

FINANCIAL
STATEMENTS
2016–2017

THE UNIVERSITY OF READING

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PRESIDENT'S FOREWORD

Paul Preston

As we reach the end of the University's 91st year as a chartered institution – and my first year as President of Council – there is much to be positive about after another very busy 12 months.

In September 2016, we saw a record undergraduate intake. 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 2018).

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 Chancellor's Building is now complete; the Library refurbishment is well underway; and our magnificent new Health and Life Sciences building will begin construction very soon.

Several other projects are at varying stages in the planning process and we should make decisions about our next set of capital priorities in the 2017-18 academic year. Early 2018 will see the opening of the new Thames Valley Science Park, an exciting development that will benefit both the University and the local economy.

Our inaugural 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 first cohort of students in the 2016-17 academic year. The School was ranked joint 5th in the UK for Architecture/Built Environment in the QS World University Rankings by Subject 2017. 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. Indeed, our first joint degree students graduated from BIT in July 2017 which was an auspicious day for all concerned.

We continue to develop our campus in Malaysia where 2017 saw the first 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. However, our name is increasingly well known in-country and I am confident that we can adapt our business model in the light of changing circumstances.

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, including on our Malaysia campus.

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.

Over 4000 colleagues, across three continents, were invited to participate in a staff survey this year. The survey was the University's biggest staff engagement exercise in nearly six years. Employees told us that our approach to diversity and inclusion was a real strength. The quality of line management was also strong and there was a good level of awareness of the University's *Values for Working Together and Professional Behaviours*.

Clearly, there are areas for development that arise from the staff survey, not least in how we best handle change in a turbulent policy and financial environment. However, I am sure that we will respond positively and actively to the findings.

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 our business.

To end on an optimistic note, 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

29 November 2017

THE COUNCIL

Ex officio

The Vice-Chancellor¹
 The Deputy Vice-Chancellor
 The Pro-Vice-Chancellors
 The Dean of Henley Business School

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

Mr T. Bartlam, BA, MA, FCA (to 31 July 2017)
 Mr T. Beardmore-Gray, MA, FCA³
 Mr K. Corrigan, BA, FCCA
 Lord Crisp, KCB, MA
 Mrs P. Egan, BA, CBE
 Dr P.A. Erskine, BA, Hon LLD
 Mr R.E.R. Evans, BSc, FRICS (Vice-President of the Council)^{1,2}
 Dame Moira Gibb, DBE, MA, DipSoc Admin, CQSW (to 20 March 2017)
 Ms H. Gordon, MBA
 Mrs K. Owen, BA¹
 Mr H.W.A. Palmer, QC, MA (to 31 July 2017)
 Dr P.R. Preston, BSc, PhD (President of the Council)^{1,4,5}
 Mr S.C.C. Pryce, BSc, ACA
 Dr B. Rawal, BSc, MBBS, MSc, FRCPath, FFPM
 Mr S.P. Sherman, FCA¹
 Ms S.L. Webber, BSc
 Ms S.M. Woodman, BA (Vice-President of the Council)^{1,6}

Two members of the Academic Staff (being the Deans and the Heads of School) 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

Professor L.T. Butler, BA, PhD
 Professor J.R. Park, BSc, CertEd, PhD

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

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

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

Dr O.B. Kennedy, BSc, MSc, PhD, FIFST (to 31 July 2017)

Prof C Furneaux, BA, Dip TEO, MA, EdD, NTF (from 1 August 2017)

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

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 Member of Remuneration Committee

² Chair of Remuneration Committee

³ Chair of Audit Committee

⁴ Chair of Appointments & Governance Committee

⁵ Chair of Strategy and Finance Committee

⁶ Chair of Student Experience Committee

OFFICERS OF THE UNIVERSITY

Chancellor

Sir John Madejski, OBE, DL, Hon DLitt (to 8 December 2016)

The Rt. Hon. the Lord Waldegrave of North Hill (from 9 December 2016)

Vice-Chancellor

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

Deputy Vice-Chancellor

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

President of the Council

Dr P.R. Preston, BSc, PhD

Vice-Presidents of the Council

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

Ms S.M. Woodman, BA

Pro-Vice-Chancellors

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

Mr V. Raimo, BA, MA

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

Heads of Service

Chief Strategy Officer and University Secretary

Dr R.J. Messer, BA, PhD

Chief Operating Officer

Mr D.C.L. Savage, BA, FCCA (to 31 December 2016)

Chief Financial Officer

Ms S. Foley BA, CIPFA (from 1 January 2017)

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 19,000 students across a broad range of disciplines and attracts high quality students and academics from around the world.

The University's key resources include 3,955 staff (full-person equivalent) from 95 countries, extensive teaching space and laboratories, access to cutting edge research, a strong reputation in the UK and a growing reputation overseas.

Objectives and strategies

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

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

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

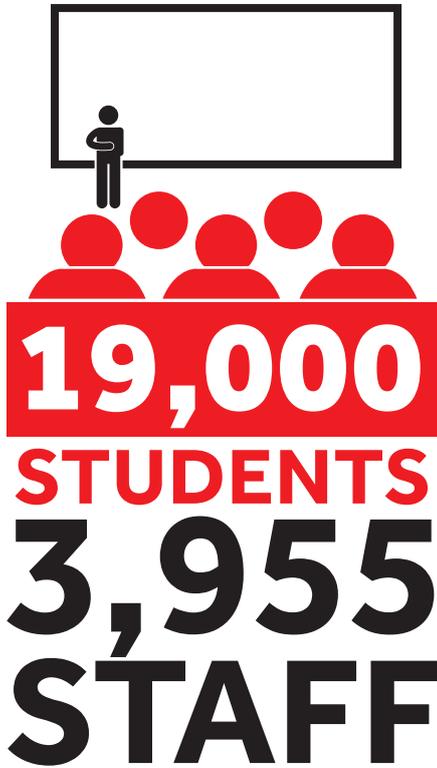
A number of key performance indicators (KPIs) have been developed to measure performance against objectives in areas of prime importance. KPIs are informed by external data which allows performance to be benchmarked against the rest of the sector. KPIs are reviewed regularly and responsive action taken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

Development and performance

Over 7,300 students commenced undergraduate or postgraduate programmes at Reading UK campuses during the year, and over 10,200 students commenced some form of study with Reading both in the UK and abroad.

The University was ranked 188th in the QS World University Rankings 2018 and was 28th amongst UK institutions. This is the third consecutive year that Reading has been ranked in the top 200 universities worldwide. In the Times Higher Education World University Rankings 2017/18, Reading was ranked 32nd amongst UK universities.

Reading was ranked joint 27th nationally in the Complete University Guide 2018. This is the third consecutive year that it has been ranked in the top 30. The University is 1st in the country for the study of Land & Property Management for the third consecutive year. A total of eight subjects are ranked in the top ten, including: Building (4th), Aural & Oral Sciences (5th), Food Science (5th), Agriculture & Forestry (6th), Art & Design (7th), Education (10th) and Town & Country Planning and Landscape Design (10th).



(QS World University Rankings 2018)

Henley Business School's Full-Time MBA was ranked 3rd in the UK (Economist Full-time MBA Rankings 2016) and its Executive MBA was ranked 4th in the UK (the Economist Executive MBA Rankings 2015). Both programmes rank in the top 40 worldwide.

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) was officially inaugurated in February 2016 in EduCity, Iskandar. This state-of-the-art campus allows the University to project its world-leading research and teaching across Asia, while offering students and staff outstanding opportunities to study and work abroad.

Work continued on the new Thames Valley Science Park being constructed on land owned by the University located to the south of the M4 in Shinfield near Reading. The Science Park will open in 2017/18 and aims to attract innovative small and medium-sized technology-based companies that are researching and delivering innovative new products.

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

A 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

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

The University aims to recruit and develop well-qualified professional academic staff and encourages innovative approaches to teaching and learning that make use of technological developments in learning methods.

The University's six 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: special projects, quality, student experience, international, student achievement, and engagement and future direction. They also lead University-wide strategic projects in teaching and learning.

In the National Student Survey 2017, the overall satisfaction level of students matched the sector average at 84%. Satisfaction also continues to perform well at discipline level, with eight areas achieving a satisfaction score of 90% or above. Over 1,600 final-year students completed the Survey. Several changes were made to the wording and structure of the Survey this year and, as a result, The UK Student Information Advisory Group and funding bodies have agreed that the 2017 data is not comparable to results from previous surveys and have advised that such comparisons should not be undertaken.

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



£200m
INVESTMENT
ON UPGRADING
FACILITIES
AND CREATING
NEW ONES



BREAKING NEW GROUND ON THE SCIENCE OF CLIMATE CHANGE

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 £35.6m, an increase of £2.9m 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 summer 2017, a number of high-profile research projects took centre stage around Whiteknights campus, with posters highlighting the achievements of Reading researchers.

The campaign was in support of Reading's strategy to raise the profile and show the impact of excellent research, under the banner of 'connecting research for a better world'.

- **Bringing Samuel Beckett's thoughts on death to life.** Dr Conor Carville, from English Literature, is using Reading's rich archive of Beckett materials to study how one of the twentieth century's most influential writers explored the theme of death.

Reading has continued to strengthen its position as one of the world's leading centres for the study of the work and cultural legacy of Beckett. In May 2017, the new Samuel Beckett Centre was launched with a guest lecture by author James Kelman, and is now hosting an active programme of research.

- **Helping Africa develop a green economy.** Professor Chuks Okereke is working with African governments, policymakers and NGOs to develop policies that can help African economies grow, without having to fall back on the polluting industrial methods of the past.

As well as continuing to break new ground on the science of climate change, Reading's influence is growing in researching the political, ethical, and legal frameworks for climate justice.

- **Mobilising flood relief before it rains.** Professor Hannah Cloke and Dr Liz Stephens, working with forecasters and aid agencies, have developed a system that triggers the delivery of disaster relief to communities at risk of flooding before a single raindrop has fallen.

Reading's pre-eminence in the study of weather, satellite observation and environmental science is helping people and businesses to avoid risks and make the most of opportunities, with the Institute for Environmental Analytics playing a key role.

- **Giving athletes the guts to be champions.** Professor Glenn Gibson and Dr Gemma Walton, gut bacteria experts in the School of Chemistry, Food and Pharmacy, worked closely with British athletes in the run-up to the Olympic Games to help them avoid the stomach upsets and infections that could affect their athletic performance.

In November 2016 the University played a lead role in winning access to a £340m EU food innovation project, called EIT Food, which aims to work with businesses to halve overall food waste and improve diets in Europe by 2030. The University also established the Institute for Food, Nutrition and Health, to harness Reading's research strengths and promote interdisciplinary approaches to nutrition and health.

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 new 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 2016/17, approximately 2.5% of those called during a telephone campaign said that they did not wish to be included in future telephone fundraising. In the same year, the University mailed over 47,000 people with direct mail appeals and received around 45 complaints (0.096%) about the approach being made. The University did not receive any complaints about its face-to-face fundraising programme.

Financial performance in the year

	2017	2016
	<i>£'000</i>	<i>£'000</i>
Total income before donations and endowments	285,484	270,135
Donations and endowments including land disposals	3,410	74,633
Total income	288,894	344,768
Surplus for the year	692	64,533
Total comprehensive income for the year	13,481	55,700

The University recorded strong growth in its core tuition and research income streams which contributed to group income for the year of £288.9m.

Group expenditure for the year was £300.9m. The University remains focused on keeping costs under tight control and has begun to see the benefit of savings delivered as a result of its efficiency and effectiveness review.

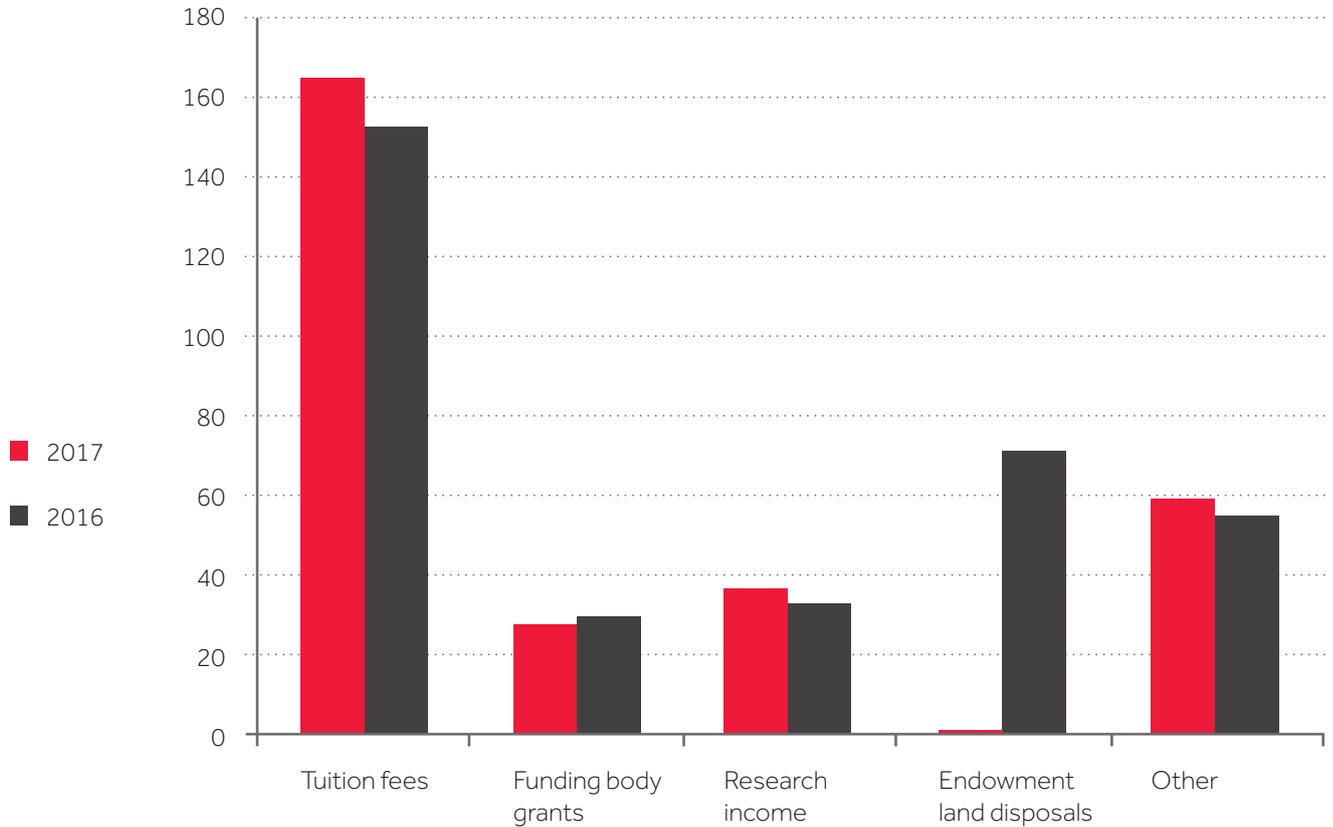
The University has seen significant improvement in the performance of its longer-established academic activities. It is committed to continuing this trend of growing academic surpluses.

During the year the group sold a number of investment properties and investments, principally to provide funds for the construction of the Thames Valley Science Park. Gains on disposal as well as revaluation gains contributed to the overall group surplus of £0.7m.

Other comprehensive income included remeasurement gains on the UREPF pension scheme and the upward revaluation of fixed assets held by an associated undertaking.

Total comprehensive income for the year was £13.5m.

Group income (£m)



Income from all sources totalled £288.9m as growth was recorded in tuition fee, research and other income. The 2016 total of £344.8m included a gain on a single land disposal of £71.7m. Income excluding land disposals rose by an encouraging £15.3m.

The University recognises the need to grow its income, not least to ensure it keeps pace with the inflationary pressures on its costs, but also to allow it to achieve its plans for sustainable growth and development.

Tuition fees increased by £11.9m. The number of full-time home and EU undergraduate students increased by 820 (9.5%) equating to £7.4m. The remaining increase was due largely to an increase of 180 in the number of full-time postgraduate taught students.

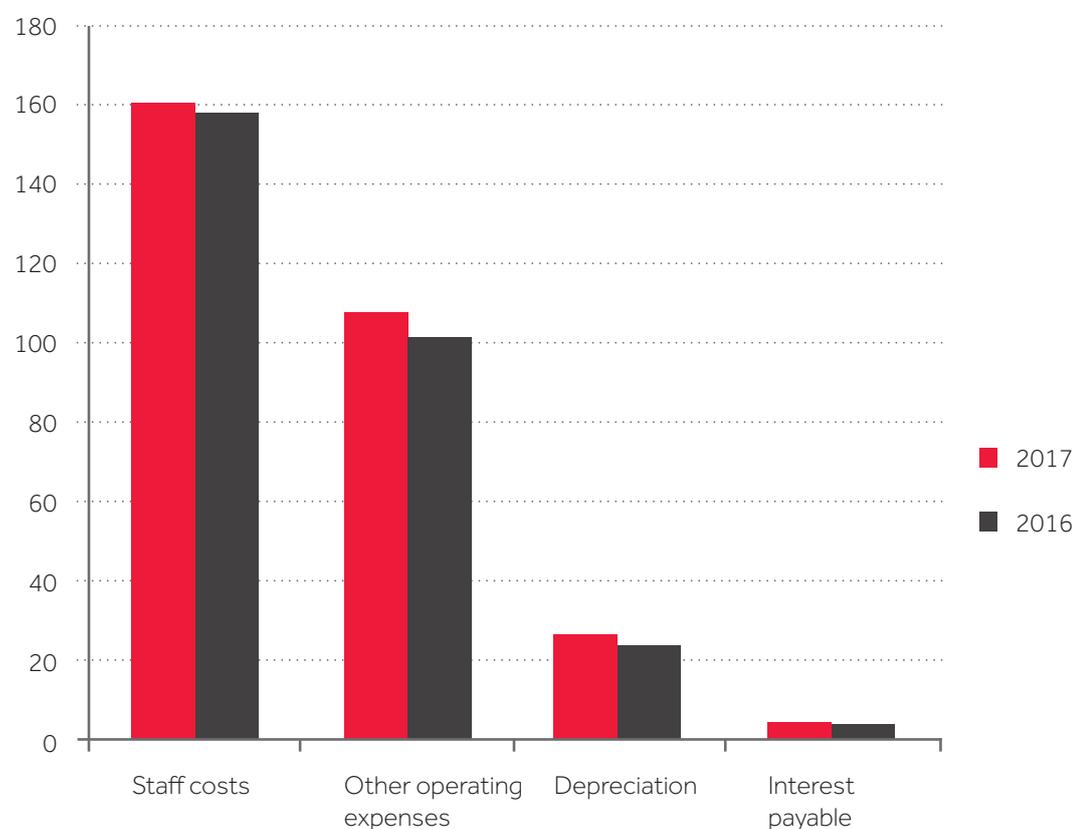
Funding body grants decreased slightly in the year to £29.0m due to a reduction in capital grants received from HEFCE.

Total research income grew by 8.8% to £35.6m as a result of an increase in new grant awards, especially in the science schools.

In the previous financial year, the endowment land disposals of £71.7m arose from the sale of land south of Reading known as Shinfield West to housebuilders in November 2015.

Other income rose by £2.6m to £59.4m. Other income arises from a number of sources including executive education, property rentals, catering, conferences, the SportsPark, consultancy and enterprise activities.

Group expenditure (£m)



Overall group expenditure increased for a variety of reasons, but the University was also able to deliver on significant efficiency savings in a number of areas due to careful planning.

Total staff costs rose by 1.4% to £160.9m. The annual pay award was set at 1.1% and there was an increase in research-related staff costs. These increases were partly offset by savings in certain areas. The 2016 staff costs total included £2.5m in respect of redundancy costs.

Other operating expenses totalled £107.5m (2016: £100.6m). Costs in the UK rose due to an increase in equipment costs, increased expenditure on research and the effect of inflation. Costs increased in South Africa by £2.0m as this business continued to expand.

Depreciation on tangible fixed assets increased slightly to £27.1m due to expenditure on the capital programme in recent years.

Interest payable was similar at £5.4m, consisting mainly of £3.8m in respect of the £70m bond, £1.1m relating to other borrowings and £0.7m for interest on pension schemes.

The University only results include a provision of £20m against amounts due to the University from its wholly owned subsidiary in Malaysia, which may not be wholly recoverable.

This is as a result of significant start-up costs incurred on the new Malaysian campus that opened to students in 2016. The campus is operated by RUMAL Reading Sdn. Bhd., whose activities are kept legally, operationally and financially distinct from the main teaching and research activities of the University in the United Kingdom.

Financial position

Consolidated net assets totalled £410.8m at 31 July 2017 (2016: £397.3m). The increase against the previous year can be attributed primarily to gains on disposals and revaluations of investments and investment properties plus the increase in other comprehensive income. Net current assets stood at £46.1m (2016: £99.3m).

Fixed assets

The University provides a high quality environment to enable our teaching, learning and research to thrive, facilitate the recruitment of students and ensure staff retention.

Infrastructure developments are designed to enhance the University's academic activity and ensure that it continues to be regarded as one of the leading universities in the UK and internationally.

A major refurbishment of the Library is currently under way, and a new purpose-built temporary teaching space, Chancellor's Building, is currently home to the School of Construction Management and Engineering. Other projects, including the creation of a new Health and Life Sciences complex, are at varying stages of the delivery process.

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

Investments and investment properties

The total investments held by the University and its trusts were valued at £82.2m (2016: £84.8m). Although the investment portfolio returned healthy gains in the year, the overall reduction was driven by a total of £10m being taken out of the portfolio in order to part-fund the construction of the University's Thames Valley Science Park.

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 2017 was £49.3m (2016: £50.6m). Strong revaluation gains were recorded in the year, but the overall property portfolio was reduced by the sale of 10 properties to part-fund the Thames Valley Science Park construction.

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 £1.5m at 31 July 2017 (2016: deficit of £6.2m). The positive movement was mainly driven by the strong performance of equities held by the fund. As well as making regular employer contributions, the University has committed to paying £600,000 per annum towards the scheme's administration costs and to continuing to make additional cash payments until 2020.

The University also contributes to the Universities Superannuation Scheme (USS), a multi-employer scheme. The University and the other employers who contribute to USS make additional contributions to reduce the overall deficit on the scheme. The University has recognised a provision of £32.5m for its share of the additional contributions (2016: £34.7m) in accordance with the 2015 deficit funding plan agreement.

Cash flow and borrowings

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

The University's non-endowment cash balances are held primarily in the form of interest-bearing deposits with financial institutions. The University also has borrowings including a £70m corporate bond, a £60m sterling long-term loan facility and a short-term loan from the Homes & Communities Agency of over £10m to enable construction of the Shinfield Eastern Relief Road and bridge over the M4 required as a condition of residential and the Thames Valley Science Park developments at Shinfield. In addition to its borrowings, the University has provided performance bond guarantees to the Highways Agency and Wokingham Borough Council totalling £16.0m in respect of its delivery of the road and the bridge.

The Group generated a net cash inflow from operating activities of £32.8m (2016: £16.5m). The net decrease in cash and cash equivalents for the year was £26.0m (2016: increase of £7.8m). The decrease was mainly due to capital expenditure during the year, part of which was funded by the disposal of investments and investment properties.

Net debt at 31 July 2017 was £57.9m (2016: £30.6m). The change was due to the net decrease in cash and cash equivalents as well as the disposal of current investments.

Human resources

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

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

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

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

The HR department continues to provide professional support across the University as it works with senior management to respond positively to the outcomes of the Staff Survey 2017, and launches a new People Plan to work towards a thriving community.

The University continues to embed its Diversity and Inclusion activities as led by the Deans of Diversity and Inclusion. A range of related opportunities are provided such as the Springboard and Aurora programmes aimed at developing female staff, StellarHE leadership development courses for BAME staff and staff participation on Stonewall's LGBT role models and allies programmes. Further accreditation is being sought via the Athena SWAN and Race Equality Charter banners. The University continues to engage with staff via women@reading, the Cultural Diversity Group and the LGBT staff network.

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

Environmental matters

The University of Reading takes its environmental responsibilities seriously and manages its operations in ways that are environmentally sustainable, economically feasible and socially responsible. The University is committed to achieving the highest standards of environmental performance, protecting the environment and minimising the impact of its operations. Over the last year the University has 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.

During the last year the University achieved its carbon emissions reduction target of 35%. From an investment of £4.1 million in energy efficiency, the University has benefitted from a saving of over £17 million over the last 5 years. Projects delivered last year included a £167,000 investment to save energy and water in one of the Chemistry teaching labs by upgrading lighting and providing a localised vacuum and chilled water system. A new 45% carbon reduction target as well as a 35% water reduction target have been set to be achieved by 2021.

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 in Agriculture and the SAGES buildings to further improve recycling rates. The University now diverts 99% of its waste away from landfill, with 50% being recycled and 49% being recovered to generate electricity. A new 60% recycling target has been set to be achieved by 2021.

To support staff and students to make sustainable travel choices, the University has started an upgrade of routes by upgrading the path between Agriculture and the Friends Bridge enabling people to share the space safely. This was identified as an area for improvement in the last Travel Survey and will improve the experience for both cyclists and pedestrians. A new 83% sustainable travel target has been set to be achieved by 2021.



Principal risks and uncertainties

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

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

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

- failure to maintain or enhance the quality of teaching and learning;
- the risk of insufficient funds being available for capital projects at the time required;
- the risk of failure to provide adequate support via Student and Application Services;
- failure to recruit appropriate numbers and quality of postgraduate research students;
- inadequate maintenance of buildings and estate infrastructure; and
- failure to meet the targets of the University of Reading Malaysia (UoRM) business plan.

Brexit

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

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

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

Future developments

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

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

The University is investing over £200 million into improving its campus facilities, which includes upgrading existing facilities and creating brand new ones.

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

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

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

Sir David Bell KCB

Vice-Chancellor

Samantha Foley

Chief Financial Officer

29 November 2017

STATEMENT ON PUBLIC BENEFIT

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

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

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

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

Teaching and learning

The University's admissions policy is to attract and admit the most able and motivated undergraduate and postgraduate students with the greatest potential to contribute to, and 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.

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. Our programme supports pupils throughout their school and college journey. 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 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 200 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.

The University has also worked 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 July 2017 the Deputy Vice-Chancellor presented the first University of Reading Research Engagement and Impact Awards, to celebrate the achievements of researchers from across the University in communicating their work and engaging with wider audiences. With more than 50 entries, winners were picked from a shortlist of 18 researchers and projects, across five categories.

The winners were selected for their work 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 – Professor Ed Hawkins from the Climate research division, for his success in communicating the science of climate change, including via his blog Climate Lab Book and his global temperature 'spiral' graph, used in the opening ceremony of the Olympic Games in Rio and watched by a TV audience of more than one billion people.

INFLUENCE – Professor Roger Matthews and Dr Wendy Matthews, from Archaeology, who have continued to explore ancient sites in Iraq, while also working with United Nations, government and military officials to help protect ancient heritage sites from damage during conflict.

INSPIRE – Dr Mark Dallas, from Pharmacy, for his collaboration with a children's theatre company to create Bright Sparks, a dramatic interpretation of brain function that gives children and families a unique insight into the workings of the human brain.

INVOLVE – Dr Sally Lloyd-Evans, from Global Development, for her work in establishing a network of community researchers in Whitley, south Reading, to provide solutions to issues such as financial exclusion and improving transport links.

EMBARK – Dr Mai Sato, from Law, for her research into opinions on the death penalty in Japan, where hanging is still used to execute prisoners. Her research has been used to create a documentary film and led the Japanese Bar Association to change policy and oppose the death penalty.

In addition, Professor Simon Potts, Dr Deepa Senapathi and Dr Michael Garratt received a joint special award for engaging with multiple audiences as part of their work in the Centre for Agri-Environmental Research looking at ways to safeguard bees and other pollinators.

Community

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

The University and the Reading University Students' Union (RUSU) ran a variety of volunteer-led projects to make connections with and support the wider community. For example, students delivered vital befriending support to local care home residents, and supported pupils in local primary schools.

The Museum of English Rural Life reopened in October 2016 after a £3million redevelopment project, with new galleries offering interactive experiences designed to challenge perceptions about rural England and to engage a new generation of visitors.

Alongside the capital redevelopment, the Museum has continued to work with a wide range of community partners. As well as providing access to its renewed cultural offering, the Museum's activity programme supports well-being, learning and skills development with many local groups, particularly for young people with additional needs, older people and community groups representing Reading's rich ethnic diversity. The University has worked with a variety of business partners in the community including Reading Community Interest Company on the Reading UK 2050 project, the Thames Valley Local Enterprise Partnership, the Thames Valley Chamber of Commerce and the Confederation of British Industry. The University has also continued to regularly attend local community groups and residents' associations to work together on community-based projects.

The University provides facilities open to the public, including lectures and concerts, museums, sports facilities and other visitor attractions. This year's community engagement events have included the reopening of the Museum of English Rural Life after its £3million redevelopment project, the children's Christmas Lecture on combining sensory information with technology, a lunch and the inaugural Wolfenden lecture delivered by Ruth Hunt, Chief Executive of Stonewall.

GOVERNANCE STATEMENT

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

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

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

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

Among other business this year, the Council has:

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

Overview

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

The Council

The Council is the University's governing body, meeting at least four times during the academic year. It sets the University's strategic direction, ensures compliance with statutory requirements and approves constitutional changes. The Council is ultimately responsible for managing the University's estate, finance and staff, 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.

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

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

The Senate

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

Committees of Council

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

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

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

Supply of information

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

Risk management and internal controls

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

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

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

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

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

- the Council meets four times a year to consider the University's strategic direction, decisions and progress against strategic plans and is advised by various committees. The Council, through the Strategy and Finance Committee, is responsible for reviewing the effectiveness of the internal controls of the University.
- the University has developed a system of internal control in line with best practice. This system is designed to identify the principal risks which may prevent or inhibit the achievement of the University's aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.
- the Audit Committee receives regular reports from the Head of Internal Audit Services, together with recommendations for improvement. These reports comment on the arrangements for internal control, risk management and governance.

- a Risk Management Group reporting to the University Executive Board and led by the Deputy Vice-Chancellor oversees risk management at the University. The University has developed its strategic plans with specific reference to the key risks identified for the University. The Risk Management Group also oversees work on major incident and business continuity planning.
- a framework for managing risk is in place and includes a risk register. Each key risk is assigned to named members of the University Executive Board. Each risk has also been assigned to the appropriate committee to monitor the operation of the associated controls within their broader remit. The risks are prioritised based on the likelihood of an event arising from a particular risk and an assessment of the anticipated impact. The assigned priority helps focus resources on critical areas.
- corporate and subsidiary risk registers held at school and central services level which document controls, mitigating actions and early warning mechanisms in place to manage each risk. These registers are assessed by the Risk Management Group who consider the risks identified, their interactions and interdependencies, the exposure and the proposed processes for managing these risks. Schools and central services also report on their risk management arrangements to the Risk Management Group. The registers are directly linked to and inform the strategic and operational plans.
- internal audit reviews the system of risk management and internal controls on an ongoing basis. The internal audit programme is driven by the strategic, operational and financial risks potentially affecting the University with each risk being reviewed by internal audit on a three year rolling programme. In discharging its plan, internal audit gives assurance on the quality and reliability of the risk management framework and the controls which protect the University against exposure to risk and reviews compliance with policies and procedures.

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

Register of interests

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

Preparation of the financial statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between HEFCE and the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Council is required to ensure that:

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

The Council has taken reasonable steps to:

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

Internal financial controls

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

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

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

Information held on the University's website

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

REPORT OF THE REMUNERATION COMMITTEE

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

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

The Committee has met three times in the year ending 31 July 2017 and, in the course of those meetings, 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;
- 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 2017;
- 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 2017;
- ix.** agreed adjustments to salary for the Pro-Vice-Chancellors with effect from 1 August 2017;
- x.** agreed adjustments to salary for the Deputy Vice-Chancellor with effect from 1 August 2017;
- xi.** agreed adjustments to salary for the University Secretary with effect from 1 August 2017; and
- xii.** agreed the emoluments of the Vice-Chancellor with effect from 1 August 2017.

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the University of Reading ("the University") for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet and Statement of Cash Flows and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016–17 financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Council is responsible for the other information, which comprises the Strategic Report, the Statement on Public Benefit, the Governance Statement and the Report of the Remuneration Committee. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Council responsibilities

As explained more fully in the Governance Statement set out on pages 21 to 25, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on other legal and regulatory requirements

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Council in accordance with Section 8 of the University's Charter of Incorporation. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Council for our audit work, for this report, or for the opinions we have formed.

Joanne Lees

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

30 November 2017

Statement of comprehensive income

Year ended 31 July 2017

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Income				
Note 1 Tuition fees and education contracts	164,350	152,481	156,557	147,452
2 Funding body grants	28,964	31,020	28,964	31,020
3 Research grants and contracts	35,589	32,721	35,369	32,468
4 Other income	51,590	49,870	49,686	49,140
5 Investment income	4,991	4,043	2,408	2,210
Total income before donations and endowments	285,484	270,135	272,984	262,290
6 Donations and endowments – regular	2,843	2,884	2,351	2,406
6 Donations and endowments – exceptional	567	71,749	-	-
Total income	288,894	344,768	275,335	264,696
Expenditure				
7 Staff costs	160,869	158,623	155,342	154,266
Other operating expenses	107,547	100,646	111,203	86,988
11 Depreciation	27,095	24,262	24,894	22,516
8 Interest and other finance costs	5,422	5,242	6,016	5,671
9 Total expenditure	300,933	288,773	297,455	269,441
Total income less total expenditure	(12,039)	55,995	(22,120)	(4,745)
Gain / (loss) on disposal of fixed assets	1	(360)	1	(360)
Gain / (loss) on disposal of investment properties	1,318	(214)	(115)	(214)
Gain / (loss) on disposal of investments	4,822	(57)	-	-
14 Gain on revaluation of investment properties	5,845	2,212	2,769	1,009
Gain on revaluation of investments	1,177	6,734	1,228	198
16 Share of operating (deficit) / surplus in associates	(292)	139	-	-
Surplus/ (deficit) before tax	832	64,449	(18,237)	(4,112)
10 Taxation (charge) / credit	(140)	84	(98)	(39)
Surplus / (deficit) for the year	692	64,533	(18,335)	(4,151)
16 Surplus / (deficit) on revaluation of fixed assets held by associate	8,024	(240)	-	-
16 Tax charge arising on revaluation of fixed assets held by associate	(1,528)	-	-	-
33 Remeasurement gains / (losses) in respect of pension schemes	6,565	(8,763)	6,565	(8,763)
Exchange differences on consolidation of overseas subsidiaries	(272)	170	-	-
Total comprehensive income for the year	13,481	55,700	(11,770)	(12,914)
Represented by:				
Endowment comprehensive income for the year	11,016	78,935	1,346	448
Restricted comprehensive income for the year	358	593	305	474
Unrestricted comprehensive income for the year	(4,389)	(23,588)	(13,421)	(13,836)
Revaluation reserve comprehensive income for the year	6,496	(240)	-	-
	13,481	55,700	(11,770)	(12,914)

All items of income and expenditure arise from continuing activities.

Statement of changes in reserves

Year ended 31 July 2017

	Income and expenditure account				Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	
Consolidated					
At 1 August 2015	125,148	988	171,257	44,229	341,622
Surplus / (deficit) for the year	78,935	593	(14,995)	-	64,533
Other comprehensive income	-	-	(8,593)	(240)	(8,833)
Transfers between endowment and unrestricted reserves	(376)	-	376	-	-
Transfers between restricted and unrestricted reserves	-	43	(43)	-	-
At 1 August 2016	203,707	1,624	148,002	43,989	397,322
Surplus / (deficit) for the year	11,016	358	(10,682)	-	692
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 31 July 2017	214,178	1,993	144,147	50,485	410,803

	Income and expenditure account				Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation reserve £'000	
University					
At 1 August 2015	12,224	719	147,683	37,814	198,440
Surplus / (deficit) for the year	448	474	(5,073)	-	(4,151)
Other comprehensive income	-	-	(8,763)	-	(8,763)
At 1 August 2016	12,672	1,193	133,847	37,814	185,526
Surplus for the year	1,346	305	(19,986)	-	(18,335)
Other comprehensive income	-	-	6,565	-	6,565
At 31 July 2017	14,018	1,498	120,426	37,814	173,756

Balance sheet

At 31 July 2017

		Consolidated		University	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Non-current assets					
Note 11	Tangible fixed assets	420,241	372,228	393,695	346,664
12	Heritage assets	39,346	39,346	39,167	39,167
13	Biological assets	476	429	476	429
14	Investment properties	49,347	50,587	24,417	25,073
15	Non-current investments	19,364	17,264	27,283	25,306
16	Investments in associates	17,493	11,289	10,567	10,567
		546,267	491,143	495,605	447,206
Current assets					
	Stock	1,267	1,271	1,221	1,218
17	Trade and other receivables	79,036	83,897	38,962	48,568
18	Current investments	62,824	67,541	-	-
	Cash and cash equivalents	20,322	46,333	18,110	44,098
		163,449	199,042	58,293	93,884
19	Creditors: Amounts falling due within one year	(117,324)	(99,767)	(209,355)	(173,292)
Net current assets / (liabilities)		46,125	99,275	(151,062)	(79,408)
Total assets less current liabilities		592,392	590,418	344,543	367,798
20	Creditors: Amounts falling due after more than one year	(149,029)	(152,257)	(138,227)	(141,433)
Provisions					
21	Pension provisions	(31,000)	(40,839)	(31,000)	(40,839)
22	Other provisions	(1,560)	-	(1,560)	-
Total net assets		410,803	397,322	173,756	185,526
Restricted reserves					
23	Income and expenditure reserve - endowment	214,178	203,707	14,018	12,672
24	Income and expenditure reserve - restricted	1,993	1,624	1,498	1,193
Unrestricted reserves					
	Income and expenditure reserve - unrestricted	144,147	148,002	120,426	133,847
	Revaluation reserve	50,485	43,989	37,814	37,814
Total reserves		410,803	397,322	173,756	185,526

The financial statements on pages 29 to 59 were approved by Council on 29 November 2017, and signed on its behalf by:

Dr P R Preston
President of the Council

Sir David Bell KCB
Vice-Chancellor

Ms S Foley
Chief Financial Officer

Statement of cash flows

Year ended 31 July 2017

	Consolidated	
	2017	2016
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	692	64,533
Adjustments for non-cash items:		
Depreciation	27,095	24,262
Gain on revaluation of investment properties	(5,845)	(2,212)
Gain on revaluation of investments	(1,177)	(6,734)
(Gain) / loss on revaluation of biological assets	(10)	11
Amortisation of finance costs	(191)	(71)
Exchange differences	163	(804)
Decrease / (increase) in stock	4	(76)
Decrease in receivables	4,861	4,276
Increase in creditors	17,887	6,581
(Decrease) / increase in pension provisions	(9,839)	10,932
Remeasurement gains / (losses) in respect of pension schemes	6,565	(8,763)
Increase / (decrease) in other provisions	1,560	(588)
Share of operating deficit / (surplus) and tax in associates	292	(274)
Adjustments for investing or financing activities:		
Investment income	(4,991)	(4,043)
Net interest on pension schemes	(721)	128
Capital grant income	(2,822)	(4,697)
New endowments	(49)	(56)
Interest payable	5,422	5,242
(Gain) / loss on disposal of fixed assets	(1)	360
Gain on disposal of land held by endowment	-	(71,749)
(Gain) / loss on disposal of investment properties	(1,318)	214
(Gain) / loss on disposal of investments	(4,822)	57
Net cash inflow from operating activities	32,755	16,529
Cash flows from investing activities		
Proceeds from sales of fixed assets and investment properties	6,234	690
Proceeds from sale of land held by endowment	-	51,039
Net receipts from / (payments for) investments	8,617	(1,308)
Investment income	4,991	3,915
Capital grants received	2,822	4,697
Payments made to acquire tangible fixed assets	(73,377)	(57,162)
Net (payments for) / receipts from biological assets	(37)	19
Payments made to acquire investment properties	-	(157)
Adjustment to loan notes in UPP (Reading I) Holdings Limited	-	2
	(50,750)	1,735
Cash flows from financing activities		
New endowments	49	56
Interest paid	(4,701)	(5,242)
New unsecured loans	100	400
Repayments of amounts borrowed	(3,464)	(5,650)
	(8,016)	(10,436)
(Decrease) / increase in cash and cash equivalents in the year	(26,011)	7,828
Cash and cash equivalents at beginning of the year	46,333	38,505
Cash and cash equivalents at end of the year	20,322	46,333

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 fixed assets. The Council believes that the going concern basis is appropriate for the reasons described in note 34.

Basis of consolidation

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

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

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

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

Income recognition

(i) Goods and services

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

(ii) Fee income

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

(iii) Revenue grants

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

(iv) Capital grants

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

(v) Investment income

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

(vi) Donations and endowments

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

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

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

The main types of endowment are given below:

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

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

(vii) Agency arrangements

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

Accounting for retirement benefits

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

USS is a multi-employer hybrid scheme which has both defined benefit and defined contribution elements. 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 capitalised and recognised at their cost or value where reasonably obtainable. Revaluations are carried out periodically by an external valuer. Heritage assets are not depreciated due to their long economic life and high residual value.

Agriculture

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

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

Investment properties

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

Investments

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

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

Stock

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

Cash and cash equivalents

Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty.

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

Financial instruments

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

Reserves

Reserves are allocated between restricted and unrestricted reserves.

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

All other reserves are treated as unrestricted.

Notes to the financial statements

1	Tuition fees and education contracts	Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
	Full-time home and EU students	90,346	82,716	90,345	82,716
	Full-time international students	53,981	49,851	51,320	48,907
	Part-time students	13,667	13,679	9,862	10,688
	Research training support grants	4,427	4,798	4,427	4,798
	Short course fees	1,326	1,094	-	-
	Education contracts	603	343	603	343
		164,350	152,481	156,557	147,452

2	Funding body grants	Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
	Recurrent grants				
	Higher Education Funding Council	24,024	24,224	24,024	24,224
	Capital grants	2,822	4,501	2,822	4,501
	Specific grants				
	Higher Education Academic Subject Centres	212	258	212	258
	Higher Education Innovation Fund	1,880	1,990	1,880	1,990
	Other	26	47	26	47
		28,964	31,020	28,964	31,020

3	Research grants and contracts	Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
	Research Councils	16,303	14,673	16,303	14,673
	Charities	3,254	2,877	3,254	2,877
	Industry and commerce	7,071	5,624	6,851	5,371
	Government (UK and overseas)	8,507	9,367	8,507	9,367
	Research and Development Expenditure Credit (RDEC)	454	180	454	180
		35,589	32,721	35,369	32,468

4	Other income	Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
	Residences, catering and conferences	10,751	10,331	10,733	10,305
	Other capital grants	-	196	545	572
	Other income	40,839	39,343	38,408	38,263
		51,590	49,870	49,686	49,140

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	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
	Income from short-term investments	4,200	3,915	2,408	2,082
	Interest receivable on the deferred proceeds of sale of land	791	-	-	-
	Net return on pension scheme	-	128	-	128
		4,991	4,043	2,408	2,210

6 Donations and endowments

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
New endowments	49	56	49	56
Donations with restrictions	1,140	1,514	860	1,206
Unrestricted donations	1,081	650	869	480
Other non-recurrent grants	573	664	573	664
	2,843	2,884	2,351	2,406
Gain on disposal of land held by endowment	567	71,749	-	-
	3,410	74,633	2,351	2,406

Gain on disposal of land held by endowment

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Shinfield West	238	71,705	-	-
Cutbush Lane North	130	(83)	-	-
Manor Site	199	127	-	-
	567	71,749	-	-

In previous years, land in Shinfield to the south of Reading was sold to developers. The three sites, known as Shinfield West, Cutbush Lane North and the Manor Site, had been held under endowment by connected charitable institutions of the University. These disposals were all part of a larger development of housing and infrastructure in the area as part of the South of M4 Strategic Development Location (SDL) being undertaken by the University and other parties.

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

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

In order to split the disposals into these two elements, an estimate was made of the contribution to the site servicing costs and a mark-up of 20% on cost was assumed in line with typical margins achieved by development companies. Income relating to the sale of land was recognised in full in the year of completion. The site servicing income is being recognised as the related works take place. Income has been deferred and included in creditors where it relates to site servicing works to be carried out in future years.

For the Shinfield West disposal, the buyer is paying over a period of three years from completion in November 2015 and the outstanding proceeds are shown in trade and other receivables at their discounted value.

7 Staff costs

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Analysis of staff costs				
Salaries	122,421	117,500	117,719	113,870
Social security costs	11,860	10,147	11,641	9,967
Movement on USS provision	(2,771)	2,868	(2,771)	2,868
Other pension costs	29,368	26,607	28,763	26,071
Other staff costs	(9)	1,501	(10)	1,490
	160,869	158,623	155,342	154,266

	2017 £	2016 £
Emoluments of the Vice-Chancellor		
Sir David Bell:		
Salary	260,383	257,550
Pension contributions	46,869	42,789
	307,252	300,339

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

	2017 Number	2016 Number
£100,000 to £109,999	15	11
£110,000 to £119,999	9	9
£120,000 to £129,999	9	11
£130,000 to £139,999	4	1
£140,000 to £149,999	1	2
£150,000 to £159,999	3	3
£160,000 to £169,999	1	-
£170,000 to £179,999	-	-
£180,000 to £189,999	1	2
£190,000 to £199,999	1	1
£200,000 to £209,999	-	-
£210,000 to £219,999	-	-
£220,000 to £229,999	-	-
£230,000 to £239,999	-	-
£240,000 to £249,999	1	-
£250,000 to £259,999	1	1
	46	41

	2017 £	2016 £
No compensation for loss of office was payable in the year in respect of members of staff earning in excess of £100,000 per year (2016: payable to 1 member of staff)	-	50,002

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 (2016: 7).

	2017 £	2016 £
Salary and benefits of key management personnel (including pension contributions)	1,276,941	1,253,762

Average staff numbers by major category:

	2017 Number	2016 Number
Academic	968	925
Research	346	330
Management and specialist	912	876
Technical	167	153
Other	1,045	998
	3,438	3,282

8 Interest and other finance costs

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loan interest	4,417	4,331	4,417	4,331
Net interest charge on pension schemes	721	941	721	941
Exchange differences	(300)	(285)	(187)	(323)
Other	584	255	1,065	722
	5,422	5,242	6,016	5,671

9 Analysis of total expenditure by activity

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Academic and related expenditure	152,340	150,088	148,682	146,145
Administration and central services	45,748	34,278	39,822	31,024
Premises	49,254	45,140	42,520	40,098
Residences, catering and conferences	11,232	11,919	10,756	11,887
Research grants and contracts	25,624	22,719	25,624	21,144
Other expenses	16,735	24,629	30,051	19,143
	300,933	288,773	297,455	269,441

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Other operating expenses include:				
Operating lease rentals				
- land and buildings	5,096	4,517	1,412	1,375
- other	252	1,316	154	1,231
External auditor's remuneration				
- audit services	172	181	87	96
- non-audit services	330	224	245	144

In 2017, within the total other operating expenses for University only, is an amount of £20.0m which relates to the University's operations in Malaysia – see note 17 for full details.

In 2016, consolidated and University other operating expenses included an amount of £4.8m in respect of a detailed review of efficiency and effectiveness.

10 Taxation charge / (credit)

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Share of current tax from associates	-	(135)	-	-
Overseas - current tax	107	140	-	-
Overseas - deferred tax	(65)	(128)	-	-
Other	98	39	98	39
	140	(84)	98	39

11 Tangible fixed assets

Consolidated					
	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	395,200	13,439	138,567	44,674	591,880
Additions	11,477	2,636	4,670	54,594	73,377
Transfers between categories	27,854	-	-	(27,854)	-
Transfers from investment properties	2,169	-	-	-	2,169
Disposals	-	-	(3)	-	(3)
Exchange differences	(253)	(4)	(287)	-	(544)
At 31 July 2017	436,447	16,071	142,947	71,414	666,879
Depreciation					
At 1 August 2016	145,094	4,438	70,120	-	219,652
Charge for the year	15,094	1,514	10,487	-	27,095
Exchange differences	(40)	8	(77)	-	(109)
At 31 July 2017	160,148	5,960	80,530	-	246,638
Net book value at 31 July 2017	276,299	10,111	62,417	71,414	420,241
Net book value at 31 July 2016	250,106	9,001	68,447	44,674	372,228
University					
	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	369,341	13,420	132,347	44,302	559,410
Additions	11,119	2,636	3,392	54,594	71,741
Transfers between categories	27,854	-	-	(27,854)	-
Transfers from investment properties	434	-	-	-	434
Disposals	(250)	-	-	-	(250)
At 31 July 2017	408,498	16,056	135,739	71,042	631,335
Depreciation					
At 1 August 2016	139,532	4,398	68,816	-	212,746
Charge for the year	13,940	1,489	9,465	-	24,894
At 31 July 2017	153,472	5,887	78,281	-	237,640
Net book value at 31 July 2017	255,026	10,169	57,458	71,042	393,695
Net book value at 31 July 2016	229,809	9,022	63,531	44,302	346,664

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

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Land not depreciated	23,631	23,631	15,540	15,540

Interest of £777,000 has been capitalised in the year to 31 July 2017 (2016: £725,000) and is included within tangible fixed assets.

Total aggregate capitalised finance costs to date within the cost of tangible fixed assets at 31 July 2017 were £5,204,000 (2016: £4,512,000).

12 Heritage assets

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

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

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

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

Consolidated	2017	2016	2015	2014	2013
Cost or valuation	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with University funds	-	-	46	962	8
Total acquisitions capitalised	-	-	46	962	8
At 1 August	39,346	39,346	39,300	38,338	23,097
Revaluations	-	-	-	-	15,233
At 31 July	39,346	39,346	39,346	39,300	38,338

University	2017	2016	2015	2014	2013
Cost or valuation	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with University funds	-	-	46	962	8
Total acquisitions capitalised	-	-	46	962	8
At 1 August	39,167	39,167	39,121	38,159	22,947
Revaluations	-	-	-	-	15,204
At 31 July	39,167	39,167	39,167	39,121	38,159

12 Heritage assets (continued)

The split of heritage assets by type of asset is:

	Consolidated		University	
	2017	2016	2017	2016
Cost or valuation	£'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 2016	429	429
Net increase in livestock	37	37
Increase in fair value less costs to sell	10	10
At 31 July 2017	476	476

14 Investment properties**Fair value**

	Consolidated
	Total
	£'000
At 1 August 2016	50,587
Transfers to tangible fixed assets	(2,169)
Disposals	(4,916)
Increase in value of properties in year	5,845
At 31 July 2017	49,347

Fair value

	University
	Total
	£'000
At 1 August 2016	25,073
Transfers to tangible fixed assets	(434)
Disposals	(2,991)
Increase in value of properties in year	2,769
At 31 July 2017	24,417

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

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

	Listed investments £'000	Other investments £'000	Total £'000
At 1 August 2016	17,219	45	17,264
Additions	749	123	872
Changes in market value	1,228	-	1,228
At 31 July 2017	19,196	168	19,364

University**Cost or valuation**

	Listed investments £'000	Subsidiary companies £'000	Total £'000
At 1 August 2016	17,219	8,087	25,306
Additions	749	-	749
Changes in market value	1,228	-	1,228
At 31 July 2017	19,196	8,087	27,283

Listed investments comprise:

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Sarasin & Partners Alpha CIF for Endowments	19,123	17,142	19,123	17,142
Genus plc	73	77	73	77
	19,196	17,219	19,196	17,219

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.

Subsidiary company investments comprise:

		Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
RUMAL Reading Sdn. Bhd.	Malaysia	-	-	8,066	8,066
Henley Business School Germany GmbH	Germany	-	-	21	21
		-	-	8,087	8,087

16 Investments in associates

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Share of operating (deficit) / surplus in associates	(292)	139	-	-
Share of current tax from associates - credit	-	135	-	-
Surplus / (deficit) on revaluation of fixed assets	8,024	(240)	-	-
Tax charge arising on revaluation of fixed assets	(1,528)	-	-	-
Total comprehensive income in the year for associates	6,204	34	-	-
At 1 August	11,289	11,257	10,567	10,569
Other movements in year	-	(2)	-	(2)
At 31 July	17,493	11,289	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 2016 and at 31 July 2017	441	10,126	10,567

16 Investments in associates (continued)

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

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

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

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

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

Consolidated & University	Income	Expenditure	2017	Income	Expenditure	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Rent collection	1,477	-	1,477	1,473	-	1,473
Facilities management services	1,668	-	1,668	1,635	-	1,635
Utilities	946	-	946	1,011	-	1,011
Estates service charge and infrastructure fees	475	-	475	468	-	468
Vacation residence and conferencing	-	(257)	(257)	-	(205)	(205)
Wifi upgrade	-	-	-	36	-	36
Interest receivable on loan notes	1,186	-	1,186	865	-	865
Other income	42	-	42	53	-	53
Other expenditure	-	(6)	(6)	-	-	-
	5,794	(263)	5,531	5,541	(205)	5,336

The University charges and receives rents from students. Payments are made to UPP (Reading I) Limited with reference to the number of units of student accommodation sold during the year. Payments made to UPP (Reading I) during the year totalled £28,338,000 (2016: £27,530,000) and have been netted with the income received from students in the statement of comprehensive income.

17 Trade and other receivables

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grants receivables	4,591	3,535	4,591	3,535
Trade receivables	16,450	14,556	13,012	11,462
Proceeds due on the sale of Shinfield West	14,963	9,963	-	-
Other receivables	9,433	7,733	8,934	7,400
Prepayments and accrued income	6,953	7,528	6,606	7,217
Amounts due from subsidiary undertakings	-	-	1,705	1,586
Amounts due from University endowment trusts	-	-	2,159	1,868
Amounts due from associated undertakings - UPP (Reading I) Limited	1,797	1,285	1,797	1,285
	54,187	44,600	38,804	34,353
Amounts falling due after more than one year:				
Proceeds due on the sale of Shinfield West	24,691	38,900	-	-
Other receivables	158	397	158	397
Amounts due from subsidiary undertakings - RUMAL Reading Sdn. Bhd.	-	-	-	13,818
	79,036	83,897	38,962	48,568

The proceeds from the sale of Shinfield West are receivable in instalments over the 3 year period following the point of completion in November 2015. The amounts due have been included at their discounted value as shown below. A discount rate of 1.0% (2016: 1.5%) has been applied in line with similar debt instruments.

Included in University receivables due in more than one year is £20.0m due from RUMAL Reading Sdn. Bhd. against which a full provision has been made. This has resulted in a charge for the year of £20.0m in the University's statement of comprehensive income. The amount of this provision will be reviewed from time to time as circumstances change.

17 Trade and other receivables (continued)

Consolidated	Full value	Full value	Discounted	Discounted
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Receivable in less than one year	15,000	10,000	14,963	9,963
Receivable in greater than one year	25,000	40,000	24,691	38,900
	40,000	50,000	39,654	48,863

18 Current investments

Consolidated	Total
Cost or valuation	£'000
At 1 August 2016	67,541
Net additions / (disposals)	(4,666)
Changes in market value	(51)
At 31 July 2017	62,824

University	Total
Cost or valuation	£'000
At 1 August 2016 at 31 July 2017	-

Listed investments comprise:	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Segregated portfolios managed by Sarasin & Partners	55,197	60,696	-	-
Sarasin & Partners Alpha CIF for Endowments	7,627	6,845	-	-
	62,824	67,541	-	-

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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Unsecured loans	3,052	3,402	3,052	3,402
Trade payables	7,474	7,785	7,190	7,714
Social security and other taxation payable	3,401	3,366	3,381	3,286
Other payables	20,333	20,108	20,122	19,852
Accruals and deferred income	72,873	53,061	60,525	44,045
Deferred income on land disposals	3,670	5,463	-	-
Amounts due to subsidiary undertakings	-	-	1,671	1,385
Amounts due to University endowment trusts	-	-	106,893	87,026
Amounts due to associated undertakings - UPP (Reading I) Limited	6,521	6,582	6,521	6,582
	117,324	99,767	209,355	173,292

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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Tuition fees	7,148	6,516	3,459	3,377
Research grants received on account	19,291	15,133	19,291	15,133
Other income	16,516	13,288	16,017	12,823
	42,955	34,937	38,767	31,333

Deferred income on land disposals

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

20 Creditors: amounts falling due after more than one year

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Unsecured loans	137,999	141,014	137,999	141,014
Net finance costs to be amortised over the term of the unsecured loans	228	419	228	419
Deferred income on land disposals	10,662	10,652	-	-
Other payables	140	172	-	-
	149,029	152,257	138,227	141,433

	Consolidated & University	
	2017 £'000	2016 £'000
Analysis of loans:		
Due within one year or on demand	3,052	3,402
Due between one and two years	3,155	3,177
Due between two and five years	11,219	11,951
Due in five years or more	123,625	125,886
	141,051	144,416
Less: Due within one year or on demand	(3,052)	(3,402)
Total loans due after more than one year	137,999	141,014

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 2017, none of this facility had been drawn.

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 2017 was £10.4m (2016: £13.6m). The loan is repayable by quarterly instalments until September 2021. The interest rate on this loan is at a set margin of 1.31% above the EU reference rate for the UK.

Deferred income on land disposals

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

21 Pensions provisions**Consolidated & University**

	Obligation to fund USS deficit £'000	UREPF scheme (surplus)/ deficit £'000	Total £'000
At 1 August 2016	34,653	6,186	40,839
Net charge / (credit) to statement of comprehensive income	22,312	(3,011)	19,301
Contributions paid in year	(24,467)	(4,673)	(29,140)
At 31 July 2017	32,498	(1,498)	31,000

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

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

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

22 Other provisions

	Consolidated		University	
	Earley Gate £'000	Total £'000	Earley Gate £'000	Total £'000
At 1 August 2016	-	-	-	-
Charged to statement of comprehensive income	1,560	1,560	1,560	1,560
At 31 July 2017	1,560	1,560	1,560	1,560

The University has made a provision in respect of an ongoing tax issue regarding a building on the Earley Gate part of its Whiteknights campus.

23 Endowment reserves

	Unrestricted permanent £'000	Restricted permanent £'000	Restricted expendable £'000	2017	2016
				£'000	£'000
Consolidated					
At 1 August					
Capital	2,165	6,177	192,217	200,559	122,173
Accumulated income	487	2,398	263	3,148	2,975
	2,652	8,575	192,480	203,707	125,148
New endowments	-	-	49	49	56
Income	108	316	4,673	5,097	4,192
Expenditure	(47)	(60)	(4,841)	(4,948)	(4,883)
Gain on disposal of investment properties	-	-	1,432	1,432	-
Gain / (loss) on disposal of investments	-	-	4,822	4,822	(57)
Gain on disposal of land held by endowment	-	-	567	567	71,749
Increase in value of investment properties	-	-	3,076	3,076	1,203
Increase in value of investments	213	640	68	921	6,675
Transfers to unrestricted reserves	-	-	(545)	(545)	(376)
At 31 July	2,926	9,471	201,781	214,178	203,707
Represented by:					
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
University					
At 1 August					
Capital	2,165	6,177	1,186	9,528	9,255
Accumulated income	487	2,398	259	3,144	2,969
	2,652	8,575	1,445	12,672	12,224
New endowments	-	-	49	49	56
Income	108	316	57	481	440
Expenditure	(47)	(60)	(48)	(155)	(187)
Increase in value of investments	213	640	118	971	139
At 31 July	2,926	9,471	1,621	14,018	12,672
Represented by:					
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

23 Endowment reserves (continued)**Analysis by asset**

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Land and property	2,054	55	-	-
Investment properties	24,930	25,514	-	-
Investments	76,732	80,453	13,864	12,962
Receivables due in greater than one year	24,691	38,900	-	-
Funds held by the University	85,276	65,250	158	(292)
Other	495	(6,465)	(4)	2
	214,178	203,707	14,018	12,672

24 Restricted reserves

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Restricted funds / donations				
At 1 August	1,624	988	1,193	719
New donations	1,144	1,514	860	1,206
Expenditure	(786)	(921)	(555)	(732)
Transfers from unrestricted reserves	11	43	-	-
At 31 July	1,993	1,624	1,498	1,193

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

25 Net debt

	At 1 August 2016		Movement	At 31 July 2017
	£'000	£'000		
Consolidated				
Cash at bank and on deposit	46,333	(26,011)	20,322	
Current investments	67,452	(4,628)	62,824	
Debt due within one year	(3,402)	350	(3,052)	
Debt due after one year	(141,014)	3,015	(137,999)	
	(30,631)	(27,274)	(57,905)	

26 Capital commitments

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Provision has not been made for the following capital commitments:				
Commitments contracted for	22,079	50,981	22,079	50,981

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

27 Contingent liabilities

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

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

28 Future lease obligations and receivables

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

	Land and buildings £'000	Other £'000	2017 £'000	2016 £'000
Consolidated				
Future minimum lease payments due:				
Not later than 1 year	3,311	229	3,540	3,573
Later than 1 year and not later than 5 years	24,556	336	24,892	24,450
Later than 5 years	35,705	-	35,705	38,900
	63,572	565	64,137	66,923

	Land and buildings £'000	Other £'000	2017 £'000	2016 £'000
University				
Future minimum lease payments due:				
Not later than 1 year	1,412	167	1,579	1,683
Later than 1 year and not later than 5 years	5,435	287	5,722	5,985
Later than 5 years	17,710	-	17,710	18,076
	24,557	454	25,011	25,744

Included in the University and consolidated totals for land and buildings is £24,270,000 in respect of the Enterprise Centre on the Whiteknights campus (2016: £23,868,000). The lease runs until 2036. Also included in the consolidated total is £38,074,000 in respect of the EduCity campus in Malaysia (2016: £40,683,000). Payments are denominated in Malaysian ringgits and the lease runs until 2027.

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

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

	Land and buildings £'000	Other £'000	2017 £'000	2016 £'000
Consolidated				
Future minimum lease payments receivable:				
Not later than 1 year	1,981	-	1,981	5,345
Later than 1 year and not later than 5 years	614	-	614	5,862
Later than 5 years	361	-	361	2,245
	2,956	-	2,956	13,452

	Land and buildings £'000	Other £'000	2017 £'000	2016 £'000
University				
Future minimum lease payments receivable:				
Not later than 1 year	2,422	-	2,422	2,786
Later than 1 year and not later than 5 years	6,102	-	6,102	3,949
Later than 5 years	19,171	-	19,171	1,774
	27,695	-	27,695	8,509

29 Amount disbursed as agent - Consolidated & University

	NCTL Bursary 2017 £'000	NCTL Bursary 2016 £'000
Excess of income over expenditure at 1 August	287	401
Income		
Funding Council grants	2,973	2,199
Expenditure		
Disbursed to students and nursery settings	(2,926)	(2,313)
Excess of income over expenditure at 31 July	334	287

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.

30 Disclosure of related party transactions

Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. Expenditure totalling £2,112 was incurred in respect of Text Matters Limited (2016: £14,520), 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 4 members of Council was £1,410 (2016: £1,840 to 10 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):

	2017 £'000	2016 £'000
Due from RUSU	189	462
The University paid the following grants to RUSU:		
	2017 £'000	2016 £'000
Core block grant	1,250	1,112
Specific grant	11	18
	1,261	1,130

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

31 Subsidiary undertakings

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

Name of company	Country of registration	Principal activity	Status
Henley Business Angels Limited	England & Wales	Business launch support	Limited by guarantee
Henley Business School Limited	England & Wales	Management education	100% owned
Reading Real Estate Foundation	England & Wales	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 2016	Total income	Total expenditure	Other gains and losses	At 31 July 2017
	£'000	£'000	£'000	£'000	£'000
Research Endowment Trust	105,758	3,016	(3,757)	7,965	112,982
National Institute for Research in Dairying Trust	99,911	1,912	(1,287)	787	101,323
Hugh Sinclair Trust	4,978	253	(292)	528	5,467
Beckett International Foundation	5	2	(3)	-	4
Greenlands Trust	16,024	3	(607)	-	15,420

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

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

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

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

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

33 Pension schemes

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Reading Employees' Pension Fund (UREPF) and the University of Reading Pension Scheme (URPS). USS provides benefits based on 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 the Teachers Pension Scheme (TPS) for a small number of staff and to other pension schemes in overseas jurisdictions.

Total pension costs for the year

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
USS contributions	24,466	21,812	24,156	21,540
Movement on USS provision	(2,771)	2,868	(2,771)	2,868
UREPF current service cost	3,144	3,324	3,118	3,292
URPS	1,507	1,240	1,488	1,224
Other pension schemes	251	231	1	15
Total pension costs	26,597	29,475	25,992	28,939

Included in other creditors are unpaid pension contributions of £2,545,000 (2016: £2,451,000).

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.

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 full actuarial valuation 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.

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

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

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

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	N/A	N/A
Pensions inflation (CPI)	2.41%	2.2%

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

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

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

	2017 Years	2016 Years
Males currently aged 65	24.4	24.3
Females currently aged 65	26.6	26.5
Males currently aged 45	26.5	26.4
Females currently aged 45	29.0	28.8

	2017	2016
Scheme assets	£60.0 bn	£49.8 bn
Total scheme liabilities	£77.5 bn	£58.3 bn
FRS 102 total scheme deficit	£17.5 bn	£8.5 bn
FRS 102 total funding level	77%	85%

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.

33 Pension schemes (continued)

University of Reading Employees' Pension Fund (UREPF)

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

The University paid contributions at a rate of 23.8% of pensionable salaries and members were required to contribute 6.25% of pensionable salaries 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 £2.04m as well as a further £600,000 towards the administration costs of the scheme.

From 1 August 2017 University contributions will remain at 23.8% and member contributions will remain at 6.25%. The University will also contribute an additional amount of £2.13m as well as a further £600,000 towards the administration costs of the scheme for the year ended 31 July 2018.

A full actuarial valuation was carried out at 31 July 2014 by a qualified independent actuary. The actuary has reviewed the progress of the scheme since the valuation date in determining the net surplus at 31 July 2017. 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

	2017 £'000	2016 £'000
At 1 August	173,939	151,057
Current service cost	3,144	3,324
Interest expense	4,459	5,642
Benefits paid from plan	(4,851)	(5,170)
Plan participants' contributions	19	29
Premiums paid	(20)	-
Remeasurements - Effect of changes in assumptions	5,617	19,404
Remeasurements - Effect of experience adjustments	(331)	(347)
At 31 July	181,976	173,939

Analysis of movement in plan assets

Fair value at 1 August	167,753	151,994
Interest income	4,355	5,770
Employer contributions	4,673	5,139
Plan participants' contributions	19	29
Benefits paid from plan	(4,851)	(5,170)
Administrative expenses paid from plan assets	(306)	(303)
Premiums paid	(20)	-
Remeasurements - Return on plan assets	11,851	10,294
Fair value at 31 July	183,474	167,753

Amounts recognised in the balance sheet

Defined benefit obligation	(181,976)	(173,939)
Fair value of plan assets	183,474	167,753
Net defined benefit asset / (liability)	1,498	(6,186)

Components of pension cost

Current service cost	3,144	3,324
Interest expense on defined benefit obligation	4,459	5,642
Interest income on plan assets	(4,355)	(5,770)
Administrative expenses paid from plan assets	306	303
Total cost recognised in surplus / (deficit) before tax	3,554	3,499
Remeasurements	(6,565)	8,763
Total (credit) / cost recognised in the statement of total comprehensive income	(3,011)	12,262

33 Pension schemes (continued)

Scheme assets	2017	2016
	£'000	£'000
The weighted-average asset allocation was as follows:		
Cash and cash equivalents	3,000	2,685
Equity instruments	95,289	84,255
Debt instruments	75,756	71,575
Property	7,037	7,256
Other	2,392	1,982
	183,474	167,753

Actual return on plan assets	2017	2016
	£'000	£'000
Interest income	4,355	5,770
Remeasurements - Return on plan assets	11,851	10,294
	16,206	16,064

Experience gains and losses	2017	2016
	£'000	£'000
Remeasurements – Return on plan assets		
Amount	11,851	10,294
Percentage of plan assets	6.5%	6.1%
Remeasurements – Effect of experience adjustments		
Amount	331	347
Percentage of present value of plan liabilities	0.2%	0.2%

Weighted average assumptions used to determine benefit obligations	2017	2016
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%
Assumed life expectancy on retirement at age 65:		
Male member aged 65 (current life expectancy)	22.5	23.0
Male member aged 45 (life expectancy at age 65)	24.5	25.2
Female member aged 65 (current life expectancy)	24.2	25.3
Female member aged 45 (life expectancy at age 65)	26.2	27.5

Weighted average assumptions used to determine cost relating to defined benefit plans	2017	2016
Discount rate	2.60%	3.80%
Rate of salary increases	3.70%	4.25%
Rate of RPI price inflation	2.70%	3.25%
Rate of CPI price inflation	1.80%	2.35%

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

34 Accounting estimates and judgements

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

The financial statements have been prepared on the going concern basis which the Council believes to be appropriate. The University has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The University's financial strategy has a clear focus on sustainability and the University is investing in improving IT infrastructure and implementing new systems 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.

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

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

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

35 Prior year adjustment

During the year an accounting error was identified in relation to the recording of income and capital gains on funds invested by the University including some of its endowed funds. Income received on these funds is automatically reinvested into the funds. It came to light that since 2011 amounts totalling £3.7m have been double counted as both income and investment gains. The position was rectified during the year and this has been treated as a prior year adjustment. No loss of funds actually occurred and this is purely an accounting adjustment.

Effect on net assets

	Consolidated		University	
	31 July 2016 £'000	1 August 2015 £'000	31 July 2016 £'000	1 August 2015 £'000
Net assets reported in previous financial statements	401,022	344,587	188,164	200,552
Correction to non-current investments	(2,638)	(2,112)	(2,638)	(2,112)
Correction to trade and other receivables	(96)	(91)	-	-
Correction to current investments	(966)	(762)	-	-
Net assets restated	397,322	341,622	185,526	198,440

Effect on total reserves

	Consolidated		University	
	31 July 2016 £'000	1 August 2015 £'000	31 July 2016 £'000	1 August 2015 £'000
Total reserves reported in previous financial statements	401,022	344,587	188,164	200,552
Correction to income and expenditure reserve - endowment	(3,169)	(2,540)	(2,107)	(1,687)
Correction to income and expenditure reserve - unrestricted	(531)	(425)	(531)	(425)
Total reserves restated	397,322	341,622	185,526	198,440

Effect on financial performance

	Consolidated	University
	Year ended 31 July 2016 £'000	Year ended 31 July 2016 £'000
Total comprehensive income for the year reported in previous financial statements	56,435	(12,388)
Correction to gain on revaluation of investments	(735)	(526)
Total comprehensive income for the year restated	55,700	(12,914)

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