuation</b>			
Reported in previous year's financial statements	-	-	-
Adjustment to correct misclassification	6,207	2,688	8,895
<b>At 31 July 2018 – restated</b>	<b>6,207</b>	<b>2,688</b>	<b>8,895</b>
<b>Amortisation</b>			
Reported in previous year's financial statements	-	-	-
Adjustment to correct misclassification	1,189	-	1,189
<b>At 31 July 2018 – restated</b>	<b>1,189</b>	<b>-</b>	<b>1,189</b>
<b>Net book value</b>			
Reported in previous year's financial statements	-	-	-
Adjustment to correct misclassification	5,018	2,688	7,706
<b>At 31 July 2018 – restated</b>	<b>5,018</b>	<b>2,688</b>	<b>7,706</b>

## 12 Property, plant and equipment

<b>Consolidated</b>	Land and buildings £'000	Plant and machinery £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2018 – restated	439,500	43,996	118,176	40,765	642,437
Additions	10,778	-	5,268	39,302	55,348
Transfers between categories	29,273	-	468	(29,741)	-
Transfers to investment properties	(10,970)	(39)	(25)	-	(11,034)
Disposals	(11,345)	(3,216)	(35,429)	-	(49,990)
Exchange differences	18	-	189	-	207
<b>At 31 July 2019</b>	<b>457,254</b>	<b>40,741</b>	<b>88,647</b>	<b>50,326</b>	<b>636,968</b>
<b>Depreciation</b>					
At 1 August 2018 – restated	174,370	23,095	85,841	-	283,306
Charge for the year	17,413	3,761	8,991	-	30,165
Transfers to investment properties	(4,878)	(11)	(22)	-	(4,911)
Disposals	(11,116)	(3,040)	(34,922)	-	(49,078)
Exchange differences	13	-	181	-	194
<b>At 31 July 2019</b>	<b>175,802</b>	<b>23,805</b>	<b>60,069</b>	<b>-</b>	<b>259,676</b>
<b>Net book value at 31 July 2019</b>	<b>281,452</b>	<b>16,936</b>	<b>28,578</b>	<b>50,326</b>	<b>377,292</b>
<b>Net book value at 31 July 2018 – restated</b>	<b>265,130</b>	<b>20,901</b>	<b>32,335</b>	<b>40,765</b>	<b>359,131</b>

## 12 Property, plant and equipment (continued)

<b>University</b>	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
<b>Cost or valuation</b>	£'000	£'000	£'000	£'000	£'000
At 1 August 2018 – restated	409,030	43,996	110,782	40,765	604,573
Additions	10,586	-	5,067	39,302	54,955
Transfers between categories	29,273	-	468	(29,741)	-
Transfers to investment properties	(10,685)	(39)	(25)	-	(10,749)
Disposals	(4,681)	(3,217)	(31,486)	-	(39,384)
<b>At 31 July 2019</b>	<b>433,523</b>	<b>40,740</b>	<b>84,806</b>	<b>50,326</b>	<b>609,395</b>
<b>Depreciation</b>					
At 1 August 2018 – restated	161,756	23,095	78,698	-	263,549
Charge for the year	16,463	3,761	8,908	-	29,132
Transfers to investment properties	(4,851)	(11)	(22)	-	(4,884)
Disposals	(4,613)	(3,041)	(30,980)	-	(38,634)
<b>At 31 July 2019</b>	<b>168,755</b>	<b>23,804</b>	<b>56,604</b>	<b>-</b>	<b>249,163</b>
<b>Net book value at 31 July 2019</b>	<b>264,768</b>	<b>16,936</b>	<b>28,202</b>	<b>50,326</b>	<b>360,232</b>
<b>Net book value at 31 July 2018 – restated</b>	<b>247,274</b>	<b>20,901</b>	<b>32,084</b>	<b>40,765</b>	<b>341,024</b>

As stated in note 11, the University identified a number of items that had been incorrectly disclosed as property, plant and equipment in previous years which should have been classified as intangible assets. Furthermore, a detailed review of property, plant and equipment carried out during the year identified a need to restate the allocation of the previous year's cost and depreciation between land and buildings, plant and machinery, equipment and assets under construction. The effect of these adjustments is shown below:

<b>Consolidated – at 31 July 2018</b>	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
<b>Cost or valuation</b>	£'000	£'000	£'000	£'000	£'000
Reported in previous year's financial statements	441,827	17,250	147,759	45,223	652,059
Reclassified as intangible assets	-	-	(6,207)	(2,688)	(8,895)
Category reallocations	(2,327)	26,746	(23,376)	(1,770)	(727)
<b>At 31 July 2018 – restated</b>	<b>439,500</b>	<b>43,996</b>	<b>118,176</b>	<b>40,765</b>	<b>642,437</b>
<b>Depreciation</b>					
Reported in previous year's financial statements	184,155	9,132	91,935	-	285,222
Reclassified as intangible assets	-	-	(1,189)	-	(1,189)
Category reallocations	(9,785)	13,963	(4,905)	-	(727)
<b>At 31 July 2018 – restated</b>	<b>174,370</b>	<b>23,095</b>	<b>85,841</b>	<b>-</b>	<b>283,306</b>
<b>Net book value</b>					
Reported in previous year's financial statements	257,672	8,118	55,824	45,223	366,837
Reclassified as intangible assets	-	-	(5,018)	(2,688)	(7,706)
Category reallocations	7,458	12,783	(18,471)	(1,770)	-
<b>At 31 July 2018 – restated</b>	<b>265,130</b>	<b>20,901</b>	<b>32,335</b>	<b>40,765</b>	<b>359,131</b>

**12 Property, plant and equipment (continued)****University – at 31 July 2018**

	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
<b>Cost or valuation</b>	£'000	£'000	£'000	£'000	£'000
Reported in previous year's financial statements	411,954	17,308	140,237	44,668	614,167
Reclassified as intangible assets	-	-	(6,207)	(2,688)	(8,895)
Category reallocations	(2,924)	26,688	(23,248)	(1,215)	(699)
<b>At 31 July 2018 – restated</b>	<b>409,030</b>	<b>43,996</b>	<b>110,782</b>	<b>40,765</b>	<b>604,573</b>
<b>Depreciation</b>					
Reported in previous year's financial statements	167,640	9,132	88,665	-	265,437
Reclassified as intangible assets	-	-	(1,189)	-	(1,189)
Category reallocations	(5,884)	13,963	(8,778)	-	(699)
<b>At 31 July 2018 – restated</b>	<b>161,756</b>	<b>23,095</b>	<b>78,698</b>	<b>-</b>	<b>263,549</b>
<b>Net book value</b>					
Reported in previous year's financial statements	244,314	8,176	51,572	44,668	348,730
Reclassified as intangible assets	-	-	(5,018)	(2,688)	(7,706)
Category reallocations	2,960	12,725	(14,470)	(1,215)	-
<b>At 31 July 2018 – restated</b>	<b>247,274</b>	<b>20,901</b>	<b>32,084</b>	<b>40,765</b>	<b>341,024</b>

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

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Land not depreciated	18,336	18,336	10,245	10,245

Total aggregate capitalised finance costs to date within property, plant and equipment at 31 July 2019 were £4,804k (2018: £5,098k).

## 13 Heritage assets

Heritage assets include many unique items and collections that 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) tells the story of rural England through interactive and immersive galleries. The collection has more than 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 more than one 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 twentieth 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 more than 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 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 were valued in December 2012 by an external antique and fine art dealer and valuer and this has been adopted as the deemed cost of the assets in existence at that date. Subsequent acquisitions have been recorded at cost. The University discloses its heritage assets at cost, rather than valuation, as this class of asset is rarely exchanged by the University and valuations can fluctuate for individual items from year to year.

The 2012 valuation encompassed all collections in existence at that time. No significant new collections have been received since that date, though it can be expected that there are a small number of individual items that have been received by donation that are not recorded in the statement of financial position.

<b>Consolidated</b>	2019	2018	2017	2016	2015
<b>Cost</b>	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with University funds	-	-	-	-	46
At 1 August	39,346	39,346	39,346	39,346	39,300
<b>At 31 July</b>	<b>39,346</b>	<b>39,346</b>	<b>39,346</b>	<b>39,346</b>	<b>39,346</b>

<b>University</b>	2019	2018	2017	2016	2015
<b>Cost</b>	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with University funds	-	-	-	-	46
At 1 August	39,167	39,167	39,167	39,167	39,121
<b>At 31 July</b>	<b>39,167</b>	<b>39,167</b>	<b>39,167</b>	<b>39,167</b>	<b>39,167</b>

### 13 Heritage assets (continued)

The split of heritage assets by type of asset is:

	Consolidated		University	
	2019	2018	2019	2018
<b>Cost</b>	£'000	£'000	£'000	£'000
Books and 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>

### 14 Biological assets

#### Consolidated and University

#### Fair value less costs to sell

	Dairy cattle	Total
	£'000	£'000
At 1 August 2018	592	592
Net decrease in livestock	(43)	(43)
Increase in fair value less costs to sell	41	41
<b>At 31 July 2019</b>	<b>590</b>	<b>590</b>

### 15 Investment properties

#### Fair value

	Consolidated
	Total
	£'000
At 1 August 2018	140,606
Additions	1,446
Transfers from property, plant and equipment	6,123
Disposals	(50,450)
Decrease in value of properties in year	(4,483)
<b>At 31 July 2019</b>	<b>93,242</b>

#### Fair value

	University
	Total
	£'000
At 1 August 2018	115,562
Additions	1,299
Transfers from property, plant and equipment	5,865
Disposals	(50,000)
Decrease in value of properties in year	(6,707)
<b>At 31 July 2019</b>	<b>66,019</b>

The University and its trusts hold a number of commercial and residential investment properties. All properties are valued at least once every three years. The most recent valuations have been carried out by Haslams, a firm of independent valuers based in Reading, with considerable experience of the local residential and commercial property market. Haslams are members of the Royal Institution of Chartered Surveyors. This year, all properties were revalued on 31 July 2019.

## 15 Investment properties (continued)

### Disposal at Didcot

On 3 May 2019, the University sold some land to the north east of Didcot in Oxfordshire to a housing developer. The University had owned the land for a number of years, during which time it had received income from farm-based tenants. The University has retained some land adjacent to the land disposed and will continue to let this.

The University sought and received planning permission for the site prior to the sale, and worked closely with local authorities to ensure the proposed development was designed in accordance with the needs of the local area and was sustainable.

Under the terms of the planning permission granted, the University is obliged to carry out a first phase of Section 106 improvement works associated with the site. Once these primary works have been completed in the coming months, longer-term Section 106 works will be undertaken by the developer and a party to a neighbouring development. The University will act as a guarantor over this second phase of works.

Proceeds from the sale are receivable in five instalments, from the point of completion until 30 November 2024. Future instalments not yet received have been included in trade and other receivables at their present value using a discount rate of 1.26%. Proceeds associated with future Section 106 works have been included in deferred income within creditors.

The net income and gains recognised in the consolidated and University statement of comprehensive income in the year is shown below:

	£'000
Proceeds relating to Section 106 works	2,517
Expenditure relating to Section 106 works	(2,097)
	420
Gain on disposal of land held as an investment property	17,953
<b>Net income and gains recognised</b>	<b>18,373</b>

Included within the total proceeds recognised is an amount of £3,953k, which is contingent on additional planning consent being obtained for a particular part of the site. This has been calculated based on a conservative estimate of the number of homes expected to be constructed on that site.

Reconciliation of total proceeds of sale to net income and gains recognised in the year:

	£'000
Proceeds receivable in respect of land transferred to developer on 3 May	73,889
Less: Effect of discounting future instalments to present value	(2,098)
Proceeds contingent on future planning decisions	3,953
Less: Deferred income relating to future obligations	(3,554)
	72,190
Less: Costs incurred	(53,817)
<b>Net income and gains recognised</b>	<b>18,373</b>

## 16 Non-current investments

### Consolidated

#### Cost or valuation

	Listed investments £'000	Other investments £'000	Total £'000
At 1 August 2018	20,487	231	20,718
Net additions	1,450	(41)	1,409
Net income and realised gains reinvested	804	-	804
Changes in market value	967	-	967
<b>At 31 July 2019</b>	<b>23,708</b>	<b>190</b>	<b>23,898</b>

**16 Non-current investments (continued)****University**

	Listed investments	Other investments	Total
Cost or valuation	£'000	£'000	£'000
At 1 August 2018	20,487	-	20,487
Additions	1,450	-	1,450
Net income and realised gains reinvested	804	-	804
Changes in market value	967	-	967
<b>At 31 July 2019</b>	<b>23,708</b>	<b>-</b>	<b>23,708</b>

Listed investments comprise:	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Sarasin Endowments Funds	23,597	20,370	23,597	20,370
Genus plc	111	117	111	117
	<b>23,708</b>	<b>20,487</b>	<b>23,708</b>	<b>20,487</b>

Listed investments are stated at market value using widely published bid prices. Other investments are stated at cost less amortisation.

**17 Investments in associates**

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Share of operating surplus retained by associates	209	1,570	-	-
Surplus on revaluation of property, plant and equipment	1,952	-	-	-
Tax credit arising on revaluation of property, plant and equipment	-	1,527	-	-
Total comprehensive income in the year for associates	2,161	3,097	-	-
At 1 August	20,590	17,493	10,567	10,567
<b>At 31 July</b>	<b>22,751</b>	<b>20,590</b>	<b>10,567</b>	<b>10,567</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	Loan notes	Total
	£'000	£'000	£'000
<b>At 1 August 2018 and at 31 July 2019</b>	<b>441</b>	<b>10,126</b>	<b>10,567</b>

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 that 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.

## 17 Investments in associates (continued)

### Consolidated and University

	Income	Expenditure	2019	Income	Expenditure	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Rent collection	896	-	896	1,535	-	1,535
Facilities management services	1,851	-	1,851	1,784	-	1,784
Utilities	941	-	941	656	-	656
Estates service charge and infrastructure fees	492	-	492	476	-	476
Vacation residence and conferencing	674	(59)	615	-	(295)	(295)
Interest receivable on loan notes	828	-	828	(896)	-	(896)
Other income	110	-	110	44	-	44
	<b>5,792</b>	<b>(59)</b>	<b>5,733</b>	<b>3,599</b>	<b>(295)</b>	<b>3,304</b>

The University charges and receives rents from students. Payments are then made to UPP (Reading I) Limited with reference to the number of units of student accommodation rental amounts during the year. Payments made to UPP (Reading I) during the year totalled £30.0m (2018: £29.1m) and have been netted with the income received from students in the statement of comprehensive income.

## 18 Trade and other receivables

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Research grants receivables	3,951	4,364	3,951	4,364
Trade receivables	14,400	15,413	11,117	12,123
Proceeds due on the sale of Shinfield West	-	24,907	-	-
Developer receivables for the Shinfield Eastern Relief Road	6,627	2,780	6,627	2,780
Other receivables	4,204	11,635	3,458	11,019
Prepayments and accrued income	11,835	8,927	10,830	8,198
Amounts due from subsidiary undertakings	-	-	600	2,691
Amounts due from University endowment trusts	-	-	120	2,446
Amounts due from associated undertakings - UPP (Reading I) Limited	700	551	700	551
	<b>41,717</b>	<b>68,577</b>	<b>37,403</b>	<b>44,172</b>
<b>Amounts falling due after more than one year:</b>				
Developer receivables for the Shinfield Eastern Relief Road	3,148	11,713	3,148	11,713
Proceeds due on the sale of land at Didcot	56,810	-	56,810	-
Other receivables	399	139	398	138
	<b>102,074</b>	<b>80,429</b>	<b>97,759</b>	<b>56,023</b>

In connection with various activities in Shinfield in recent years, including sales of land to developers and the opening of Thames Valley Science Park, the University carried out the construction of the Shinfield Eastern Relief Road and related bridge over the M4. The road and bridge were opened during the year ended 31 July 2017. The project is being funded by developer contributions in respect of various developments in the Shinfield area and these fall due as dwellings are constructed. It is estimated that the remaining amount will be received over the next two years. Amounts due have been included at their discounted values. A discount rate of 1.26% (2018: 1.89%) has been applied in line with similar debt instruments.

Included in University amounts due from subsidiary undertakings is £30.2m due from RUMAL Reading Sdn. Bhd. against which a full provision has been made (2018: £24.1m). This has resulted in a charge for the year of £6.1m in the University's statement of comprehensive income (2018: £4.1m). The amount of this provision will be reviewed from time to time as circumstances change.

## 19 Current investments

<b>Consolidated</b>		Total
<b>Cost or valuation</b>		£'000
At 1 August 2018		66,859
Additions		25,000
Withdrawals		(3,920)
Net income and realised gains reinvested		6,849
Changes in market value		4,364
<b>At 31 July 2019</b>		<b>99,152</b>

<b>University</b>		Total
<b>Cost or valuation</b>		£'000
<b>At 1 August 2018 at 31 July 2019</b>		<b>-</b>

<b>Listed investments comprise:</b>	<b>Consolidated</b>		<b>University</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Segregated portfolios managed by Sarasin & Partners	93,288	58,741	-	-
Sarasin Endowments Funds	5,864	8,118	-	-
	<b>99,152</b>	<b>66,859</b>	<b>-</b>	<b>-</b>

Listed investments are stated at market value using widely published bid prices.

## 20 Creditors: amounts falling due within one year

	<b>Consolidated</b>		<b>University</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Unsecured loans	4,770	3,155	4,770	3,155
Trade payables	5,724	8,192	5,390	7,821
Social security and other taxation payable	19,060	4,010	19,103	4,258
Other payables	9,288	15,590	8,530	15,285
Accruals and deferred income	90,517	86,159	69,462	63,465
Amounts due to subsidiary undertakings	-	-	1,627	1,754
Amounts due to University endowment trusts	-	-	123,457	121,333
Amounts due to associated undertakings - UPP (Reading I) Limited	7,258	7,113	7,258	7,113
	<b>136,617</b>	<b>124,219</b>	<b>239,597</b>	<b>224,184</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.

	<b>Consolidated</b>		<b>University</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Tuition fees</b>	16,215	11,873	10,161	8,295
<b>Research grants received on account</b>	23,490	20,376	23,458	20,376
<b>Site-servicing arrangements</b>	7,311	5,859	2,480	-
<b>Other income</b>	12,243	15,316	11,694	14,720
	<b>59,259</b>	<b>53,424</b>	<b>47,793</b>	<b>43,391</b>

### Deferred income on site servicing arrangements

In recent years, the University has disposed of a number of landholdings around Shinfield and Didcot. The scale of these disposals has required the University to undertake significant obligations in respect of infrastructure works in the local areas. A proportion of the original income on disposal was deferred and is being recognised when the associated works are carried out.

21 Creditors: amounts falling due after more than one year	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Unsecured loans	179,949	184,719	179,949	184,719
Deferred income on site servicing arrangements (see note 20)	7,850	8,081	1,074	-
Other payables	303	253	295	253
	<b>188,102</b>	<b>193,053</b>	<b>181,318</b>	<b>184,972</b>

22 Loans	Consolidated & University	
	2019 £'000	2018 £'000
Analysis of loans:		
Due within one year or on demand	4,770	3,155
Due between one and two years	4,126	4,770
Due between two and five years	56,323	58,449
Due in five years or more	119,500	121,500
Due after more than one year	179,949	184,719
<b>Total loans</b>	<b>184,719</b>	<b>187,874</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 sterling loan from Barclays Bank plc. There was a repayment holiday until July 2019 after which the loan is repayable at £500k per quarter until April 2049. The interest rate on this loan is at a set margin of 1.4% above LIBOR.

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In April 2017, the University entered into a £50m revolving credit facility with HSBC, available for five years, at a set margin of 0.55% above LIBOR for amounts drawn. Non-utilisation fees apply at 0.1925% in respect of amounts undrawn. At 31 July 2019, £50m of this facility had been drawn (2018: £50m). The University has flexibility to draw down and repay any amount up to the facility limit during its term. Ultimately it is repayable in full in April 2022.

The University has a loan from the Homes & Communities Agency which was used to fund the construction of the Shinfield Eastern Relief Road and motorway bridge associated with the University's land disposals in Shinfield ahead of developer contributions. 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.

#### Consolidated and University

	Bond £'000	Barclays loan £'000	HSBC RCF £'000	HCA loan £'000	Other £'000	Total £'000
At 1 August 2018	70,000	60,000	50,000	7,560	314	187,874
Repayments	-	(500)	-	(2,528)	(127)	(3,155)
<b>At 31 July 2019</b>	<b>70,000</b>	<b>59,500</b>	<b>50,000</b>	<b>5,032</b>	<b>187</b>	<b>184,719</b>

## 23 Pension provisions

Consolidated and University	Obligation to fund USS deficit	UREPF scheme surplus	Total
	£'000	£'000	£'000
At 1 August 2018	32,795	(38,641)	(5,846)
Net charge to statement of comprehensive income	88,889	17,138	106,027
Contributions paid in year	(28,258)	(3,033)	(31,291)
<b>At 31 July 2019</b>	<b>93,426</b>	<b>(24,536)</b>	<b>68,890</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 provision has been discounted to present value.

The latest available complete actuarial valuation of the defined benefit element of the USS scheme was at 31 March 2017, which was carried out using the projected unit method. The valuation set out the challenges facing the scheme and the significant increases in contributions required to address these challenges. This is the main factor in the increase of £60.6m in the deficit funding provision in the year, of which £59.9m has been included in staff costs and £0.7m in interest and other finance costs.

A valuation as at 31 March 2018 was underway but not yet complete at 31 July 2019. In the judgement of the University, there remained significant uncertainty around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, and it therefore remained appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2017 actuarial valuation.

The Group's net surplus 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 36.

## 24 Other provisions

Consolidated	RUMAL	Other	Total
	£'000	£'000	£'000
At 1 August 2018	12,222	2,307	14,529
Transferred to accrued expenditure	(1,133)	-	(1,133)
Charged/(credited) to statement of comprehensive income	1,830	(973)	857
<b>At 31 July 2019</b>	<b>12,919</b>	<b>1,334</b>	<b>14,253</b>

University	RUMAL	Other	Total
	£'000	£'000	£'000
At 1 August 2018	15,528	2,307	17,835
Credited to statement of comprehensive income	(3,474)	(973)	(4,447)
<b>At 31 July 2019</b>	<b>12,054</b>	<b>1,334</b>	<b>13,388</b>

During the previous year, the University commissioned a detailed financial review of its operations in Malaysia, which are carried out by its subsidiary, RUMAL Reading Sdn Bhd, and this concluded that the subsidiary would continue to make losses for a number of years. Following the review, a restructuring took place this year and revised business plans were prepared. Significant changes were negotiated to the terms of the main building lease at the campus. The activities will continue to make losses for the next few years but these are expected to reduce year by year. In accordance with FRS 102, the main building lease at RUMAL and a number of other contracts have been accounted for as onerous contracts and a provision has been made for contractual obligations that are estimated to extend to 2026. These obligations have been discounted to present value. The University has recognised its own obligation arising from its guarantee of all contractual amounts due under the building lease at RUMAL.

## 25 Endowment reserves

<b>Consolidated</b>	Unrestricted permanent	Restricted permanent	Restricted expendable	2019	2018
	£'000	£'000	£'000	£'000	£'000
At 1 August					
Capital	2,457	6,643	206,727	215,827	210,232
Accumulated income	728	3,211	344	4,283	3,946
	3,185	9,854	207,071	220,110	214,178
New endowments	-	1,450	156	1,606	25
Income	125	394	6,958	7,477	4,184
Expenditure	(15)	(105)	(6,151)	(6,271)	(3,222)
Profit on disposal of property, plant and equipment	-	-	3,253	3,253	-
Loss on disposal of investment properties	-	-	-	-	(2)
Gain on disposal of investments	-	-	5,125	5,125	1,862
Increase in value of investment properties	-	-	2,223	2,223	1,129
Increase in value of investments	154	584	4,444	5,182	2,279
Transfers to unrestricted reserves	-	-	(9)	(9)	(323)
<b>At 31 July</b>	<b>3,449</b>	<b>12,177</b>	<b>223,070</b>	<b>238,696</b>	<b>220,110</b>
<b>Represented by:</b>					
Capital	2,611	8,677	222,616	233,904	215,827
Accumulated income	838	3,500	454	4,792	4,283
	<b>3,449</b>	<b>12,177</b>	<b>223,070</b>	<b>238,696</b>	<b>220,110</b>
<b>University</b>	Unrestricted permanent	Restricted permanent	Restricted expendable	2019	2018
	£'000	£'000	£'000	£'000	£'000
At 1 August					
Capital	2,457	6,643	1,279	10,379	10,076
Accumulated income	728	3,211	341	4,280	3,942
	3,185	9,854	1,620	14,659	14,018
New endowments	-	1,450	156	1,606	25
Income	125	394	65	584	515
Expenditure	(15)	(105)	(87)	(207)	(262)
Increase in value of investments	154	584	81	819	363
<b>At 31 July</b>	<b>3,449</b>	<b>12,177</b>	<b>1,835</b>	<b>17,461</b>	<b>14,659</b>
<b>Represented by:</b>					
Capital	2,611	8,677	1,384	12,672	10,379
Accumulated income	838	3,500	451	4,789	4,280
	<b>3,449</b>	<b>12,177</b>	<b>1,835</b>	<b>17,461</b>	<b>14,659</b>
<b>Analysis by asset</b>	Consolidated		University		
	2019	2018	2019	2018	
	£'000	£'000	£'000	£'000	
Land and property	2,914	3,180	-	-	
Investment properties	27,223	25,044	-	-	
Investments	116,857	81,601	17,660	14,698	
Funds held by the University	103,526	99,233	(196)	(39)	
Other	(11,824)	11,052	(3)	-	
	<b>238,696</b>	<b>220,110</b>	<b>17,461</b>	<b>14,659</b>	

The bulk of the assets are held by two trusts, the Research Endowment Trust and the National Institute for Research in Dairying Trust. See note 35 for further details of these trusts and the nature of the restrictions.

## 26 Restricted reserves – donations

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 August	784	1,993	173	1,498
New donations	3,060	1,721	2,723	1,390
Expenditure	(1,953)	(2,930)	(1,771)	(2,715)
<b>At 31 July</b>	<b>1,891</b>	<b>784</b>	<b>1,125</b>	<b>173</b>

Restricted income relates to donations received where the terms of the donation place restrictions on the way in which the funds can be spent.

## 27 Reconciliation of net debt

	Consolidated £'000
Net debt at 1 August 2018	130,140
Movement in cash and cash equivalents	10,611
Loan repayments	(3,155)
<b>Net debt at 31 July 2019</b>	<b>137,596</b>

### Analysis of net debt

	Consolidated	
	2019 £'000	2018 £'000
Unsecured loans: amounts falling due within one year	4,770	3,155
Unsecured loans: amounts falling due after more than one year	179,949	184,719
Less: cash and cash equivalents	(47,123)	(57,734)
<b>Net debt</b>	<b>137,596</b>	<b>130,140</b>

## 28 Financial instruments

The carrying values of the Group and University's financial assets and liabilities are summarised by category below:

	Note	Consolidated		University	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Financial assets</b>					
Cash and cash equivalents		47,123	57,734	43,617	55,992
<b>Measured at fair value through income and expenditure</b>					
Managed investment funds - segregated	19	93,288	58,741	-	-
Managed investment funds - common	16, 19	29,461	28,488	23,597	20,370
Other listed investments	16	111	117	111	117
<b>Debt instruments measured at amortised cost</b>					
Trade and other receivables	18	101,039	73,694	96,930	49,549
Bank deposits		145	186	-	-
<b>Equity instruments measured at cost less impairment</b>					
Non-current investments in unlisted equity instruments		45	45	-	-
		<b>271,212</b>	<b>219,005</b>	<b>164,255</b>	<b>126,028</b>

## 28 Financial instruments (continued)

	Note	Consolidated		University	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Financial liabilities</b>					
<b>Measured at amortised cost</b>					
Loans payable	22	184,719	187,874	184,719	187,874
Trade and other creditors	20	53,831	63,883	168,226	173,633
		<b>238,550</b>	<b>251,757</b>	<b>352,945</b>	<b>361,507</b>

The Group's and University's income, expenditure, gains and losses in respect of financial instruments are summarised below:

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets measured at fair value through income and expenditure	10,073	4,409	3,407	804
Financial assets measured at amortised cost – interest receivable	93	253	-	-
Financial liabilities measured at amortised cost – interest payable	(5,194)	(4,767)	(5,194)	(4,767)
Impairment losses on trade and other receivables	(1,720)	(1,580)	(10,291)	(7,048)
Impairment losses on non-current investments	-	-	-	(8,087)
	<b>3,252</b>	<b>(1,685)</b>	<b>(12,078)</b>	<b>(19,098)</b>

## 29 Capital commitments

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Provision has not been made for the following capital commitments:				
<b>Commitments contracted for</b>	<b>23,409</b>	<b>60,859</b>	<b>23,409</b>	<b>60,859</b>

These commitments arise from contracts included in the ongoing capital programme. At the end of the financial year, two major capital projects (Library refurbishment and new Health and Life Sciences building) were in progress.

## 30 Contingent liabilities

As part of its development of the Shinfield Eastern Relief Road and related bridge over the M4, the University provided performance guarantee bonds to Wokingham Borough Council totalling £2.6m and the Highways Agency totalling £1.0m. All of the Wokingham Borough Council and most of the Highways Agency bonds expire in the next two years.

In connection with its sale of land at Didcot to a housing developer in May 2019, described in note 15, the University will act as guarantor to the local authority for long-term site improvement works to be carried out by the developer and a party to a neighbouring development. The University's maximum potential liability under this guarantee during the first five years is set at £10m, and then reduces to zero over the following four years. No provision has been made for this amount due to the University's view that a liability is very unlikely to crystallise given the financial strength of the developers undertaking these works.

The University has undertaken to provide continued support to its trusts and subsidiary companies for a period of at least 12 months from the date of approval of those undertakings' financial statements.

### 31 Future lease obligations and receivables

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

	Land and buildings	Other	2019	2018
	£'000	£'000	£'000	£'000
<b>Consolidated</b>				
Future minimum lease payments due:				
Not later than one year	3,237	356	3,593	2,201
Later than one year and not later than five years	12,559	410	12,969	8,013
Later than five years	18,603	-	18,603	16,534
	<b>34,399</b>	<b>766</b>	<b>35,165</b>	<b>26,748</b>
<b>University</b>				
Future minimum lease payments due:				
Not later than one year	1,399	152	1,551	1,596
Later than one year and not later than five years	5,248	163	5,411	5,612
Later than five years	15,115	-	15,115	16,399
	<b>21,762</b>	<b>315</b>	<b>22,077</b>	<b>23,607</b>

Included in the University and consolidated totals for land and buildings is £21.8m in respect of the Enterprise Centre on the Whiteknights campus (2018: £23.0m). The lease runs until 2036.

Included in the consolidated total for land and buildings are commitments of £10.2m in respect of the campus in Malaysia. These amounts are also included in other provisions (see note 24).

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 17.

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:

	Land and buildings	Other	2019	2018
	£'000	£'000	£'000	£'000
<b>Consolidated</b>				
<b>Future minimum lease payments receivable:</b>				
Not later than one year	4,018	-	4,018	2,584
Later than one year and not later than five years	6,409	-	6,409	2,756
Later than five years	7,441	-	7,441	4,485
	<b>17,868</b>	<b>-</b>	<b>17,868</b>	<b>9,825</b>
<b>University</b>				
<b>Future minimum lease payments receivable:</b>				
Not later than one year	4,510	-	4,510	2,665
Later than one year and not later than five years	14,636	-	14,636	12,164
Later than five years	149,145	-	149,145	143,437
	<b>168,291</b>	<b>-</b>	<b>168,291</b>	<b>158,266</b>

The University receives lease income from its wholly owned subsidiary undertaking, Thames Valley Science Park Limited (TVSP), in respect of the properties operated by that company. TVSP sublets these properties to a number of tenants. Lease agreements are in place between the University and TVSP with lease terms and payments determined on a commercial basis. In respect of the science park operated by TVSP, there is a 125-year ground lease and a 25-year building lease. The leases make provision for a rent-free period for the first 18 months. The ground lease payments are contingent on floor space occupied.

## 32 Amounts disbursed as agent - Consolidated and University

### NCTL bursaries

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

	2019 £'000	2018 £'000
Excess of income over expenditure at 1 August	154	334
<b>Income</b>		
Funding Council grants	4,088	3,181
<b>Expenditure</b>		
Disbursed to students and nursery settings	(3,963)	(3,361)
<b>Excess of income over expenditure at 31 July</b>	<b>279</b>	<b>154</b>

### Student accommodation

The University generates charges and receives rents from students. Payments are then made to UPP (Reading I) Limited, which manages the student accommodation. See note 17 for more details of this arrangement.

## 33 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 in accordance with the University's Financial Regulations and usual procurement procedures. In the previous year, expenditure totalling £2,220 was incurred in respect of Text Matters Limited, a company in which a former member of Council had a significant interest.

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 three members of Council was £1,577 (2018: £1,274 to three members of Council), which related to travel and subsistence expenses incurred.

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

	2019 £'000	2018 £'000
<b>Due from RUSU</b>	<b>471</b>	<b>165</b>
The University paid the following grants to RUSU:		
Core block grant	1,445	1,413
Specific grants	134	286
	<b>1,579</b>	<b>1,699</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 17.

### 34 The University and its subsidiary undertakings

As described in the statement on public benefit, the University of Reading is an independent corporation with charitable status established by Royal Charter granted in 1926. It is primarily based in the UK with some operations overseas. Its principal place of business is Whiteknights House, Whiteknights, Reading, RG6 6UR, UK.

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 <sup>1</sup>	Business launch support	Limited by guarantee
Henley Business School Limited	England & Wales <sup>1</sup>	Management education	100% owned
Reading Real Estate Foundation	England & Wales <sup>1</sup>	Advancement of real estate education	Limited by guarantee
Thames Valley Science Park Limited	England & Wales <sup>1</sup>	Property letting business	100% owned
The University of Reading Science & Technology Centre Limited	England & Wales <sup>1</sup>	Not currently trading	Limited by guarantee
Henley Business School Germany GmbH	Germany <sup>2</sup>	Management education	100% owned
RUMAL Reading Sdn. Bhd.	Malaysia <sup>3</sup>	Overseas campus	100% owned
Henley Business School Limited (Incorporated in the United Kingdom)	South Africa <sup>4</sup>	Management education	100% owned

#### Registered office addresses

<sup>1</sup> Whiteknights House, PO Box 217, Whiteknights, Reading, RG6 6AH

<sup>2</sup> Maximilianstrasse 40, 80539 Munich, Germany

<sup>3</sup> Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia

<sup>4</sup> Kirstenhof Office Park, 1 Witkopp Road, Paulshof, 2056, South Africa

The University of Reading Science & Technology Centre Limited (company number 02501592) has claimed exemption from the audit of its own financial statements under section 479A of the Companies Act 2006. The University intends to guarantee that company under section 479C.

### 35 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 2018	Total income	Total expenditure	Other gains and losses	At 31 July 2019
	£'000	£'000	£'000	£'000	£'000
Research Endowment Trust	117,312	2,928	(3,524)	10,840	127,556
National Institute for Research in Dairying Trust	101,962	3,740	(2,156)	3,916	107,462
Hugh Sinclair Trust	5,790	224	(393)	210	5,831
Beckett International Foundation	3	1	(1)	-	3
Greenlands Trust	14,791	3	(665)	-	14,129

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 or food (whether its production or otherwise) at the University of Reading.

Both RET and NIRD hold significant assets. See note 25 for fuller details of the Group's endowment assets.

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 that it does through the provision of specific grants to Henley Business School at the University of Reading.

## 36 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 career average earnings 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 other pension schemes in overseas jurisdictions.

Total pension costs for the year	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
USS contributions	28,258	26,207	28,042	25,870
UREPF cost arising from employee service	2,679	2,891	2,664	2,866
URPS	1,957	1,783	1,942	1,760
Other pension schemes	116	399	-	-
	33,010	31,280	32,648	30,496
Movement on USS provision	59,906	(324)	59,906	(324)
<b>Total pension costs</b>	<b>92,916</b>	<b>30,956</b>	<b>92,554</b>	<b>30,172</b>

Included in other creditors are unpaid pension contributions of £3,088k (2018: £2,821k).

### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a multi-employer hybrid scheme that has both defined benefit and defined contribution elements. The assets of the scheme are held in a separate trustee-administered fund.

The University contributed 18.0% of payroll costs until 31 March 2019 and 19.5% for the remainder of the year. Members contributed 8.0% until 31 March 2019 and 8.8% for the remainder of the year.

For members earning below a salary threshold, currently £58,580 per annum, all of these contributions are made to the defined benefit part of the scheme. For those members earning above the salary threshold, 12% of the University's contribution and all of the member's contribution above that threshold are invested in the defined contribution part of the scheme. Under the defined benefit arrangements, 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.

Members can also make additional voluntary contributions (AVCs) into the defined contribution element of the scheme. Until 31 March 2019, the University matched AVCs made by all employees up to a maximum of 1%.

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 8.8% contribution on their behalf. Until 31 March 2019, the 1% of AVCs made under the match arrangement were also eligible for salary sacrifice.

The latest available completed actuarial valuation of the defined benefit part of the scheme was at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2018 was underway but not yet completed at 31 July 2019.

Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The 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. Therefore, the University accounts for the scheme as if it were a defined contribution scheme. Institutions within the scheme share the liabilities, running costs and risks associated with the scheme. The individual liabilities from all institutions are pooled into a single liability for which all institutions are collectively liable.

The following disclosures reflect those relevant to the scheme as a whole.

The 2017 valuation was the fourth valuation for the scheme 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. The shortfall on the scheme and its funding level are shown below.

	2019	2018
Scheme assets	£60.0bn	£63.6bn
Total scheme liabilities	£67.5bn	£72.0bn
FRS 102 total scheme deficit	£7.5bn	£8.4bn
FRS 102 total funding level	89%	88%

### 36 Pension schemes (continued)

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

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

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

	2019	2018
Mortality base table		
Pre-retirement	71% of AMC00 (duration 0) for males; 112% of AFC00 (duration 0) for females.	71% of AMC00 (duration 0) for males; 112% of AFC00 (duration 0) for females.
Post-retirement	96.5% of SAPS S1NMA "light" for males; 101.3% of RFV00 for females.	96.5% of SAPS S1NMA "light" for males; 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

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

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 USS deficit funding provision outlined in note 23 reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	N/A	N/A
Pensions inflation (CPI)	2.11%	2.02%

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

The University is the sponsoring employer to the UREPF, which is a funded, UK-defined, benefit pension scheme where contributions are held in a separate trustee-administered fund. It was closed to new members in 2011 and replaced by URPS, a defined contribution scheme.

The University paid contributions at a rate of 23.8% of pensionable salaries and members were required to contribute 6.25% of pensionable salaries during the year. 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 made the following additional contributions: £364k as its final contributions under the previous deficit reduction plan, £333k in additional contributions agreed with the trustees and £600k towards the administration costs of the scheme.

From 1 August 2019, University contributions will remain at 23.8% and member contributions will remain at 6.25%. The University will also contribute additional contributions of £500k, as well as a further £600k towards the administration costs of the scheme for the year ended 31 July 2020.

A full actuarial valuation was carried out as at 31 July 2017 by a qualified independent actuary. The actuary has reviewed the progress of the scheme since the valuation date in determining the net surplus at 31 July 2019. 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.

**36 Pension schemes (continued)****Analysis of movement in benefit obligation**

	2019 £'000	2018 £'000
At 1 August	158,841	181,976
Cost arising from employee service in the year	2,446	2,891
Past service costs	233	-
Interest expense	4,445	4,665
Benefits paid from plan assets	(5,743)	(5,069)
Plan participants' contributions	14	18
Premiums paid	(3)	(6)
Remeasurements – Effect of changes in assumptions	22,827	(11,040)
Remeasurements – Effect of experience adjustments	-	(14,594)
<b>At 31 July</b>	<b>183,060</b>	<b>158,841</b>

**Analysis of movement in plan assets**

Fair value at 1 August	197,482	183,474
Interest income	5,584	4,758
Employer contributions	3,033	4,614
Plan participants' contributions	14	18
Benefits paid from plan assets	(5,743)	(5,069)
Administrative expenses paid from plan assets	(397)	(475)
Premiums paid	(3)	(6)
Remeasurements – Return on plan assets	7,626	10,168
<b>Fair value at 31 July</b>	<b>207,596</b>	<b>197,482</b>

**Amounts recognised in the statement of financial position**

Defined benefit obligation	(183,060)	(158,841)
Fair value of plan assets	207,596	197,482
<b>Net defined benefit asset</b>	<b>24,536</b>	<b>38,641</b>

**Components of pension cost**

Cost arising from employee service in the year	2,446	2,891
Past service costs	233	-
Interest expense on defined benefit obligation	4,445	4,665
Interest income on plan assets	(5,584)	(4,758)
Administrative expenses paid from plan assets	397	475
Total cost recognised in deficit before tax	1,937	3,273
Remeasurements	15,201	(35,802)
<b>Total cost/(credit) recognised in the statement of comprehensive income</b>	<b>17,138</b>	<b>(32,529)</b>

**Fair value of plan assets**

	2019 £'000	2018 £'000
Cash and cash equivalents	1,428	5,528
Equity instruments	18,373	98,825
Debt instruments	164,906	84,084
Property	1,541	7,797
Other	21,348	1,248
	<b>207,596</b>	<b>197,482</b>

**36 Pension schemes (continued)**

	2019	2018
	£'000	£'000
<b>Actual return on plan assets</b>		
Interest income	5,584	4,758
Remeasurements – Return on plan assets	7,626	10,168
	<b>13,210</b>	<b>14,926</b>
<b>Experience gains and losses</b>		
	2019	2018
	£'000	£'000
<b>Remeasurements – Return on plan assets</b>		
Amount	7,626	10,168
Percentage of plan assets	3.7%	5.1%
<b>Remeasurements – Effect of experience adjustments</b>		
Amount	-	14,594
Percentage of present value of plan liabilities	0.0%	9.2%
<b>Weighted average assumptions used to determine benefit obligations</b>		
	2019	2018
Discount rate	2.10%	2.85%
Rate of salary increases	4.25%	4.15%
Rate of RPI price inflation	3.25%	3.15%
Rate of CPI price inflation	2.25%	2.15%
<b>Assumed life expectancy on retirement at age 65:</b>		
Male member aged 65 (current life expectancy)	22.0	22.1
Male member aged 45 (life expectancy at age 65)	23.7	23.9
Female member aged 65 (current life expectancy)	23.9	24.1
Female member aged 45 (life expectancy at age 65)	25.7	25.9
<b>Weighted average assumptions used to determine cost relating to defined benefit plans</b>		
	2019	2018
Discount rate	2.85%	2.60%
Rate of salary increases	4.15%	4.10%
Rate of RPI price inflation	3.15%	3.10%
Rate of CPI price inflation	2.15%	2.10%

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.

## 37 Critical accounting judgements and key sources of estimation uncertainty

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 that 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 end of the financial year. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical accounting judgements

There were no critical judgements, apart from those involving estimations.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### Income deferred in respect of site servicing commitments

In recent years, the Group has disposed of a number of landholdings in the Shinfield and Didcot areas. The scale of these disposals has required the University to undertake significant obligations in respect of infrastructure development and maintenance in the local areas. 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 are reassessed annually. The amount of deferred income at 31 July 2019 was £15.2m (2018: £13.9m).

### USS deficit recovery plan

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, the University has recognised the discounted fair value of its contractual contributions under the recovery plan within pension provisions. The obligation at 31 July 2019 was £93.4m (2018: £32.8m). 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.

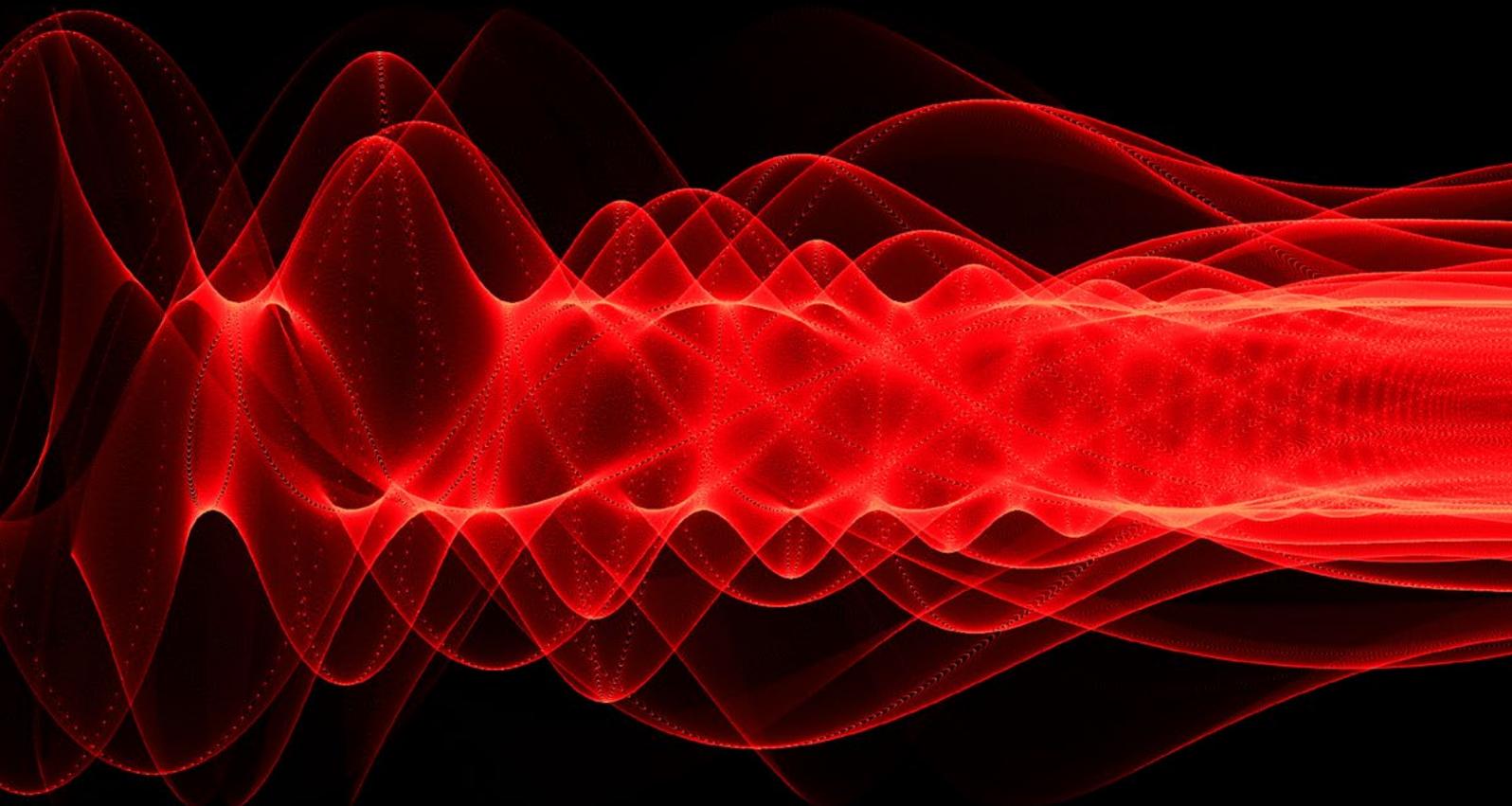
As explained in note 23, the liability to fund past deficits within the USS pension scheme is based on the formal recovery plan arising from the most recently completed valuation, using a basis date of 31 March 2017. The 31 March 2018 USS valuation was in progress at 31 July 2019, and no formal changes to the 2017 recovery plan had been agreed at that date. The 2018 USS scheme valuation has recently been published, and we expect a significant reversal in 2019/20 of the provision from £93.4m to an estimated £48.6m. USS have already embarked on the 31 March 2020 valuation process that in turn will generate a new recovery plan so we should expect future volatility around this provision.

### Defined benefit pension scheme

The overall surplus on the UREPF scheme has been included in pension provisions. A number of actuarial assumptions have been made in estimating the surplus which have been set out in note 36. The net scheme asset at 31 July 2019 was £24.5m (2018: £38.6m).

### Provisions in respect of RUMAL

During the year, a restructuring of the University's subsidiary in Malaysia, RUMAL Reading Sdn Bhd, was carried out as a result of its ongoing, loss-making position. Revised business plans were prepared and significant changes were negotiated to the terms of the main building lease at the campus. RUMAL is expected to continue to make losses for the next few years. An onerous contracts provision has been made in the consolidated financial statements based on the University's commitment to continue operations at the campus until at least 2026, the point at which the new lease will expire. The new lease had not been formally signed off by 31 July 2019, but the University judges that there was a constructive obligation at that point for the new lease, taking into account the near completion of and the willingness of both parties to enter into the revised lease.



## **UNIVERSITY OF READING FINANCIAL STATEMENTS 2018–2019**

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