

**FINANCIAL
STATEMENTS**
2017–2018

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PRESIDENT'S FOREWORD

Paul Preston

As we reach the end of the University's 92nd year as a chartered institution there is much to be positive about after another very busy twelve months.

We have consolidated our reputation for academic and research excellence, making the University of Reading a very attractive place to study and work.

At the same time, we cemented our place in the top 200 universities worldwide (QS World University Rankings 2019).

As a result of more rigorous financial management and a real drive to reduce our costs, we are well equipped to deliver our capital investment programme and ensure that day-to-day academic and other services are of the highest quality.

The 2026: TRANSFORM programme is driven by the University's ambition to become a more vibrant and increasingly sustainable institution by our centenary year. It also has the central aim of improving campus facilities for current and future generations of students and staff.

The £45m Library refurbishment will be completed in 2019; and the construction of our magnificent new Health and Life Sciences facility is now underway.

Early 2018 saw the opening of the new Thames Valley Science Park, an exciting development that will benefit both the University and the local economy, bringing together science, technology, and knowledge-based entrepreneurs who wish to make this a home for their growing organisations.

Our second annual Research Engagement and Impact Awards recognised and rewarded a number of exceptional staff at the University of Reading. These individuals achieved extraordinary reach through their work by engaging and interacting with people outside academia. Such work influences change across all fields of endeavour and improves public understanding of research.

The School of Architecture welcomed its second cohort of students in the 2017–18 academic year. The School was ranked 5th in the UK for Architecture/Built Environment in the QS World University Rankings by Subject 2018. This outstanding ranking, building on work done previously across the University, is a credit to our students and staff, and augurs well for the future of the School.

Our position as a global institution has been enhanced by our continuing strong partnerships with the Nanjing University of Information Science and Technology (NUIST) and the Beijing Institute of Technology (BIT) in China. In September 2018, the University welcomed its first cohort from our joint institute in China, the NUIST-Reading Academy, with around 90 students coming to Reading for the final year of their undergraduate degree.

We continue to develop our presence in Malaysia where 2018 saw the second graduating class complete their studies. The operating environment in Malaysia has been more difficult than we expected, thus requiring a greater level of financial support than previously planned.

As well as work overseas, our global engagement strategy sets a target for the outward mobility of UK-based students. By 2026, we plan that at least a third of our students will spend some time overseas as part of their degree.

As a global institution with a diverse staff, student and alumni community, we are continuing to respond to Brexit and its developing consequences. Our core values remain unchanged, as does our belief in the benefits of international engagement.

I am keen that we continue to refine our governance and operational processes to ensure that they remain aligned to our developing strategic aims. With higher education again back in the public spotlight, it is essential that there is full confidence in how we go about doing our business.

I believe that we are in an increasingly healthy shape as an institution. I have full confidence in our ability to achieve all of our ambitions, not least because we continue to benefit from the energy, commitment and enthusiasm of our dedicated students and staff. Long may that continue.

Paul Preston
President of the Council

28 November 2018

THE COUNCIL

Ex officio

The Vice-Chancellor

The Deputy Vice-Chancellor

The Pro-Vice-Chancellors

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

Mr T. Beardmore-Gray, MA, FCA ²

Mr K. Corrigan, BA, FCCA

Lord Crisp, KCB, MA (to 1 March 2018)

Mrs P. Egan, BA, CBE

Dr P.A. Erskine, BA, Hon LLD

Mr R.E.R. Evans, BSc, FRICS (Vice-President of the Council) ¹

Ms H. Gordon, MBA

Mrs K. Owen, BA (Vice-President of the Council) ⁵

Dr P.R. Preston, BSc, PhD (President of the Council) ^{3,4}

Mr S.C.C. Pryce, BSc, ACA ⁶

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

Mr S.P. Sherman, FCA

Ms S.L. Webber, BSc (until 1 March 2018)

Ms S.M. Woodman, BA

The Dean of Henley Business School

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

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

Prof L.T. Butler, BA, PhD

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

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

Prof S. F. Walker, BA, PhD, FDRS (until 31 July 2018)

Prof C. Furneaux, EdD, MA, Dip TEO, NTF, SFHEA (from 1 August 2018)

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

Prof C. Furneaux, EdD, MA, Dip TEO, NTF, SFHEA

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 his or her own number

Ms M. Hargreaves

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

The Welfare Officer of the Students' Union

1 Chair of Remuneration Committee

2 Chair of Audit Committee

3 Chair of Appointments & Governance Committee

4 Chair of Strategy and Finance Committee

5 Chair of Student Experience Committee

6 Chair of Investments Committee

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)

Acting Vice-Chancellor

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

Deputy Vice-Chancellor

Prof. S.J. Mithen, BA, MSc, PhD, FSA (Scot), FBA (until 31 July 2018)

Prof. R. Van de Noort, BA, Drs, PhD, FSA, PFHEA (from 1 August 2018 to 21 September 2018)

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

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

Pro-Vice-Chancellors

Mr V. Raimo, BA, MA, FCIM

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

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

Prof P. Yaqoob, MA, DPHIL, RNutr, Fafn, FHEA (from 1 August 2018)

Prof D. Zaum, BA, MPhil, DPhil (from 1 August 2018)

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

Heads of Service

Chief Strategy Officer and University Secretary

Dr R.J. Messer, BA, PhD

Chief Financial Officer

Ms S. Foley, BA, FCPFA

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 20,000 students, around 15% of whom are based off-shore, across a broad range of disciplines and attracts high quality students and academics from around the world.

The University's key resources include over 3,500 staff (full-person equivalent) from 93 countries, extensive teaching space and laboratories, access to cutting edge research, a strong reputation in the UK and a growing reputation overseas.

Objectives and strategies

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

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

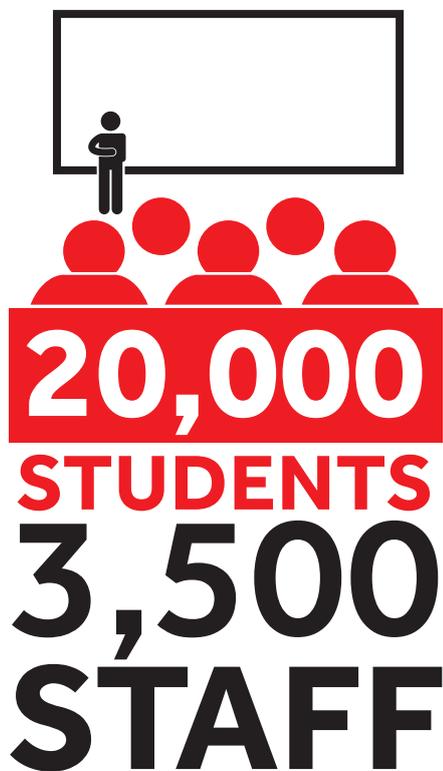
Underpinning the University's strategy are the four fundamental principles of academic excellence, global engagement, financial strength and a thriving community. The University aims to generate sustainable financial surpluses to facilitate renewal and investment.

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

Development and performance

Over 7,900 students commenced undergraduate or postgraduate programmes at Reading UK campuses during the year, and over 10,500 students commenced some form of study with Reading both in the UK and abroad.

The University was ranked joint 195th in the QS World University Rankings 2019 and was 28th amongst UK institutions. This is the fourth consecutive year that Reading has been ranked in the top 200 universities worldwide. In the Times Higher Education World University Rankings 2018, Reading was ranked 33rd amongst UK universities.



Reading was ranked 32nd nationally in the Complete University Guide 2019. The University is number one in the country for the study of Land & Property Management for the fourth consecutive year. A total of six subjects are in the Top Ten, including: Land & Property Management (1st), Building (4th), Aural & Oral Sciences (7th), Agriculture & Forestry (8th), Food Science (9th) and Town & Country Planning & Landscape Design (10th).

Henley Business School's Full-Time MBA was ranked 5th in the UK and 15th in Europe (Economist Full-time MBA Rankings 2017) and its Executive MBA was ranked 4th in the UK and 27th in the world (the Economist Executive MBA Rankings 2018). The University is investing over £200 million on upgrading existing facilities and creating new ones to provide the best teaching, learning and research opportunities for its staff and students. The 2026:TRANSFORM programme is a significant commitment towards realising its vision.

The University of Reading Malaysia (UoRM) is a state-of-the-art campus which allows the University to project its world-leading research and teaching across Asia, while offering students and staff outstanding opportunities to study and work abroad.

The Thames Valley Science Park opened in 2018 and aims to attract innovative small and medium-sized technology-based companies that are researching and delivering innovative new products. The Science Park is located on land owned by the University located to the south of the M4 in Shinfield near Reading.

The University of Reading has a long-established relationship with the Nanjing University of Information Science and Technology (NUIST), China's premier university in meteorology. The two institutions have now established a joint academy, after receiving formal approval from the Ministry of Education of China. The academy gives students the opportunity to study for one of several University of Reading degrees entirely in China or through a combination of study in China and the UK.

A 4+0 double degree programme has been forged between Henley Business School and the Beijing Institute of Technology (BIT) with full support from the Ministry of Education of China. Nearly 500 students are following the BA accounting programme. The first cohort graduated in 2017.

Teaching and learning

The University of Reading has a long and rich heritage of delivering a distinctive learning environment for students; we are a global, research-intensive university with teaching, learning and the student experience at our heart. Our ethos is one of working in partnership with our students and the Students' Union, and of strong support for our staff.

Our renewed Teaching & Learning Strategy 2018–21, sets out our commitment to equip learners at all stages of their careers to develop and fulfil their intellectual and personal potential. Graduates of the University of Reading will have developed a range of attributes to prepare them for 21st century lives, including: mastery of their discipline; skills in research and enquiry; personal effectiveness and self awareness; and global engagement and multicultural awareness. Through this approach, our students benefit from extensive opportunities within and beyond the curriculum that add value to their university experience.

Our Strategy identifies two strategic priorities for the next three years: delivering academic excellence and offering an outstanding student learning experience. A number of strategic enhancement projects are currently in progress to support these priorities, including:



£200m
INVESTMENT
ON UPGRADING
FACILITIES
AND CREATING
NEW ONES

- **Curriculum Framework** – the Curriculum Framework is a vehicle for programme enhancement; positioning the student experience and acquisition of essential graduate attributes at the very centre of our ambitions. All academic Schools are currently reviewing their undergraduate programmes to align with the University's core academic and pedagogic principles. Whilst recognising the primacy of the discipline, programme teams have identified priority areas for enhancement, which include assessment and feedback, diversity and inclusion, research and enquiry, employability, and globalisation.
- **Electronic Management of Assessment (EMA)** – our significant investment in EMA will deliver the University's long-term vision for online submission, marking and feedback. This will support a consistently good assessment experience for students, reduce the administrative burden for academic staff, and increase visibility and analytical capabilities with all summative assessment information and marks managed centrally and securely.
- **Academic Tutor System** – we are evolving our well-established tutoring system to launch an Academic Tutor System from September 2018. Our new system focuses the Academic Tutor relationship on students' academic, personal and professional development; provides essential discipline/School level leadership for the system; works in partnership with our professional support services; and invests in our student welfare provision through the introduction of a new Welfare Team to support students with any personal challenges that may affect their studies. This holistic approach will enable students and staff to work together in partnership to enhance students' academic, personal and professional development.

We are committed to investment to support teaching and learning excellence, as reflected through our accredited FLAIR (Facilitating Learning and Teaching Achievement and Individual Recognition) Framework. The Framework enables staff to gain professional recognition through HEA Fellowships. Thus far 804 fellowships have been awarded.

The University's five Teaching and Learning Deans, alongside the Pro-Vice-Chancellor for Teaching and Learning, 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.

Each year, the National Student Survey (NSS) provides the University with the most comprehensive, independent and full picture about how undergraduate students feel about their time at Reading, including their teaching and learning experience. The 2018 NSS was completed by 2,145 final-year students, representing the views of 66% of eligible finalists.

Overall satisfaction remains consistent with the sector average of 83%. Finalists commended teaching staff for being good at explaining things (88%) and a further 85% said that the course was intellectually stimulating.

These survey results provide an opportunity for us to reflect on our achievements as well as helping to understand where we can make improvements to continue to enhance the student learning experience at Reading.

85%
**OF PARTICIPANTS
SAID THEIR COURSE WAS
INTELLECTUALLY
STIMULATING**
(National Student Survey 2018)

Research

The University is known for the quality of its research and is committed to enhancing its position as a leading research university. 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 postgraduate research students and provides them with a stimulating and supportive research environment and training.

Overall, research income was £38.9m, an increase of £3.3m on the previous year.

The University of Reading's research is structured around five themes – Environment, Food, Health, Heritage & Creativity, and Prosperity & Resilience, with a broad range of activity in each area.

In June 2018 the University launched 'Be Red', a new marketing campaign highlighting the achievements of Reading research. These stories all show how Reading researchers, as with our University itself, are standing out from the crowd and making a difference in the world. Each story has been featured in online advertisements, posters around our campuses, and in a new website.

- **ANTICIPATE FLOODS:** Professor Hannah Cloke and Dr Liz Stephens are helping people to prepare for destructive floods by improving forecasting methods. Their research helps to save lives by improving early warning systems in flood-prone parts of the world.
- **REDEFINE THE ARTS:** Dr Teresa Murjas's collaborative research project, War Child, is a virtual exhibition that aims to give viewers deeper insight into the experiences of UK-based child evacuees during World War II.
- **PREVENT HUNGER:** Research by Professor Peter Dorward and his team is supporting vulnerable farming communities in Africa to make critical decisions to improve their food production.
- **FEEL VIRTUAL REALITY:** Professor William Harwin has developed one of the world's first sensory feedback systems that allows us to feel, grasp and manipulate simulated objects within virtual reality environments. His work focuses on understanding how sensory information is integrated from vision and touch during interactive tasks, allowing people to feel what they are touching as they pick up 3D simulated objects in VR worlds.
- **PROTECT RARE SPECIES:** Dr Tara Pirie has a passion for cats – from tigers to tabbies. Her time spent tracking, surveying and monitoring leopards in Thaba Tholo Wilderness Reserve, South Africa, provided her with an amazing insight into the behaviour of leopards living in the wild, including the exceptionally rare strawberry leopard.
- **TACKLE TEENAGE ANXIETY:** The University of Reading is home to the Charlie Waller Institute and the Anxiety and Depression in Young People (AnDY) Research Unit. Between them, they are transforming the lives of young people by designing effective therapies, providing treatments, and training front-line mental health practitioners.
- **FIGHT DEMENTIA:** Dr Mark Dallas's research focuses on one of the potential causes of dementia, rather than just the symptoms. It is providing clues that could help to defeat dementia in future.
- **ADVANCE JUSTICE:** In the past, you could be convicted of murder if you were present when someone was killed, even if you did not deal the fatal blow. Dr Beatrice Krebs's work to show the injustice of this 'Joint Enterprise' rule was used in a high-profile appeal case to the Supreme Court.



£38.9m
RESEARCH INCOME

- **PIONEER REFORM:** Dr Jacqui Turner, Lecturer of History at the School of Humanities, is uncovering the female pioneers of British politics, in particular Nancy Astor. Astor was the first female MP to sit in the House of Commons and her extensive papers are currently held at the University of Reading.
- **CHANGE CLIMATES:** Professor Giles Harrison, from the Department of Meteorology, is researching how electric charge influences the growth of tiny water droplets in clouds, which creates rain.
- **REDISCOVER HUMANITY:** Dr Hella Eckardt has been working with fellow Reading archaeologists Dr Mary Lewis and Dr Gundula Müldner, analysing skeletons with innovative scientific techniques, to explore just how diverse the population of Roman Britain really was.

Fundraising

The University receives philanthropic income from its alumni and other supporters and is very grateful to those who made a donation during the year.

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

The University's Donor Charter enshrines the standards it adheres to in its fundraising, and is supported by its ethical fundraising policy. Its standards are based on those recommended by CASE, the professional body for higher education fundraising and advancement. The University is also registered with the Fundraising Regulator and follows their Code of Fundraising Practice.

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

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

All fundraising is conducted by University of Reading employees and is closely managed and monitored through its management structure. For telephone campaigns, where student callers are employed, calling is monitored by trained supervisors and other fundraising team managers. The student callers also receive extensive training on ethical fundraising and their duty of care.

In 2017/18, the University mailed over 17,600 people with direct mail appeals and received complaints from only half a percent (around 95) about the approach being made. The University did not receive any complaints about its face-to-face fundraising programme.

Financial performance in the year

	2018	2017
	<i>£'000</i>	<i>£'000</i>
Total income	317,175	288,894
(Deficit) / surplus for the year	(20,456)	42,210
Total comprehensive income for the year	16,764	54,999

The University recorded strong growth in its core tuition and research income streams which contributed to group income for the year of £317.2m. The surplus/deficit positions are heavily influenced by investment transactions, such as land sales, which can lead to large variations year on year. Without these transactions, the University made an underlying surplus very similar to the previous year. This was despite costs and inflation increasing faster than main income streams, such as tuition fees.

Group expenditure for the year was £348.9m. The University remains focused on keeping costs under tight control to maximise value, and also the delivery of efficiency savings wherever possible.

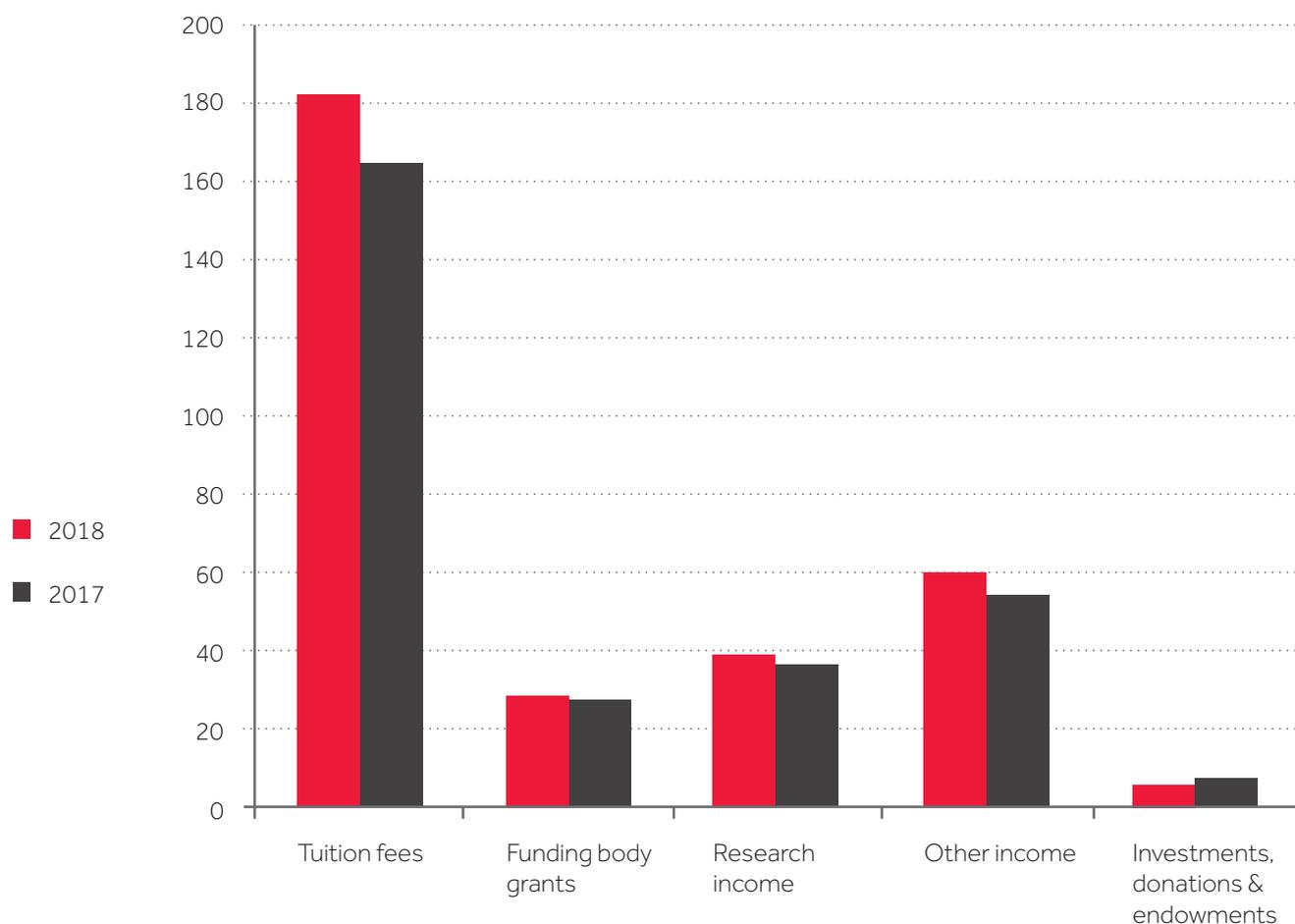
The University has seen significant improvement in the financial performance of its longer-established academic activities. It is committed to continuing this trend of growing academic surpluses, in order to re-invest in the future of the institution.

Financial results from the campus in Malaysia have been short of expectations with deficits recorded in recent years and this trend is expected to continue for some time. As well as incorporating the subsidiary's operating deficit of £8.0m for the year, the group results include provisions for contractual obligations associated with the main building lease and other contracts as well as impairment of the fixed assets. These provisions and impairments total £20.9m.

During the year the University undertook a review of all of its land and property holdings and concluded that its land at Willington Down near Didcot was more appropriately described as an investment property. The site has increased in value and is now expected to produce a significant capital receipt within the next 12 months. The increase in value was not recorded in the financial statements issued in 2017 and has now been restated in these financial statements to reflect a gain of over £41m.

Other comprehensive income included remeasurement gains of £35.8m on the locally managed UREPF pension scheme. These gains arose from actuarial assumptions around life expectancy, inflation and discount rates, changes to the membership profile and an increase in investment returns.

Group income (£m)



Income from all sources totalled £317.2m, a 9.8% increase over the previous year, with growth recorded in tuition fee, research and other income.

Tuition fees increased by £18.6m to £182.9m due to an 11% increase in the number of full-time home and EU undergraduates and a 9% increase in the number of full-time international students. Fees from part-time students increased by £1.3m due to increased activity on the MBA programmes.

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.

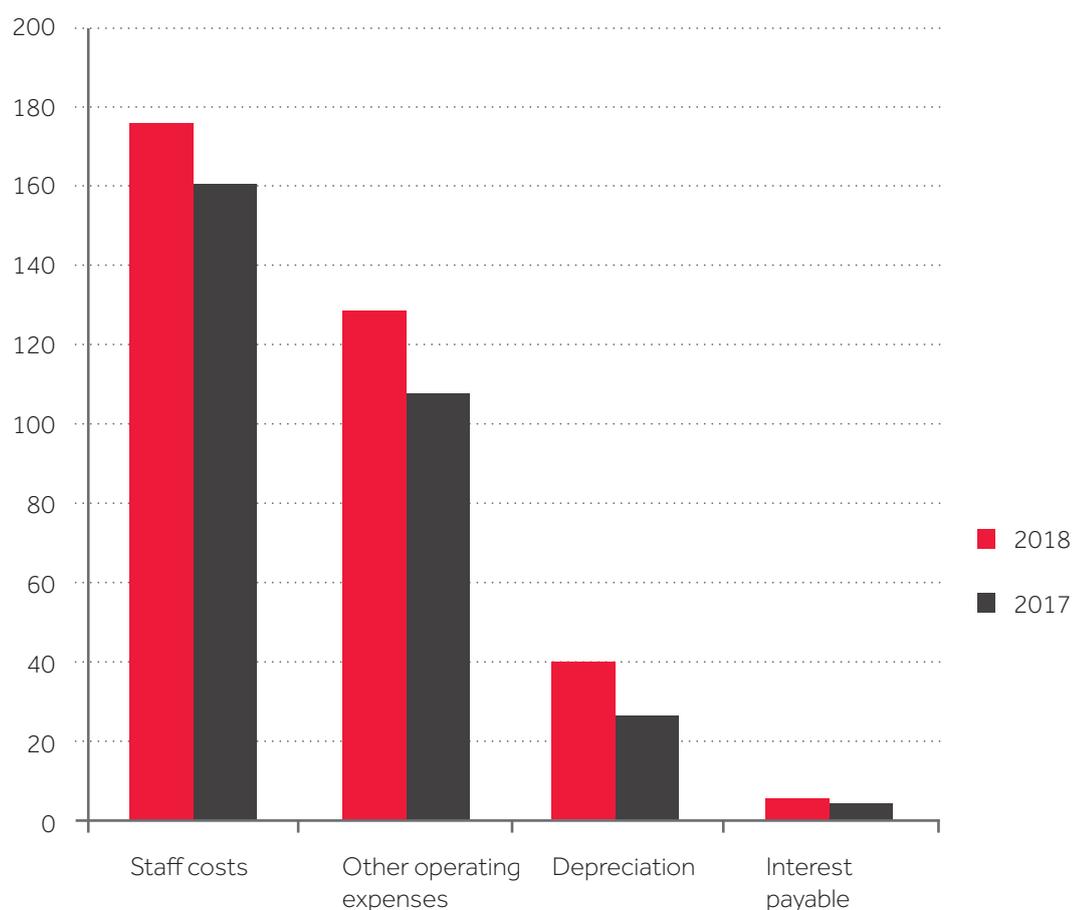
Funding body grants increased slightly in the year to £29.8m but these grants now make up less than 10% of total income.

Total research income grew by 9.3% to £38.9m as a result of an increase in new grant awards.

Other income rose by £8.0m to £59.6m. This was partly due to a £5.0m government grant received in connection with the construction of Thames Valley Science Park. 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 £6.0m. This was down from the previous year due to a fall in investment returns.

Group expenditure (£m)



Overall group expenditure increased for a variety of reasons although efficiency savings continue to be at the forefront of planning and decision making.

Total staff costs rose by 8.8% to £175.0m (2017: £160.9m) of which 3.5% (£5.4m) was due to the annual pay award (1.7%) and incremental progression (1.8%). In addition there was a £1m increase in research-related staff costs. Increased staff costs were also in response to an increase in student numbers.

Other operating expenses totalled £128.5m (2017: £107.5m) and depreciation on tangible fixed assets totalled £39.1m. Interest payable was £6.3m.

The University-only results include a provision against amounts due to the University from its wholly owned subsidiary in Malaysia, which may not be wholly recoverable, an impairment provision against the value of the investment and a provision for a specific guarantee provided to the subsidiary in respect of its main lease. These provisions resulted in a total charge of £27.6m in the University's statement of comprehensive income. The campus is operated by RUMAL Reading Sdn Bhd, whose activities are kept legally and financially distinct from the University in the United Kingdom.

Financial position

Consolidated net assets totalled £469.1m at 31 July 2018 (2017: £452.3m). The increase against the previous year can be attributed primarily to the remeasurement gains on the UREPF pension scheme less the deficit and further provisions recorded in respect of RUMAL. Net current assets stood at £82.1m (2017: £46.1m).

Fixed assets

The University continues to invest in the future. We are committing over £200 million to improving our campus 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 progressing well. The first phases of the Library have been finalised, and we are also nearing completion of our third and fourth major lecture theatre refurbishments and an upgrade of the Student Union's 3Sixty nightclub.

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 total investments held by the University and its trusts were valued at £876m (2017: £82.2m). The returns generated from these investments have helped to fund £2.2m of 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. The portfolio is managed on a day-to-day basis by a professional investment manager. As well as targeting income returns and capital growth, the manager is required to consider the social, environmental and ethical issues of the companies in which investments are held.

The University and its trusts hold some properties for their investment potential. Their combined market value at 31 July 2018 was £140.6m (2017: £99.3m). The main reason for the increase year on year related to the opening of the Gateway Building at Thames Valley Science Park. All of the capital costs in respect of Thames Valley Science Park were transferred from tangible fixed assets to investment properties at cost and then increased to fair value at 31 July 2018.

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 £38.6m at 31 July 2018 (2017: £1.5m). The positive movement was mainly driven by the remeasurement gains reported in the year. The University has made additional cash payments to the scheme in recent years and this has helped to rectify the historic deficit. It is expected that these contributions will be reduced in the next year. As well as making regular employer contributions, the University pays £600,000 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 additional contributions to reduce the overall deficit on the scheme. The University has recognised a provision of £32.8m for its share of the additional contributions (2017: £32.5m) in accordance with the deficit funding plan agreement accompanying the 2014 actuarial valuation.

Cash flow and borrowings

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

The University's non-endowment cash balances are held primarily in the form of interest-bearing deposits with financial institutions. The University also has borrowings including a £70m corporate bond, a £60m sterling long-term loan facility and a fully drawn £50m revolving credit facility.

The Group generated a net cash inflow from operating activities of £17.6m (2017: £22.8m). The net increase in cash and cash equivalents for the year was £37.4m (2017: decrease of £26.0m). The increase was mainly due to the drawdown of the revolving credit facility; this is expected to be reduced in the autumn as the latest income from tuition fees and grants is received.

Human resources

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

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

The University actively engages with staff on a regular basis using a variety of methods including publications, the intranet, staff briefing meetings led by the Vice-Chancellor, and the appointment of staff representatives to Council. The University also consults regularly with staff and their representatives to discuss issues affecting their working lives, through the recognised trade union UCU and the Staff Forum. As required by law the University has published details of its trade union facility time arrangements for the period 1 April 2017 to 31 March 2018.

The People Development team provides a comprehensive range of training programmes for staff, designed to develop management and leadership capability, as well as a wide range of practical skills that staff need for their day-to-day work. A new Learning Management System will be launched in 2019.

Further practical support for staff is available 24/7 via the Employee Assistance Programme.

In September 2017 a new service, Campus Jobs, was launched to provide casual and temporary work opportunities for students. By April 2018 over £1m had been paid in wages to student workers.

The HR department continues to provide professional support across the University. The People Plan is progressing the University's response to the outcomes of the Staff Survey 2017, and a further "pulse" survey will be conducted in the Autumn Term 2018.

Environmental matters

The University of Reading takes its environmental responsibilities seriously and manages its operations in ways that are environmentally sustainable, economically feasible and socially responsible. The University is committed to achieving the highest standards of environmental performance, protecting the environment and minimising the impact of its operations. In 2016/17 the University set itself challenging new 5 year targets across energy, waste, water and travel to ensure it continues to reduce its impact on the local as well as global environment and work in 2017/18 has made good progress towards those targets.

During the last year the University has made significant progress towards its 2021 45% carbon reduction target by achieving a 39% reduction based on 2008/09 levels. In 2017/18, energy bills were £9m less than they would have been without the significant work and investment in the carbon management plan since 2010. Projects delivered last year included a large solar photovoltaic array onto the Edith Morley Building which will allow the building to generate up to 60% of its own electricity. This has been the largest single array to be installed by the University and it is likely to result in the building achieving the University's first 'A' rated display energy certificate.

The University successfully recertified for ISO14001 and ISO50001 for its environmental and energy management systems, and so continues to manage its environmental impact effectively. New recycling facilities have been provided both internally and externally to further improve recycling rates towards our target of 60% by 2021. The University now diverts 99% of its waste away from landfill, with 50% being recycled and 49% being recovered to generate electricity. Significant work has been undertaken to improve re-use rates at the University, including promotion of the Warp-It re-use portal which has resulted in over £50,000 worth of equipment and furniture being re-used in 2017/18, resulting in both purchase and disposal cost savings.

To support staff and students to make sustainable travel choices, the University has continued its upgrade of campus routes by improving the path between the Hopkins Building and the Friends Bridge enabling people to share the space safely. Cycle training and skills has been a big focus of the year with over a hundred people participating in the courses on offer. The University conducted its biennial travel survey which was completed by over a thousand members of the University community. This has identified areas for improvement which have been reviewed and prioritised with work being undertaken to achieve the 83% sustainable travel target that was set in 2016/17.

Principal risks and uncertainties

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

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

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

- Insufficient funds for capital project requirements;
- Failure to have sufficient and/or adequate accommodation to offer students;
- Failure to meet the targets of the University of Reading Malaysia (UoRM) business plan;
- Failure to deliver capital projects to timeline and to budget;
- Failure to recruit appropriate numbers and quality of postgraduate research students;
- Failure to maintain or enhance teaching & learning quality.

Global reach

The University of Reading has an enviable global reach with both physical and virtual presences in Asia, Africa and Europe. More than a third of the University's UK-based staff and almost 30% of the student population come from outside the UK. By the end of this decade 1 in 5 of all of the University's students will be based overseas. The University's geographical spread allows it to take advantage of a wider range of opportunities for teaching and for research. During the past year international student numbers have grown at the UK campuses as well as overseas in what has been a very challenging and competitive environment. Still in its infancy, there are now more than 600 students studying at the University's campus in Malaysia and almost 500 new students starting this year at our sites in China. The Henley Business School South Africa has grown its reputation as a leading African as well as UK business school as per its mission to "build the people, who build the businesses that build Africa".

The University's geographical reach does not come without its risks and challenges. Paramount among these is Brexit. Whatever the final outcome of Brexit, the University will remain firmly embedded within a European context, and while aspects of its relationship with partners on the continent may be made more difficult by the consequences of Brexit, it is firmly committed to those relationships and to ensuring the continued mobility of staff, students and knowledge.

Future developments

All universities face challenges presented by the volume and pace of change in the sector and with the justified focus on ensuring that investment in universities – and a university education – represents good value. The University's 2026 vision and strategy will enable us to navigate our way successfully in these changing times. Our core values remain unchanged, as does our belief in the benefits of open and positive engagement – locally, nationally and internationally. The strategy is firmly embedded into planning across the University, fostering a greater sense of ambition and having a positive impact on the University's adaptability and performance.

The University's global reach remains a defining characteristic of its identity, with a broad network of partners, teaching bases and campuses across the world. The Global Engagement strategy encourages the outward mobility of UK-based students. By 2026, it is planned that at least one third of the University's students will spend some time overseas as part of their degree.

The University has a strong asset base and this, along with its plans to maximise incoming resources and actively manage its cost base, will continue to ensure it has a firm financial footing. It is investing over £200 million into improving its campus facilities, which includes upgrading existing facilities and creating brand new ones.

Universities are uniquely placed to contribute to innovation and industrial growth given their long-term view of planning and regional commitment. The opening of the flagship Gateway Building at Thames Valley Science Park in March 2018 represents the first phase of a 20 year plan to host innovative technology-based companies in a first-class environment. The income derived will contribute to funding the University's core activities and its investment in the future.

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

Prof Robert Van de Noort

Acting Vice-Chancellor

Samantha Foley

Chief Financial Officer

28 November 2018

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 which it believes are to the benefit of the local, national and international communities.

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

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

Teaching and learning

The University's admissions policy is to attract and admit the most able and motivated undergraduate and postgraduate students with the greatest potential to contribute to, and 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 problems which arise during a student's time at Reading.

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

Events for school and college students on-campus include University 'taster' experience days; subject-specific events showcasing degrees and career options, and curriculum-linked activity to increase attainment and subject knowledge. Our programme supports pupils throughout their school and college journey to provide subject specific insights, and also information, advice and guidance about wider aspects of University life at critical points

where students are making educational choices. Primary school students have explored our museums and undertaken campus trails. Pre-GCSE students have attended broad theme days such as 'Being Human', getting a taste of Philosophy, Psychology, Languages and Computer Science. GCSE students have visited campus for sessions on student life, career choices and subject tasters. A whole range of subject tasters have been held for students in Years 12 and 13, including to name but a few; Art, Business, English, Modern Languages, Psychology, Geography and Environmental Sciences, Archaeology, Architecture and an Alternatives to Medicine Day showcasing the range of possibilities available in the healthcare sciences. In addition, our intensive Reading Scholars programme has supported over 250 students from disadvantaged backgrounds in Years 10 and 12 throughout the year with on-campus events, study skills techniques and support from our current students as mentors, and our academic researchers are supporting students from disadvantaged backgrounds in partnership with The Brilliant Club. We have also introduced a programme of attainment raising activity targeted at schools with low progression to Higher Education to work with these schools in providing students with the skills they need to reach their full academic potential. We also work intensively with schools and colleges to enable them to access our activities in a sustained way – providing multiple opportunities for students to interact over their school lifetime and continually building on their understanding of and aspirations to access Higher Education opportunities.

The University has also worked off campus in schools and colleges, providing subject-based sessions, careers and HE information and student ambassadors to give information and guidance about Higher Education and the opportunities it can lead to.

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

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

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.

In June 2018 the second annual University of Reading Research Engagement and Impact Awards celebrated the achievements of researchers from across the University in communicating their work and engaging with wider audiences. Seventeen awards were shortlisted across five categories for work that aims to:

- INFORM the public about research and make it more accessible
- INFLUENCE policy or professional audiences and their work
- INSPIRE children and young people with research
- INVOLVE the public directly in research projects and partnerships
- EMBARK on engagement and impact work early in their careers.

The winners in each category were:

INFORM – **Patrick Lewis**, from Pharmacy, for running the James Parkinson Bicentennial; a series of events and lectures bringing together clinicians and people affected by Parkinson's disease to tell the story of the disease 200 years after it was first identified, what we understand about it today, and where the latest research is heading.

INFLUENCE – **Paul Williams**, in Meteorology, for his research to forecast aviation turbulence up to 18 hours ahead, resulting in smoother and safer flights for around a billion air passenger journeys, while lowering fuel consumption and emissions.

INSPIRE – **Sally Lloyd-Evans** from Geography/Global Development and the **Whitley Young Researchers**, for a social mobility research project involving the whole community which is already encouraging children as young as seven to think differently about the future and ensures that the voices of young people are heard.

INVOLVE – **Ed Hawkins** and **Stephen Burt**, from Meteorology, for their citizen science project to turn 19th century hand-written weather records into a freely available new source of data for climate scientists – volunteers have now rescued almost 3 million observations from obscurity.

EMBARK – **Sakthivel Vaiyapuri** in Pharmacy who took his snake venom research from the lab to classrooms in Tamil Nadu, educating children about how to avoid deadly snake bites and what to do if someone is bitten.

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 top ten most popular green spaces in the UK in the 2017 Green Flag People's Choice Award, out of almost 1,800 entries. Thousands of people have also attended our public events, such as lectures, music concerts and exhibitions and over half a million people from as many as 190 countries have signed up to our free online courses.

In December 2017, we announced an exciting partnership with the British Museum to develop a significant new collection storage and research facility. It is a first of its kind partnership between a national museum and a UK university to deliver study and research benefits to students, academics and members of the public.

In the past year we have continued to support the local economy by working with key partners. Building on the success of previous years, our Reading Internship Scheme has successfully matched undergraduate students with local start-ups, small enterprises and charities to give organisations access to skills and provide students with professional work experience. In December 2017, the first group of medical professionals to complete our Physician Associate Programme graduated and are now working in hospitals and GP practices, including the Royal Berkshire Hospital. Support for local education also goes from strength to strength, with our Institute of Education working in partnership with over 300 schools in the south-east of England.

The University and the Reading University Students' Union (RUSU) ran a variety of community engagement projects. This included the University's Students in Schools project, which placed just under 400 students in 45 local primary, secondary and special educational needs schools, an increase on the previous year. The Students' Union supported students to volunteer over 4,600 hours to over 12 local organisations, including a soup kitchen, care home and a number of schools.

The University has valued its continued relationship with key regional business partners, including the Thames Valley Local Enterprise Partnership, the Thames Valley Chamber of Commerce and the Confederation of British Industry. Highlights of the year include working with Reading UK CIC on the Reading UK 2050 project and the launch of the first Reading on Thames Festival.

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. Here broad majority representation by lay members, drawn from commercial, community and professional organisations, provides a valuable perspective. The primary responsibilities of the Council are set out in Ordinance A2, Statement of Primary Responsibilities of the Council, which can be viewed on the University website.

Among other business this year, the Council has conducted a review of its own efficiency and effectiveness. The President of Council sought views from Council members as to Council's efficiency and effectiveness, and these were presented to a meeting of the Council in March. For the most part, members were satisfied with the way in which Council carried out its business. However, some areas of improvement were identified. As a consequence, the Council established a small working group, chaired by the President, and with three lay and three internal members. That group made recommendations to the Council in July, which were approved.

In short, the effectiveness and efficiency review has resulted in approval for a slightly smaller Council, with support for reviewing movement towards further reduction in size, but ensuring that there is proper representation. There will be changes as to how Council works from next session to ensure that matters of strategy and of governance are best handled in such a large group. Council will review its new ways of working at the end of next session.

In addition, it was agreed that the current committee structure of the Council continue, but with a clearer delineation of responsibilities between the Strategy and Finance Committee and the Investments Committee.

The Council has also:

- approved the initial registration submission to the OfS;
- 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 the University's plans for a medical school, the University of Reading Malaysia, the University's obligations and targets in the area of diversity and inclusion;
- approved, and monitored, significant capital investment;
- engaged in an informal strategic session on a 10 year capital programme for the University, from which a 10 year programme was subsequently approved.

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

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

The Senate

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

Following a review of its effectiveness in 2016–17, Senate has operated in a different form this session, 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, is to be implemented for 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 and can only provide reasonable but not absolute assurance against material misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the University and this is reviewed regularly by the University Executive Board, Strategy and Finance Committee and the Council. This process was in place throughout the year under review and up to the date of approval of the financial statements.

In accordance with the University's Charter and Ordinances and the Memorandum of Assurance and Accountability with HEFCE/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 which may prevent or inhibit the achievement of the University's aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.
- the Audit Committee receives regular reports from the Head of Internal Audit Services, together with recommendations for improvement. These reports comment on the arrangements for internal control, risk management and governance.
- a Risk Management Group reporting to the University Executive Board and led by the Deputy Vice-Chancellor oversees risk management at the University. The University has developed its strategic plans with specific reference to the key risks identified for the University. The Risk Management Group also oversees work on major incident and business continuity planning.
- a framework for managing risk is in place and includes a risk register. Each key risk is assigned to named members of the University Executive Board. Each risk has also been assigned to the appropriate committee to monitor the operation of the associated controls within their broader remit. The risks are prioritised based on the likelihood of an event arising from a particular risk and an assessment of the anticipated impact. The assigned priority helps focus resources on critical areas.
- corporate and subsidiary risk registers held at school and central services level which document controls, mitigating actions and early warning mechanisms in place to manage each risk. 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.

Register of interests

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

Preparation of the financial statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between HEFCE/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.

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.

Internal financial controls

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

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

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

Information held on the University's website

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

REPORT OF THE REMUNERATION COMMITTEE

This report summarises the business of the Remuneration Committee for the year.

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 £100,000. The Committee also approves significant severance payments and any out of cycle salary increases. 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)

The University Secretary, Head of Governance and the Director of Human Resources are in attendance at meetings. No employees of the University are present when their own remuneration or expenses are under consideration.

The Committee met on three occasions during the year.

The Committee 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 HEFCE, CUC or OfS may from time to time provide.

The Committee is committed to having a transparent and consistent approach to its work. This year there has been increased 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 which it reports about the University's remuneration policies and approach toward senior post holders' reward.

The over-arching purpose of the Remuneration Committee is to assist the University with the effective recruitment, retention and motivation of staff. 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.

In so far 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 8 grades, on a pay structure based on the national pay spine, and enjoy 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, to 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 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 Committee also receives 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, whilst 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 de facto the University's 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. 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.

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

- Financial performance of the University.
- 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).
- Staff survey outcomes.

The notes to the financial statements provide details of the Vice-Chancellor's remuneration during the year as well as comparisons to the median salary of University staff.

Staff paid over £100,000

During the year, a total of 51 staff received a full-time equivalent basic salary in excess of £100,000 (excluding the Vice-Chancellor). The notes to the financial statements provide further information by salary banding.

Payments to members of the governing body

The Council is the University's governing body. It has majority representation from lay members drawn from commercial, community and professional organisations. Lay members of the Council receive no remuneration for their role 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 which 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.

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.

Compensation for loss of office

The Committee approves severance payments for any staff whose pay exceeds £100,000 and approves all severance payments in excess of £90,000. The Committee approved one severance arrangement during the year; an amount of £40,000 was paid by way of compensation for loss of office (with a further £3,900 to provide access to financial, legal and outplacement support). The total compensation for loss of office paid to members of staff during the year is disclosed in the notes to the financial statements.

Committee activities during 2017/18:

In addition, during 2017/18, 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)** agreed a Staff Retention Policy;
- (vii)** agreed, on the basis of a report from its Professorial Salaries Advisory Group, adjustments to salary for certain Professorial staff with effect from 1 August 2018;
- (viii)** agreed, on the basis of a report from its Senior Salaries Advisory Group, adjustments to salary for certain senior staff with effect from 1 August 2018;
- (ix)** noted changes to the Staff Forum;
- (x)** noted work being undertaken in regard to the Staff Survey Results 2017;
- (xi)** discussed an approach to managing the performance of members of UEB;
- (xii)** reviewed guidance issued by the OfS, UCEA and HEFCE;
- (xiii)** reviewed and discussed the Gender Pay Gap Report.

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

We have audited the financial statements which comprise:

- the Group and University statements of comprehensive income;
- the Group and University statements of changes in reserves;
- the Group and University balance sheets;
- the Group statement of cash flows;
- the statement of principal accounting policies; and
- the related notes 1 to 35.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The Council is responsible for the other information. The other information comprises the information included in the 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. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Office for Students (OfS)

"Regulatory Advice 9: Accounts Direction"

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes during the year ended 31 July 2018 have been applied to those purposes and managed in accordance with relevant legislation;

- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2018; and
- the requirements of the OfS'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 board of governors 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

30 November 2018

Statement of comprehensive income

Year ended 31 July 2018

	Consolidated		University	
	2018	2017 <i>restated</i>	2018	2017 <i>restated</i>
	£'000	£'000	£'000	£'000
Income				
Note 1 Tuition fees and education contracts	182,921	164,350	173,370	156,557
2 Funding body grants	29,771	28,964	29,771	28,964
3 Research grants and contracts	38,882	35,589	38,641	35,369
4 Other income	59,583	51,590	58,143	49,686
5 Investment income	2,335	4,991	393	2,408
6 Donations and endowments	3,683	3,410	2,763	2,351
Total income	317,175	288,894	303,081	275,335
Expenditure				
7 Staff costs	175,005	160,869	168,586	155,342
Other operating expenses	128,511	107,547	118,905	111,203
11 Depreciation	39,073	27,095	27,864	24,894
8 Interest and other finance costs	6,320	5,422	6,746	6,016
9 Total expenditure	348,909	300,933	322,101	297,455
Total income less total expenditure	(31,734)	(12,039)	(19,020)	(22,120)
Gain / (loss) on disposal of fixed assets	1,508	1	(89)	1
(Loss) / gain on disposal of investment properties	(10)	1,318	(8)	(115)
Gain on disposal of investments	1,862	4,822	-	-
14 Gain on revaluation of investment properties	4,120	47,363	2,991	44,287
Gain on revaluation of investments	2,420	1,177	504	1,228
Impairment of non-current investments	-	-	(8,087)	-
16 Share of operating surplus / (deficit) in associates	1,570	(292)	-	-
(Deficit) / surplus before tax	(20,264)	42,350	(23,709)	23,281
10 Taxation charge	(192)	(140)	(92)	(98)
(Deficit) / surplus for the year	(20,456)	42,210	(23,801)	23,183
16 Surplus on revaluation of fixed assets held by associate	-	8,024	-	-
16 Tax charge arising on revaluation of fixed assets held by associate	1,527	(1,528)	-	-
33 Remeasurement gains in respect of pension schemes	35,802	6,565	35,802	6,565
Exchange differences on consolidation of overseas subsidiaries	(109)	(272)	-	-
Total comprehensive income for the year	16,764	54,999	12,001	29,748
Represented by:				
Endowment comprehensive income for the year	6,255	11,016	641	1,346
Restricted comprehensive income for the year	(1,209)	358	(1,325)	305
Unrestricted comprehensive income for the year	10,191	37,129	12,685	28,097
Revaluation reserve comprehensive income for the year	1,527	6,496	-	-
	16,764	54,999	12,001	29,748

All items of income and expenditure arise from continuing activities.

Statement of changes in reserves

Year ended 31 July 2018

	Income and expenditure account				Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	
Consolidated					
At 1 August 2016	203,707	1,624	148,002	43,989	397,322
Surplus for the year – restated	11,016	358	30,836	-	42,210
Other comprehensive income	-	-	6,293	6,496	12,789
Transfers between endowment and unrestricted reserves	(545)	-	545	-	-
Transfers between restricted and unrestricted reserves	-	11	(11)	-	-
At 1 August 2017	214,178	1,993	185,665	50,485	452,321
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	-	-
At 31 July 2018	220,110	784	196,179	52,012	469,085

	Income and expenditure account				Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	
University					
At 1 August 2016	12,672	1,193	133,847	37,814	185,526
Surplus for the year – restated	1,346	305	21,532	-	23,183
Other comprehensive income	-	-	6,565	-	6,565
At 1 August 2017	14,018	1,498	161,944	37,814	215,274
Surplus for the year	641	(1,325)	(23,117)	-	(23,801)
Other comprehensive income	-	-	35,802	-	35,802
At 31 July 2018	14,659	173	174,629	37,814	227,275

Balance sheet

At 31 July 2018

	Consolidated	University		
	2018	2017 <i>restated</i>	2018	
	£'000	£'000	£'000	£'000
Non-current assets				
Note 11 Tangible fixed assets	366,837	411,759	348,730	385,213
12 Heritage assets	39,346	39,346	39,167	39,167
13 Biological assets	592	476	592	476
14 Investment properties	140,606	99,347	115,562	74,417
15 Non-current investments	20,718	19,364	20,487	27,283
16 Investments in associates	20,590	17,493	10,567	10,567
	588,689	587,785	535,105	537,123
Current assets				
Stock	1,329	1,267	1,300	1,221
17 Trade and other receivables	80,429	79,036	56,023	38,962
18 Current investments	66,859	62,824	-	-
Cash and cash equivalents	57,734	20,322	55,992	18,110
	206,351	163,449	113,315	58,293
19 Creditors: Amounts falling due within one year	(124,219)	(117,324)	(224,184)	(209,355)
Net current assets / (liabilities)	82,132	46,125	(110,869)	(151,062)
Total assets less current liabilities	670,821	633,910	424,236	386,061
20 Creditors: Amounts falling due after more than one year	(193,053)	(149,029)	(184,972)	(138,227)
Provisions				
21 Pension provisions	5,846	(31,000)	5,846	(31,000)
22 Other provisions	(14,529)	(1,560)	(17,835)	(1,560)
Total net assets	469,085	452,321	227,275	215,274
Restricted reserves				
24 Income and expenditure reserve - endowment	220,110	214,178	14,659	14,018
25 Income and expenditure reserve - restricted	784	1,993	173	1,498
Unrestricted reserves				
Income and expenditure reserve - unrestricted	196,179	185,665	174,629	161,944
Revaluation reserve	52,012	50,485	37,814	37,814
Total reserves	469,085	452,321	227,275	215,274

The financial statements on pages 36 to 69 were approved by Council on 28 November 2018, and signed on its behalf by:

Dr P R Preston
President of the Council

Prof R Van de Noort
Acting Vice-Chancellor

Ms S Foley
Chief Financial Officer

Statement of cash flows

Year ended 31 July 2018

	Consolidated	
	2018	2017 <i>restated</i>
	£'000	£'000
Cash flow from operating activities		
(Deficit) / surplus for the year	(20,456)	42,210
Adjustments for non-cash items:		
Depreciation	39,073	27,095
Gain on revaluation of investment properties	(4,120)	(47,363)
Gain on revaluation of investments	(2,420)	(1,177)
Gain on revaluation of biological assets	(96)	(10)
Exchange differences	(600)	163
(Increase) / decrease in stock	(62)	4
Increase in receivables	(401)	(5,139)
Increase in creditors	4,091	17,696
Decrease in pension provisions	(1,572)	(3,995)
Increase in other provisions	12,969	1,560
Share of operating (surplus) / deficit and tax in associates	(1,570)	292
Adjustments for investing or financing activities:		
Investment income	(2,335)	(4,991)
Capital grant income	(7,828)	(2,822)
New endowments	(25)	(49)
Interest payable	6,320	5,422
Gain loss on disposal of fixed assets	(1,508)	(1)
Loss / (gain) on disposal of investment properties	10	(1,318)
Gain on disposal of investments	(1,862)	(4,822)
Net cash inflow from operating activities	17,608	22,755
Cash flows from investing activities		
Proceeds from sales of fixed assets and investment properties	1,588	6,234
Proceeds from sale of land in previous years	15,000	10,000
Net (payments for) / receipts from investments	(1,106)	8,617
Investment income	2,242	4,991
Capital grants received	7,828	2,822
Payments made to acquire tangible fixed assets	(46,516)	(73,377)
Net payments for biological assets	(20)	(37)
Payments made to acquire investment properties	(361)	-
	(21,345)	(40,750)
Cash flows from financing activities		
New endowments	25	49
Interest paid	(5,699)	(4,701)
New unsecured loans	50,000	100
Repayments of amounts borrowed	(3,177)	(3,464)
	41,149	(8,016)
Increase / (decrease) in cash and cash equivalents in the year	37,412	(26,011)
Cash and cash equivalents at beginning of the year	20,322	46,333
Cash and cash equivalents at end of the year	57,734	20,322

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The University is a public benefit entity and has therefore applied the relevant public benefit requirements of applicable accounting standards.

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain assets including investment properties, biological assets and certain investments. The financial statements have been prepared on the going concern basis which the Council believes to be appropriate. The University has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The University's financial strategy has a clear focus on sustainability and the University aims to improve its IT infrastructure and implement new systems where necessary in order to facilitate more efficient and effective working practices. The Council is therefore satisfied that the University and its subsidiaries and trusts have adequate resources to continue in operational existence for the foreseeable future.

Basis of consolidation

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

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

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

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

Income recognition

(i) Goods and services

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

(ii) Fee income

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

(iii) Revenue grants

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

(iv) Capital grants

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

(v) Investment income

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

(vi) Donations and endowments

Donations and endowments are types of non-exchange transactions and do not usually have performance-related conditions. Donations and endowments with donor-imposed restrictions are recognised within the statement of comprehensive income when the University is entitled to the income. Income is retained within the restricted reserve until such time as it is utilised in line with the restrictions at which point the income is released to general reserves through a reserve transfer.

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

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

The main types of endowment are given below:

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

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

(vii) Agency arrangements

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

Accounting for retirement benefits

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

USS is a multi-employer hybrid scheme which has both defined benefit and defined contribution elements. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, contributions are recognised as an expense in the period during which

services are rendered by employees. Additionally, since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contractual commitment to fund past deficits within the USS scheme.

UREPF is a defined benefit scheme which closed to new members on 31 July 2011. The assets of the scheme are held in a separate trustee-administered fund. The scheme is valued every three years by a professionally qualified independent actuary using the projected unit credit method, the rates of contribution payable being determined by the trustees on the advice of the 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 which was established on 1 August 2011 and is available to staff not eligible to join the USS scheme. Contributions are recognised as an expense in the period during which services are rendered by employees.

A small number of staff remain in other pension schemes.

Employee benefits

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

Leases

(i) Finance leases

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

(ii) Operating leases

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

(iii) Service concession arrangements

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

(iv) Lessor accounting

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

Foreign currency

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

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

Taxation

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478–488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. Non-charitable subsidiary companies are liable to corporation tax.

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

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 balance sheet date.

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

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

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

Deferred tax assets and liabilities are not discounted.

Tangible fixed assets

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

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

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

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

(i) Land and buildings

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

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

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

(ii) Plant, machinery and equipment

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

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

(iii) Borrowing costs

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

Heritage assets

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

Heritage assets are 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 which are classified as biological assets. Dairy cattle are stated at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the statement of comprehensive income. The associated agricultural produce, milk, is stored only for a short time before onward sale and hence the value held is not considered material and is not included on the balance sheet.

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

Investment properties

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

Investments 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 apply the provisions of sections 11 and 12 of FRS 102 in full to account for all of its financial instruments.

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of a financial instrument.

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 which 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 in the University balance sheet, are subsequently measured at cost less any provision for impairment in their value.

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 which 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 derecognised only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

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

Financial assets and liabilities are only offset in the balance sheet 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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Full-time home and EU students	100,721	90,346	100,720	90,345
Full-time international students	60,072	53,981	56,308	51,320
Part-time students	15,024	13,667	10,554	9,862
Research training support grants	4,957	4,427	4,957	4,427
Short course fees	1,316	1,326	-	-
Education contracts	831	603	831	603
	182,921	164,350	173,370	156,557

2 Funding body grants

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Recurrent grants				
HEFCE, OfS and UK Research and Innovation	22,873	24,024	22,873	24,024
Capital grants	2,573	2,822	2,573	2,822
Specific grants				
HEFCE, OfS and UK Research and Innovation	2,477	212	2,477	212
Higher Education Innovation Fund	1,839	1,880	1,839	1,880
Other	9	26	9	26
	29,771	28,964	29,771	28,964

The University received grants from the Higher Education Funding Council for England (HEFCE) from 1 August 2017 until 31 March 2018, and then from the Office for Students (OfS) and UK Research and Innovation (via Research England) from 1 April 2018 to 31 July 2018.

3 Research grants and contracts

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Research Councils	18,680	16,303	18,680	16,303
Charities	3,416	3,254	3,416	3,254
Industry and commerce	5,500	5,791	5,377	5,571
Government (UK and overseas)	11,239	9,787	11,121	9,787
Research and Development Expenditure Credit (RDEC)	47	454	47	454
	38,882	35,589	38,641	35,369

4 Other income

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Residences, catering and conferences	10,585	10,751	10,565	10,733
Other capital grants	5,255	-	5,577	545
Other income	43,743	40,839	42,001	38,408
	59,583	51,590	58,143	49,686

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Income from short-term investments	1,989	4,200	300	2,408
Interest receivable on the deferred proceeds of sale of land	253	791	-	-
Net return on pension scheme	93	-	93	-
	2,335	4,991	393	2,408

6 Donations and endowments

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
New endowments	25	49	25	49
Donations with restrictions	1,721	1,144	1,390	860
Unrestricted donations	643	1,077	446	869
Other non-recurrent grants	903	573	902	573
Income from site servicing arrangements	391	567	-	-
	3,683	3,410	2,763	2,351

7 Staff costs

Analysis of staff costs	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Salaries	130,610	122,421	125,530	117,719
Social security costs	12,789	11,860	12,513	11,641
Movement on USS provision	(324)	(2,771)	(324)	(2,771)
Other pension costs	31,280	29,368	30,496	28,763
Other staff costs	650	(9)	371	(10)
	175,005	160,869	168,586	155,342

Vice-Chancellor's remuneration

The Vice-Chancellor is de facto the University's 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 HE 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.

	2018 £'000	2017 £'000
Sir David Bell:		
Salary	265	260
Performance-related pay	2	-
Living accommodation provided	15	12
	282	272
Pension contributions to USS	47	47
	329	319

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 Vice-Chancellor's basic salary is 8.6 times the median pay of staff (2017: 8.9), where the median pay is calculated on a full-time equivalent basis. The Vice-Chancellor's total remuneration is 9.2 times the median total remuneration of staff (2017: 9.3).

7 Staff costs (continued)

Higher paid staff

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

	2018	2017
	Number	Number
£100,000 to £104,999	10	13
£105,000 to £109,999	9	8
£110,000 to £114,999	8	5
£115,000 to £119,999	5	3
£120,000 to £124,999	2	5
£125,000 to £129,999	6	5
£130,000 to £134,999	-	-
£135,000 to £139,999	3	5
£140,000 to £144,999	3	2
£145,000 to £149,999	1	-
£150,000 to £154,999	-	2
£155,000 to £159,999	2	2
£190,000 to £194,999	-	1
£195,000 to £199,999	-	1
£200,000 to £204,999	1	-
£220,000 to £224,999	-	1
£255,000 to £259,999	-	1
£260,000 to £264,999	1	-
	51	54

	2018	2017
	£000	£000
Compensation for loss of office to 66 employees (2017: 85)	612	780

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 & University Secretary. This covers 7 posts (2017: 7).

	2018	2017
	£000	£000
Salary and benefits of key management personnel (including pension contributions)	1,297	1,277

Average staff numbers by major category:

	Number	Number
Academic	975	968
Research	363	346
Management and specialist	917	912
Technical	158	167
Other	1,088	1,045
	3,501	3,438

8 Interest and other finance costs

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loan interest	4,767	4,417	4,767	4,417
Net interest charge on pension schemes	621	721	621	721
Exchange differences	(25)	(300)	(42)	(187)
Other	957	584	1,400	1,065
	6,320	5,422	6,746	6,016

9 Analysis of total expenditure by activity

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Academic and related expenditure	148,491	152,340	142,684	148,682
Administration and central services	65,361	45,748	60,261	39,822
Premises	59,885	49,254	55,880	42,520
Catering and conferences	11,876	11,232	11,356	10,756
Research grants and contracts	38,607	25,624	38,605	25,624
Other expenses	24,689	16,735	13,315	30,051
	348,909	300,933	322,101	297,455

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Other operating expenses include:				
Operating lease rentals				
– land and buildings	5,753	5,096	1,902	1,412
– other	260	252	164	154
External auditor's remuneration				
– audit services	199	172	115	87
– non-audit services	19	330	10	245

10 Taxation charge

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK corporation tax	-	-	-	-
Overseas – current tax	178	107	84	-
Overseas – deferred tax	5	(65)	-	-
Other	9	98	8	98
	192	140	92	98

11 Tangible fixed assets

Consolidated

	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017 – restated	431,152	16,071	142,947	68,227	658,397
Additions	7,719	1,269	4,709	32,819	46,516
Transfers between categories	1,294	-	-	(1,294)	-
Transfers from / (to) investment properties	1,760	-	-	(38,538)	(36,778)
Disposals	(415)	(92)	(263)	(15,991)	(16,761)
Exchange differences	317	2	366	-	685
At 31 July 2018	441,827	17,250	147,759	45,223	652,059
Depreciation					
At 1 August 2017	160,148	5,960	80,530	-	246,638
Charge for the year	24,289	3,245	11,539	-	39,073
Disposals	(348)	(75)	(260)	-	(683)
Exchange differences	66	2	126	-	194
At 31 July 2018	184,155	9,132	91,935	-	285,222
Net book value at 31 July 2018	257,672	8,118	55,824	45,223	366,837
Net book value at 31 July 2017 – restated	271,004	10,111	62,417	68,227	411,759

University

	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017 – restated	403,203	16,056	135,739	67,855	622,853
Additions	6,844	1,270	4,498	32,637	45,249
Transfers between categories	1,294	-	-	(1,294)	-
Transfers from / (to) investment properties	745	-	-	(38,538)	(37,793)
Disposals	(132)	(18)	-	(15,992)	(16,142)
At 31 July 2018	411,954	17,308	140,237	44,668	614,167
Depreciation					
At 1 August 2017	153,472	5,887	78,281	-	237,640
Charge for the year	14,235	3,245	10,384	-	27,864
Disposals	(67)	-	-	-	(67)
At 31 July 2018	167,640	9,132	88,665	-	265,437
Net book value at 31 July 2018	244,314	8,176	51,572	44,668	348,730
Net book value at 31 July 2017 – restated	249,731	10,169	57,458	67,855	385,213

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

	Consolidated		University	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Land not depreciated	18,336	18,336	10,245	10,245

Interest of £362k has been capitalised in the year to 31 July 2018 (2017: £777k) and is included within tangible fixed assets. Total aggregate capitalised finance costs to date within the cost of tangible fixed assets at 31 July 2018 were £5,098k (2017: £5,204k).

The balances at 1 August 2017 shown above have been restated from the previous year's financial statements as set out in note 35.

12 Heritage assets

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

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

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

The Museum of English Rural Life (MERL) tells the story of rural England through interactive and immersive galleries. The collection has over 25,000 objects and the museum library has the most comprehensive collection of books related to rural England with around 100,000 volumes. The collection also contains hundreds of hours of historic film and over 1 million photographs, including material from prominent agricultural publications and organisations. The archives cover more than 4.5 kilometres of shelving and hold records from the thirteenth to the twenty-first century.

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

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

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

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

The collections 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 which have been received by donation which are not recorded in the balance sheet.

Consolidated	2018	2017	2016	2015	2014
Cost	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with University funds	-	-	-	46	962
At 1 August	39,346	39,346	39,346	39,300	38,338
At 31 July	39,346	39,346	39,346	39,346	39,300

University	2018	2017	2016	2015	2014
Cost	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with University funds	-	-	-	46	962
At 1 August	39,167	39,167	39,167	39,121	38,159
At 31 July	39,167	39,167	39,167	39,167	39,121

12 Heritage assets (continued)

The split of heritage assets by type of asset is:

	Consolidated		University	
	2018	2017	2018	2017
Cost	£'000	£'000	£'000	£'000
Books & manuscripts	25,708	25,708	25,708	25,708
Artworks	3,938	3,938	3,938	3,938
Natural history	2,156	2,156	2,156	2,156
Agricultural	4,176	4,176	4,176	4,176
Other	3,368	3,368	3,189	3,189
	39,346	39,346	39,167	39,167

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

	Dairy cattle	Total
	£'000	£'000
At 1 August 2017	476	476
Net increase in livestock	20	20
Increase in fair value less costs to sell	96	96
At 31 July 2018	592	592

14 Investment properties

	Consolidated
	Total
	£'000
Fair value	
At 1 August 2017 – restated	99,347
Additions	361
Transfers from tangible fixed assets	36,778
Increase in value of properties in year	4,120
At 31 July 2018	140,606

	University
	Total
	£'000
Fair value	
At 1 August 2017 – restated	74,417
Additions	361
Transfers from tangible fixed assets	37,793
Increase in value of properties in year	2,991
At 31 July 2018	115,562

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. An index is applied in respect of properties which have not been revalued at the end of the current financial year to reflect the movement in the property market during the year.

During the year the University opened its first building to tenants at Thames Valley Science Park. All of the capital costs in respect of this development were transferred from tangible fixed assets to investment properties at cost and then increased to fair value at 31 July 2018.

The balances at 1 August 2017 shown above have been restated from the previous year's financial statements as set out in note 35.

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

	Listed investments £'000	Other investments £'000	Total £'000
At 1 August 2017	19,196	168	19,364
Net income and realised gains reinvested	787	63	850
Changes in market value	504	-	504
At 31 July 2018	20,487	231	20,718

University**Cost or valuation**

	Listed investments £'000	Subsidiary companies £'000	Total £'000
At 1 August 2017	19,196	8,087	27,283
Net income and realised gains reinvested	787	-	787
Impairment charge for the year	-	(8,087)	(8,087)
Changes in market value	504	-	504
At 31 July 2018	20,487	-	20,487

Listed investments comprise:

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Sarasin Endowments Funds	20,370	19,123	20,370	19,123
Genus plc	117	73	117	73
	20,487	19,196	20,487	19,196

Listed investments are stated at fair value based on the quoted price in an active market. Where there is no active market, investments are stated at cost less impairment.

Subsidiary company investments comprise:

		Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
RUMAL Reading Sdn. Bhd.	Malaysia	-	-	-	8,066
Henley Business School Germany GmbH	Germany	-	-	-	21
		-	-	-	8,087

During the year, the University's £8,066k investment in RUMAL Reading Sdn. Bhd. and its £21k investment in Henley Business School GmbH were reviewed for impairment due to their recent loss-making positions. A decision was taken to fully impair both of these investments resulting in a charge of £8,087k to the University's statement of comprehensive income.

16 Investments in associates

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Share of operating surplus / (deficit) in associates	1,570	(292)	-	-
Surplus on revaluation of fixed assets	-	8,024	-	-
Tax credit / (charge) arising on revaluation of fixed assets	1,527	(1,528)	-	-
Total comprehensive income in the year for associates	3,097	6,204	-	-
At 1 August	17,493	11,289	10,567	10,567
At 31 July	20,590	17,493	10,567	10,567

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

	Shares £'000	Loan notes £'000	Total £'000
At 1 August 2017 and at 31 July 2018	441	10,126	10,567

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

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

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

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

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

Consolidated & University	Income	Expenditure	2018	Income	Expenditure	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Rent collection	1,535	-	1,535	1,477	-	1,477
Facilities management services	1,784	-	1,784	1,668	-	1,668
Utilities	656	-	656	946	-	946
Estates service charge and infrastructure fees	476	-	476	475	-	475
Vacation residence and conferencing	-	(295)	(295)	-	(257)	(257)
Interest receivable on loan notes	(896)	-	(896)	1,186	-	1,186
Other income	44	-	44	42	-	42
Other expenditure	-	-	-	-	(6)	(6)
	3,599	(295)	3,304	5,794	(263)	5,531

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 £29.1m (2017: £28.3m) and have been netted with the income received from students in the statement of comprehensive income.

17 Trade and other receivables

	Consolidated		University	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grants receivables	4,364	4,591	4,364	4,591
Trade receivables	15,413	16,450	12,123	13,012
Proceeds due on the sale of Shinfield West	24,907	14,963	-	-
Developer receivables for the Shinfield Eastern Relief Road	2,780	-	2,780	-
Other receivables	11,635	9,433	11,019	8,934
Prepayments and accrued income	8,927	6,953	8,198	6,606
Amounts due from subsidiary undertakings	-	-	2,691	1,705
Amounts due from University endowment trusts	-	-	2,446	2,159
Amounts due from associated undertakings – UPP (Reading I) Limited	551	1,797	551	1,797
	68,577	54,187	44,172	38,804
Amounts falling due after more than one year:				
Proceeds due on the sale of Shinfield West	-	24,691	-	-
Developer receivables for the Shinfield Eastern Relief Road	11,713	-	11,713	-
Other receivables	139	158	138	158
	80,429	79,036	56,023	38,962

The proceeds from the sale of land referred to as Shinfield West are receivable in instalments over the three year period following the point of completion in November 2015. The amounts due have been included at their discounted values. A discount rate of 1.5% (2017: 1.0%) has been applied in line with similar debt instruments.

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. 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 amounts will be received on a regular basis up to approximately 2029. Amounts due have been included at their discounted values. A discount rate of 1.89% has been applied in line with similar debt instruments.

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

18 Current investments

Consolidated	Total
Cost or valuation	£'000
At 1 August 2017	62,824
Net income and realised gains reinvested	3,319
Withdrawals	(1,200)
Changes in market value	1,916
At 31 July 2018	66,859
University	Total
Cost or valuation	£'000
At 1 August 2017 at 31 July 2018	-

Listed investments comprise:

	Consolidated		University	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Segregated portfolios managed by Sarasin & Partners	58,741	55,197	-	-
Sarasin Endowments Funds	8,118	7,627	-	-
	66,859	62,824	-	-

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

19 Creditors: amounts falling due within one year

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Unsecured loans	3,155	3,052	3,155	3,052
Trade payables	8,192	7,474	7,821	7,190
Social security and other taxation payable	4,010	3,401	4,258	3,381
Other payables	15,590	20,333	15,285	20,122
Accruals and deferred income	86,159	76,543	63,465	60,525
Amounts due to subsidiary undertakings	-	-	1,754	1,671
Amounts due to University endowment trusts	-	-	121,333	106,893
Amounts due to associated undertakings – UPP (Reading I) Limited	7,113	6,521	7,113	6,521
	124,219	117,324	224,184	209,355

Deferred income

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

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Tuition fees	11,873	7,148	8,295	3,459
Research grants received on account	20,376	19,291	20,376	19,291
Site servicing arrangements	5,859	3,670	-	-
Other income	15,316	16,516	14,720	16,017
	53,424	46,625	43,391	38,767

Deferred income on site servicing arrangements

In recent years the University has disposed of a number of landholdings in the Shinfield area. The scale of these disposals has required the University to undertake significant obligations in respect of infrastructure development and maintenance in the local area. A proportion of the original income on disposal was deferred and is being recognised when the associated site servicing outputs are delivered.

20 Creditors: amounts falling due after more than one year

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Unsecured loans	184,719	137,999	184,719	137,999
Deferred income on site servicing arrangements (see note 19)	8,081	10,662	-	-
Other payables	253	368	253	228
	193,053	149,029	184,972	138,227

Analysis of loans:

	Consolidated & University	
	2018 £'000	2017 £'000
Due within one year or on demand	3,155	3,052
Due between one and two years	4,770	3,155
Due between two and five years	58,449	11,219
Due in five years or more	121,500	123,625
	187,874	141,051
Less: Due within one year or on demand	(3,155)	(3,052)
Total loans due after more than one year	184,719	137,999

20 Creditors: amounts falling due after more than one year (continued)

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

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

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 2018, £50m of this facility had been drawn (2017: none). 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 amount outstanding at 31 July 2018 was £76m (2017: £10.4m). 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.

21 Pensions provisions

Consolidated & University

	Obligation to fund USS deficit £'000	UREPF scheme (surplus)/ deficit £'000	Total £'000
At 1 August 2017	32,498	(1,498)	31,000
Net charge / (credit) to statement of comprehensive income	26,504	(32,529)	(6,025)
Contributions paid in year	(26,207)	(4,614)	(30,821)
At 31 July 2018	32,795	(38,641)	(5,846)

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 2017 actuarial valuation of USS is underway but has not been formally completed. It is expected to set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges. In the judgement of the University, there remains various stages of consultation 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 remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 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 33.

22 Other provisions

Consolidated

	RUMAL £'000	Earley Gate £'000	Shinfield ERR £'000	Total £'000
At 1 August 2017	-	1,560	-	1,560
Utilised in year	-	(1,218)	-	(1,218)
Charged to statement of comprehensive income	12,222	742	1,223	14,187
At 31 July 2018	12,222	1,084	1,223	14,529

University

	RUMAL £'000	Earley Gate £'000	Shinfield ERR £'000	Total £'000
At 1 August 2017	-	1,560	-	1,560
Utilised in year	-	(1,218)	-	(1,218)
Charged to statement of comprehensive income	15,528	742	1,223	17,493
At 31 July 2018	15,528	1,084	1,223	17,835

22 Other provisions (continued)

During the year the University commissioned a detailed financial review of its operations in Malaysia which are carried out by its subsidiary, RUMAL Reading Sdn Bhd. The review concluded that the current loss-making position would continue for around four years before RUMAL breaks even. In accordance with FRS 102 the main building lease at RUMAL and a number of other contracts have been accounted for as onerous contracts with full provision made for contractual obligations. The University has recognised its own obligation arising from its guarantee of all contractual amounts due under the building lease at RUMAL.

In the previous year the University made a provision in respect of an issue regarding a building on the Earley Gate part of its Whiteknights campus. This was partly resolved by a payment made during the year, but a further amount has also been identified and this is likely to be settled within the next twelve months.

As described in note 17, the University carried out the construction of the Shinfield Eastern Relief Road (ERR) and related bridge over the M4. The project is being funded by developer contributions paid to the University via Wokingham Borough Council. The total construction cost is expected to be in the region of £24.4m. Costs incurred are subject to challenge by Wokingham BC to ensure they are eligible for reimbursement. Although the University anticipates that the costs incurred are reimbursable in full, a provision of 5% of the total costs has been made for costs determined to be ineligible.

23 Financial instruments

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

		Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets					
	Note				
Cash and cash equivalents		57,734	20,322	55,992	18,110
Measured at fair value through income and expenditure					
Managed investment funds – segregated	18	58,741	55,197	-	-
Managed investment funds – common	15, 18	28,488	26,750	20,370	19,123
Other listed investments	15	117	73	117	73
Debt instruments measured at amortised cost					
Trade and other receivables	17	73,694	73,957	49,549	34,249
Bank deposits		186	123	-	-
Equity instruments measured at cost less impairment					
Non-current investments in unlisted equity instruments		45	45	-	-
		219,005	176,467	126,028	71,555

		Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial liabilities					
	Note				
Measured at amortised cost					
Loans payable	19, 20	187,874	141,051	187,874	141,051
Trade and other creditors	19	63,883	67,298	173,633	167,207
		251,757	208,349	361,507	308,258

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

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets measured at fair value through income and expenditure	4,409	5,377	804	3,636
Financial assets measured at amortised cost – interest receivable	253	791	-	-
Financial liabilities measured at amortised cost – interest payable	(4,767)	(4,417)	(4,767)	(4,417)
Impairment losses on trade and other receivables	(1,580)	(812)	(7,048)	(22,193)
Impairment losses on non-current investments	-	-	(8,087)	-
	(1,685)	939	(19,098)	(22,974)

24 Endowment reserves

Consolidated	Unrestricted permanent	Restricted permanent	Restricted expendable	2018	2017
	£'000	£'000	£'000	£'000	£'000
At 1 August					
Capital	2,290	6,495	201,447	210,232	200,559
Accumulated income	636	2,976	334	3,946	3,148
	2,926	9,471	201,781	214,178	203,707
New endowments	-	-	25	25	49
Income	124	331	3,729	4,184	5,097
Expenditure	(33)	(96)	(3,093)	(3,222)	(4,948)
(Loss) / gain on disposal of investment properties	-	-	(2)	(2)	1,432
Gain on disposal of investments	-	-	1,862	1,862	4,822
Increase in value of investment properties	-	-	1,129	1,129	3,076
Increase in value of investments	168	148	1,963	2,279	921
Other	-	-	-	-	567
Transfers to unrestricted reserves	-	-	(323)	(323)	(545)
At 31 July	3,185	9,854	207,071	220,110	214,178
Represented by:					
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
University					
At 1 August					
Capital	2,290	6,495	1,291	10,076	9,528
Accumulated income	636	2,976	330	3,942	3,144
	2,926	9,471	1,621	14,018	12,672
New endowments	-	-	25	25	49
Income	124	331	60	515	481
Expenditure	(33)	(96)	(133)	(262)	(155)
Increase in value of investments	168	148	47	363	971
At 31 July	3,185	9,854	1,620	14,659	14,018
Represented by:					
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
Analysis by asset					
	Consolidated		University		
	2018	2017	2018	2017	
	£'000	£'000	£'000	£'000	
Land and property	3,180	2,054	-	-	
Investment properties	25,044	24,930	-	-	
Investments	81,601	76,732	14,698	13,864	
Receivables due in greater than one year	-	24,691	-	-	
Funds held by the University	99,233	85,276	(39)	158	
Other	11,052	495	-	(4)	
	220,110	214,178	14,659	14,018	

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 32 for further details of these trusts and the nature of the restrictions.

25 Restricted reserves – funds / donations

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 August	1,993	1,624	1,498	1,193
New donations	1,721	1,144	1,390	860
Expenditure	(2,930)	(786)	(2,715)	(555)
Transfers from unrestricted reserves	-	11	-	-
At 31 July	784	1,993	173	1,498

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

26 Capital commitments

Provision has not been made for the following capital commitments:

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Commitments contracted for	60,859	22,079	60,859	22,079

These commitments arise from contracts included in the ongoing capital programme. At the balance sheet date, two major capital projects (Library refurbishment and new Health & Life Sciences building) were in progress.

27 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 for £12.2m and the Highways Agency for £3.8m. During the year, following substantial completion of the projects, these bonds were reduced in value by 80% in line with the development agreement, to £2.4m and £0.8m respectively. In the event of the failure of the University to honour contractual obligations during a two-year period following substantial completion, the guaranteed amounts would become payable by the guarantor, Barclays Bank plc, who would then seek to recover the costs from the University.

Also in connection with the Shinfield Eastern Relief Road, the University is currently in dispute with the main contractor engaged to carry out the construction of the road in relation to certain specifications in the design. The contractor has put in claims totalling £76m for which the University does not believe it is liable. Nevertheless, a prudent approach has been adopted and the University has provided for 50% of this amount in these financial statements. The remaining 50% has not been provided for. All amounts which eventually do become payable are expected to be recovered through additional developer contributions to the University. The matter is due to be resolved by independent arbitration.

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

28 Future lease obligations and receivables

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

	Land and buildings	Other	2018	2017
	£'000	£'000	£'000	£'000
Consolidated				
Future minimum lease payments due:				
Not later than 1 year	1,943	258	2,201	3,540
Later than 1 year and not later than 5 years	7,644	369	8,013	24,892
Later than 5 years	16,534	-	16,534	35,705
	26,121	627	26,748	64,137

	Land and buildings	Other	2018	2017
	£'000	£'000	£'000	£'000
University				
Future minimum lease payments due:				
Not later than 1 year	1,411	185	1,596	1,579
Later than 1 year and not later than 5 years	5,335	277	5,612	5,722
Later than 5 years	16,399	-	16,399	17,710
	23,145	462	23,607	25,011

28 Future lease obligations and receivables (continued)

Included in the University and consolidated totals for land and buildings is £23.0m in respect of the Enterprise Centre on the Whiteknights campus (2017: £24.3m). The lease runs until 2036.

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

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

	Land and buildings £'000	Other £'000	2018 £'000	2017 £'000
Consolidated				
Future minimum lease payments receivable:				
Not later than 1 year	2,584	-	2,584	1,981
Later than 1 year and not later than 5 years	2,756	-	2,756	614
Later than 5 years	4,485	-	4,485	361
	9,825	-	9,825	2,956

	Land and buildings £'000	Other £'000	2018 £'000	2017 £'000
University				
Future minimum lease payments receivable:				
Not later than 1 year	2,665	-	2,665	2,422
Later than 1 year and not later than 5 years	12,164	-	12,164	6,102
Later than 5 years	143,437	-	143,437	19,171
	158,266	-	158,266	27,695

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 newly opened 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.

29 Amount disbursed as agent – Consolidated & 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.

	2018 £'000	2017 £'000
Excess of income over expenditure at 1 August	334	287
Income		
Funding Council grants	3,181	2,973
Expenditure		
Disbursed to students and nursery settings	(3,361)	(2,926)
Excess of income over expenditure at 31 July	154	334

Student accommodation

The University generates charges and receives rent from students. Payments are then made to UPP (Reading I) Limited which manages the student accommodation. See note 16 for more details of this arrangement.

30 Disclosure of related party transactions

Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted in accordance with the University's Financial Regulations and usual procurement procedures. Expenditure totalling £2,220 was incurred in respect of Text Matters Limited (2017: £2,112), a company in which a member of Council has a significant interest. There were no outstanding amounts.

Council members do not receive remuneration or fees in respect of their services as Council members. The expenses of Council members incurred and claimed in the performance of their duties including attendance at Council meetings are reimbursed by the University. All such reimbursements are subject to approval by the Secretary to the Council. The total expenses paid to or on behalf of 3 members of Council was £1,274 (2017: £1,410 to 4 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):

	2018	2017
	£'000	£'000
Due from RUSU	165	189

The University paid the following grants to RUSU:

	2018	2017
	£'000	£'000
Core block grant	1,413	1,250
Specific grant	286	11
	1,699	1,261

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

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

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.

32 Connected charitable institutions

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

	At 1 August 2017	Total income	Total expenditure	Other gains and losses	At 31 July 2018
	£'000	£'000	£'000	£'000	£'000
Research Endowment Trust	112,982	2,647	(3,591)	5,274	117,312
National Institute for Research in Dairying Trust	101,323	1,360	(1,612)	891	101,962
Hugh Sinclair Trust	5,467	276	(291)	338	5,790
Beckett International Foundation	4	-	(1)	-	3
Greenlands Trust	15,420	2	(631)	-	14,791

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

33 Pension schemes

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

	Consolidated		University	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
USS contributions	26,207	24,466	25,870	24,156
Movement on USS provision	(324)	(2,771)	(324)	(2,771)
UREPF cost arising from employee service in the year	2,891	3,144	2,866	3,118
URPS	1,783	1,507	1,760	1,488
Other pension schemes	399	251	-	1
Total pension costs	30,956	26,597	30,172	25,992

Included in other creditors are unpaid pension contributions of £2,821k (2017: £2,545k).

33 Pension schemes (continued)

Universities Superannuation Scheme (USS)

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

For the defined benefit element of the scheme, the University contributes 18% of payroll costs up to a salary threshold of £55,000 per annum. Members contribute 8%. Members currently accrue a pension of 1/75th for each year of service along with a 3/75th lump sum under a career average earnings arrangement.

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

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% contribution (and the 1% matching contribution if the member has selected it) on their behalf.

The latest available completed actuarial valuation of the defined benefit part of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

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 for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings. These figures will be revised once the 2017 Scheme Valuation is complete.

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

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	N/A	N/A
Pensions inflation (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position based on updated 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:

	2018	2017
Mortality base table		
Pre-retirement	71% of AMC00 (duration 0) for males; 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
Post-retirement	96.5% of SAPS S1NMA "light" for males; 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment 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_2014 with a long term rate of 1.5% pa.

33 Pension schemes (continued)

The current life expectancies on retirement at age 65 are:

	2018 Years	2017 Years
Males currently aged 65	24.5	24.4
Females currently aged 65	26.0	26.6
Males currently aged 45	26.5	26.5
Females currently aged 45	27.8	29.0

	2018	2017
Scheme assets	£63.6 bn	£60.0 bn
Total scheme liabilities	£72.0 bn	£77.5 bn
FRS 102 total scheme deficit	£8.4 bn	£17.5 bn
FRS 102 total funding level	88%	77%

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

University of Reading Employees' Pension Fund (UREPF)

The University 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 contributed an additional amount of £2.24m as part of the 2014 deficit reduction plan as well as a further £600,000 towards the administration costs of the scheme.

From 1 August 2018 University contributions will remain at 23.8% and member contributions will remain at 6.25%. As a result of the improved position of the scheme as demonstrated by the most recent actuarial valuation, the deficit reduction plan payments ceased shortly after the end of the year. However, the University will also contribute an additional amount of £500,000 as well as a further £600,000 towards the administration costs of the scheme for the year ended 31 July 2019.

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 2018. 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.

Analysis of movement in benefit obligation

	2018 £'000	2017 £'000
At 1 August	181,976	173,939
Cost arising from employee service in the year	2,891	3,144
Interest expense	4,665	4,459
Benefits paid from plan assets	(5,069)	(4,851)
Plan participants' contributions	18	19
Premiums paid	(6)	(20)
Remeasurements – Effect of changes in assumptions	(11,040)	5,617
Remeasurements – Effect of experience adjustments	(14,594)	(331)
At 31 July	158,841	181,976

Analysis of movement in plan assets

Fair value at 1 August	183,474	167,753
Interest income	4,758	4,355
Employer contributions	4,614	4,673
Plan participants' contributions	18	19
Benefits paid from plan assets	(5,069)	(4,851)
Administrative expenses paid from plan assets	(475)	(306)
Premiums paid	(6)	(20)
Remeasurements – Return on plan assets	10,168	11,851
Fair value at 31 July	197,482	183,474

33 Pension schemes (continued)

	2018 £'000	2017 £'000
Amounts recognised in the balance sheet		
Defined benefit obligation	(158,841)	(181,976)
Fair value of plan assets	197,482	183,474
Net defined benefit asset	38,641	1,498
Components of pension cost		
Cost arising from employee service in the year	2,891	3,144
Interest expense on defined benefit obligation	4,665	4,459
Interest income on plan assets	(4,758)	(4,355)
Administrative expenses paid from plan assets	475	306
Total cost recognised in (deficit) / surplus before tax	3,273	3,554
Remeasurements	(35,802)	(6,565)
Total credit recognised in the statement of comprehensive income	(32,529)	(3,011)
Fair value of plan assets		
Cash and cash equivalents	5,528	3,000
Equity instruments	98,825	95,289
Debt instruments	84,084	75,756
Property	7,797	7,037
Other	1,248	2,392
	197,482	183,474
Actual return on plan assets		
Interest income	4,758	4,355
Remeasurements – Return on plan assets	10,168	11,851
	14,926	16,206
Experience gains and losses		
Remeasurements – Return on plan assets		
Amount	10,168	11,851
Percentage of plan assets	5.1%	6.5%
Remeasurements – Effect of experience adjustments		
Amount	14,594	331
Percentage of present value of plan liabilities	9.2%	0.2%
Weighted average assumptions used to determine benefit obligations		
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%
Assumed life expectancy on retirement at age 65:		
Male member aged 65 (current life expectancy)	22.1	22.5
Male member aged 45 (life expectancy at age 65)	23.9	24.5
Female member aged 65 (current life expectancy)	24.1	24.2
Female member aged 45 (life expectancy at age 65)	25.9	26.2

33 Pension schemes (continued)

Weighted average assumptions used to determine cost relating to defined benefit plans	2018	2017
Discount rate	2.60%	2.60%
Rate of salary increases	4.10%	3.70%
Rate of RPI price inflation	3.10%	2.70%
Rate of CPI price inflation	2.10%	1.80%

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

34 Accounting estimates and judgements

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

There were no critical judgements, apart from those involving estimations. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

In recent years the Group has disposed of a number of landholdings in the Shinfield area. The scale of these disposals has required the University to undertake significant obligations in respect of infrastructure development and maintenance in the local area. In accounting for these disposals, estimates have been made of the total obligations in order to calculate the amount of income to be deferred until these obligations are met. The obligations are reassessed annually. The amount of deferred income at 31 July 2018 was £13.9m (2017: £14.3m).

In respect of pension schemes, FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the statement of comprehensive income. USS meets the definition of a multi-employer scheme. Therefore, a liability has been recorded within pension provisions for the University's contractual commitment to fund past deficits within the USS scheme. The obligation at 31 July 2018 was £32.8m (2017: £32.5m). 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 21, the liability to fund past deficits within the USS scheme is based on the 2014 recovery plan. The 2017 actuarial valuation of USS is underway but has not been formally completed. There is a significant risk that the provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year.

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 33. The net scheme asset at 31 July 2018 was £38.6m (2017: £1.5m).

During the year the University commissioned an independent review of its operations in Malaysia. The findings of this review have helped develop future thinking and financial planning. The current financial plans following this review have been used as the basis of provisions at 31 July 2018 made at Group Level totalling £20.9m in respect of the impairment of fixed assets of £8.7m and provisions for future, unavoidable losses of £12.2m. Additional provisions of £27.6m were recognised in the University only balance sheet in relation to a financial guarantee given in respect of these operations of £15.5m, additional loan funding provided to the subsidiary of £4.0m and provision against its investment in the subsidiary of £8.1m. Whilst the University has concluded that although the future performance of the Malaysia campus was not fundamentally different at 31 July 2017, such that some of these amounts might have been recognised at 31 July 2017 had a similar exercise been performed at that date, it is not practicable to estimate the provision at that date without the use of significant hindsight. As a result, the prior year information has not been restated.

35 Prior year adjustment

During the year the University undertook a review of all of its land and property holdings and concluded that its land at Willington Down near Didcot was more appropriately classified as an investment asset. This change has been reflected in the prior year comparatives. The land had been classified as a tangible fixed asset at cost in the financial statements issued in 2017. It has now been restated as an investment property at fair value. The effect on the comparative figures is shown below:

	Consolidated		University	
	31 July 2017 £'000	1 August 2016 £'000	31 July 2017 £'000	1 August 2016 £'000
Net assets reported in previous financial statements	410,803	397,322	173,756	185,526
Correction to tangible fixed assets	(8,482)	-	(8,482)	-
Correction to investment properties	50,000	-	50,000	-
Net assets restated	452,321	397,322	215,274	185,526

	Consolidated		University	
	31 July 2017 £'000	1 August 2016 £'000	31 July 2017 £'000	1 August 2016 £'000
Total reserves reported in previous financial statements	410,803	397,322	173,756	185,526
Correction to income and expenditure reserve – unrestricted	41,518	-	41,518	-
Total reserves restated	452,321	397,322	215,274	185,526

	Consolidated	University
	Year ended 31 July 2017 £'000	Year ended 31 July 2017 £'000
Total comprehensive income for the year reported in previous financial statements	13,481	(11,770)
Correction to gain on revaluation of investment properties	41,518	41,518
Total comprehensive income for the year restated	54,999	29,748

