

Annual Report 2017/18  
and Financial Statements to 31 July 2018

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WE MAKE THE  
EXCEPTIONAL HAPPEN  
BY CHALLENGING  
TRADITIONAL THINKING  
AND DEFYING  
CONVENTIONAL  
BOUNDARIES

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# Chair's Foreword

Welcome to our first integrated Annual Report. I am delighted to be able to present to you this new style of reporting. While financial facts and figures are an important part of the University they only tell a small part of its story. By reporting on a broader set of measures and providing illustrative examples about the contribution made by our students, staff and alumni, coupled with the impact of our outstanding teaching and research, we are presenting a more rounded picture of the University's performance over the last year.



There have undoubtedly been some challenges in 2017/18; both internally (which the Vice-Chancellor outlines within his report on page 9) and externally, most notably with both Brexit and the Post-18 Review commissioned by the Government on the near horizon creating uncertainty within the sector. This is set against a backdrop of increasing global competition to attract the very best staff and students.

Despite these challenges, I am pleased to reflect on another successful year for the University.

Our 'Making the Exceptional Happen' campaign raised over £15 million of philanthropic income during the year, the best fundraising performance in the University's 63 year history. This included a £10 million donation from the Dennis and Mireille Gillings Foundation to create a neuroimaging facility for University scientists. Situated at the Royal Devon and Exeter Hospital, the Mireille Gillings Neuroimaging Centre will accelerate clinical trials for dementia treatments.

We've performed well in a number of influential rankings. We're placed amongst the best in the UK according to the Complete University Guide, with 26 subjects ranked in top-ten positions. In October 2017 the Times Higher Education placed us in the top 100 institutions in the world to study a range of Social Sciences subjects, whilst Science and Humanities were recognised as amongst the world's best in the QS World Subject Rankings. In May, we rose to 35th place in the world, and ninth in Europe, in the CWTS Leiden Ranking. We also saw a rise in the QS World Rankings, published in June, up to 154th place overall, and 109th place for employer reputation. Furthermore, we're recognised as one of the world's most international universities, ranking 48th in the Times Higher Education's table of global 200 international universities.

International activity this year included the launch of a joint PhD degree programme with Tsinghua University, and a renewal of our agreement to collaborate in education and research with the University of South Florida. We have continued to build upon our new partnership with the University of Queensland, Australia, with the development of our joint multi-million pound QUEx Institute.

There continues to be significant investment in our facilities and campuses. This year saw the opening of our pioneering £1.77m Renewable Energy Engineering Facility (REEF) on our Penryn campus.

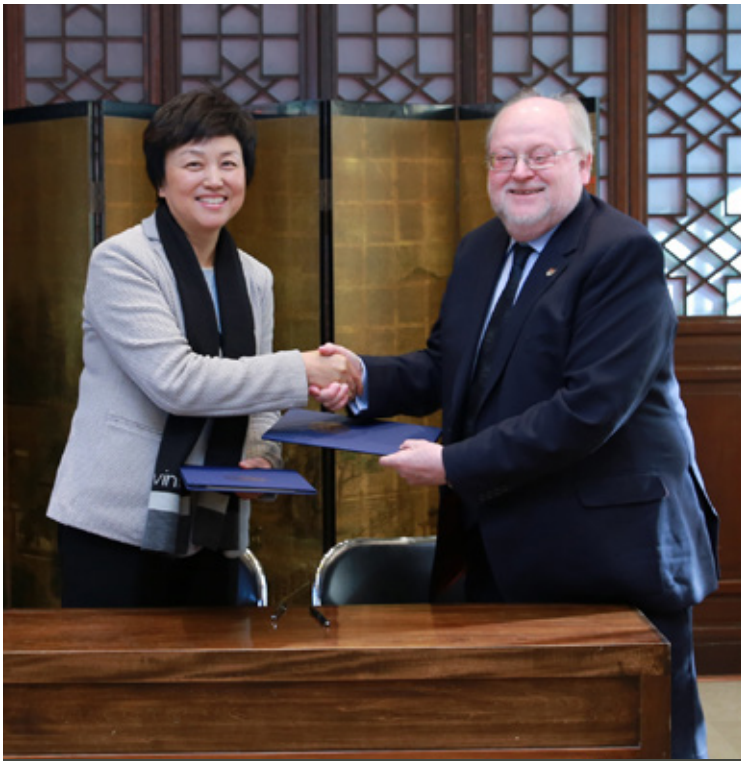
We continue to recruit exceptional staff and our own are also sought after; this year we have said a fond farewell to Professor Nick Talbot FRS, Deputy Vice-Chancellor (Research & Impact) who left to take up the role of Executive Director of the prestigious Sainsbury Laboratory. We welcome Professor Neil Gow FRS who joined us in October 2018 to take on the role of leading our research and impact strategy.

Our diverse community remains at the heart of a prosperous city and region. An analysis of economic impact found that in 2015-16 we injected £1.17 billion into the economy, supporting 11,400 jobs. Our community is also of enormous cultural value, engaging with local residents in Devon and Cornwall with celebrations such as Diwali, Lunar New Year, Bioblitz, Science in the Square and our Community Days.

There is such a huge range of activity taking place at the University and it is always difficult to select just a few highlights and as a graduate myself, I am very proud of the considerable progress that has been made, some of which has been captured in the following pages. Within this report you will also be able to review our financial statements, highlighting our continued financial strength.

As we look to the immediate future we must recognise the challenges facing the sector. We remain concerned by the impact of Brexit on staff, prospective students, and our international research collaborations. We are concerned about the growing cost and sustainability of continuing to provide defined benefit pensions and we await the Augar report on Post-18 education and the Government's response to it. The Vice-Chancellor, his executive team and all our staff are working hard to ensure that whatever the outcome, Exeter is well-placed to adapt to these changes, to continue to flourish and make a valuable contribution to our region and the world.

**Sarah Turvill**  
Chair of Council and Pro-Chancellor



With Tsinghua University we launched a jointly-awarded PhD degree programme in climate and environmental sciences



Meeting the community at the Royal Cornwall Show



Luke Oliver (Drama with Spanish) was a volunteer at the Commonwealth Youth Forum



Our Formula Student team achieved their best ever competition finish at Silverstone

# YEAR IN



Celebrating Lunar New Year



Our Halloween video was viewed over 65,000 times



4,500 students celebrated success at our summer graduation



Our snowy Streatham campus in March



4,500 students took part in the Cornwall School Games in June - sponsored by the University



We opened our Streatham campus to the community in March



The new 'Exeter stone' on our Cornwall campus

# PICTURES



Students helping to beach clean at the Falmouth Spring Festival



Our Renewable Energy Engineering Facility (REEF) was opened in Cornwall



We pledged to become a Flagship Employer of the Plastic Free Exeter campaign



The Rt Hon Sajid Javid MP visited the Cornwall campus. The Exeter graduate went on to become Home Secretary

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## Our Mission

Our Mission is to make the exceptional happen by challenging traditional thinking and defying conventional boundaries. Our Strategy establishes how we will work towards achieving this, laying the foundations for our future success as a Global 100 research leader.

## Our Vision

Our driving ambition is to be a Global 100 research leader and create graduates of distinction, within a community of the most talented and creative minds.

## Our Values

We have a core set of values, which are central to everything we do. These values are important to us because they describe our defining characteristics and what makes Exeter different. They are shared by our students, colleagues, graduates, stakeholders and supporters, and guide us in our day-to-day decisions:

**Ambition:** Ambition has driven us to where we are today and will help us to sustain a position within the Global 100

**Collaboration:** We work at our best in active collaboration between students, colleagues and external partners

**Challenge:** We relish challenge and reach for the previously unachievable

**Community:** We support and inspire each other to be the best that we can be

**Impact:** Making the exceptional happen requires disruptive thinking, fresh ways of working and solutions with impact

**Rigour:** We strive to reach the highest standards of scholarships and service

## Our Strategy

### Making the Exceptional Happen

In 2016 we launched our new Strategy, which sets out how we will achieve our vision and mission.

Our strategy is built around five goals:

1

**Building research power to tackle global challenges:**

We will generate research power and build on our already strong teams so that they can meet the challenges facing our world.

2

**Delivering an internationally excellent education:**

We will provide an education that makes our talented students stand out, giving them the ability to make a difference in the world.

3

**Creating an impact regionally, national and globally:**

We play an important role locally and globally. We realise that engaging with communities strengthens us and increases the benefits to society.

4

**Supporting our people to make the exceptional happen:**

We must attract, develop and retain outstanding individuals, fostering a diverse community which is unified by our values.

5

**Making the most of our resources:**

We must manage our resources properly, investing so that our infrastructure is ready for the next generation, whilst ensuring we are environmentally responsible.

# Our Mission, Vision, Values and Strategy







## How we create value

We serve a variety of stakeholders – staff, students, alumni, funders, investors and regulators, our regional, national and global partners as well as employers, government and the taxpayer. This diverse group is reflected in the breadth of activity undertaken by the University.

We transform lives and, through our *Making the Exceptional Happen* strategy, we aim to have a real and lasting impact on the world around us and challenge our talented students to achieve more than they ever thought possible.

At the heart of our value creation processes are our strategic goals – building research power to tackle global challenges, delivering an internationally excellent education, creating impact regionally, nationally and globally, supporting our people and making the most of our resources.

We create value through our people, the knowledge they create and transmit, the numerous and vital relationships, partnerships and networks they develop, all supported by our physical and financial resources. This is reflected in a range of outputs, from producing graduates of distinction to contributing to solving global challenges.

### OUR VALUE MODEL



## Value for money

There's a clear relationship between how we create value and the value for money we offer our numerous stakeholders. Value for money is about the relationship between the quantity and quality of our outputs in relation to the cost and characteristics of our inputs. It is also about transparently explaining how we add value and how we deploy our resources. Our strong and consistent performance in the National Student Survey (NSS), in graduate destinations and recent data relating to graduate earnings, demonstrates the value we provide to our students in return for their considerable investment in their own education. The quality and impact of our research, reflected in the 2014 Research Excellence Framework (and its predecessors), substantiated in research league tables

such as being ranked 9th in Europe for research citations, demonstrates the return on investment in our research. The University contributes £1.17 billion to the economy, supporting over 11,400 jobs, providing an indication of the value we return to the UK.

This Annual Report describes how we have developed all of our key resources – people, knowledge, relationships, physical and financial – over the last year, setting out our performance for the year ended 31 July 2018 in each of these areas. We hope this will give you a good understanding of what we do and how we have performed, enabling you to better judge the value for money we provide.

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# Vice-Chancellor's Introduction

The University of Exeter is a truly unique and special place. It combines globally renowned research with a genuine impact on society, inspiring research-led teaching and learning, with stunning campuses in one of the most beautiful regions in the world. This is combined with our passionate students, staff, graduates and other supporters, to make Exeter, Exeter.



It isn't always easy to capture and measure an organisation's unique character and I welcome this new integrated Annual Report which paints a more complete picture of who we are. The reports on the following pages include our excellent teaching & learning, world-class research and the strategic relationships and collaborations we have forged across the globe. They also review our technology, learning spaces, campuses and infrastructure, as well as the details of our financial health that you would expect to find in an annual report. Above all, they talk about our people – students, staff and alumni who are the very heart of our University.

2017/18 has been one of the most challenging years since I became Vice-Chancellor in 2002. We were one of 64 institutions where members of the University and College Union (UCU) voted in support of strike action over proposed changes to the Universities Superannuation Scheme, a national pension scheme. The strikes took place on a number of days in February and March. As a result, some of our students occupied a part of our Northcote House building on the Streatham campus in support of striking staff. We were pleased that the Union voted to accept a new proposal by Universities UK (UUK) aimed at resolving the dispute in April. The new proposal saw the creation of a jointly agreed panel of actuarial and academic experts to review the basis of, and agree key principles for, the valuation of USS.

In the midst of this came some exceptionally cold and snowy weather and for safety reasons we took the highly unusual decision to close our campuses on not one, but two occasions. I want to pay tribute to all the staff who worked hard during these severe weather conditions to maintain essential services and communications for our students, particularly those living on campuses.

In March we were horrified by revelations of some completely unacceptable racist, sexist and bigoted behaviour by some members of the Bracton Law Society. Consequently, we immediately convened an investigation which led to disciplinary hearings involving a number of students. The outcomes included significant sanctions and show our absolute commitment to take serious action against those whose behaviour is fundamentally at odds with the commitment to inclusivity, tolerance and respect that lies at the heart of everything we stand for.

This incident deeply affected both students and staff, and I was very proud of those students who organised a positive rally in the days after this story was publicly reported, as well as all the staff and students who have spoken out and come forward to share their own experiences. Following this incident, as a first step, we established a new Commission overseen by the Provost, Professor Janice Kay. The Commission has a broad remit to recommend and implement new approaches, initiatives, programmes and policies which will ensure we work continually towards an open, diverse and safe University community for all our students, staff and visitors, under the banner of We Are All Exeter. By the end of the last academic year the first initiative, a new Exeter Speaks Out website was launched, bringing relevant information together into one place and encompassing a new anonymous reporting tool.

Amid these challenges have been considerable achievements in 2017/18, some of which are detailed in the following pages. Our annual highlight is, of course, graduation and this year the College of Medicine and Health celebrated a major milestone when its first medical students graduated.

All our finalists were asked to complete the National Student Survey (NSS) 2018. The results showed that students rate our teaching quality and learning experience amongst the highest in the Russell Group universities. We were ranked 2nd out of the 24 leading UK research-led institutions in this survey. However, we are never complacent and I – and colleagues – read every comment in the survey to see how we can further improve the student experience.

As we head into 2018/19 there are challenges on the horizon, most notably the impact of Brexit. It is something that the senior managers and I, are doing all we can to prepare for. Whatever the future holds, I believe ours is a strong community which will work together to continue to ensure the success of the University of Exeter in 2018/19 and beyond.

**Professor Sir Steve Smith**  
Vice-Chancellor and Chief Executive



# How we performed:

## Knowledge - teaching and learning

Excellence in teaching and learning and delivering the very best outcomes for our students are at the heart of the University. Central to this is a strong partnership with our students and a culture of student support and research-inspired learning.

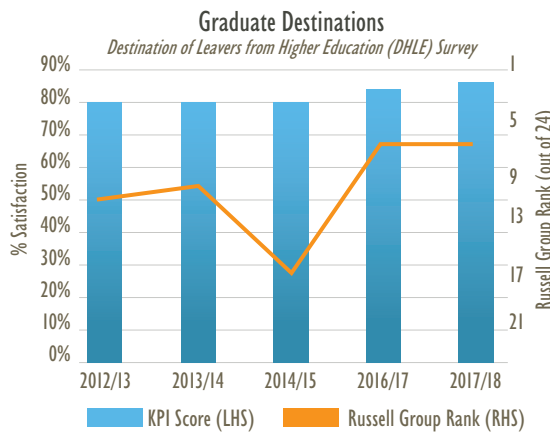
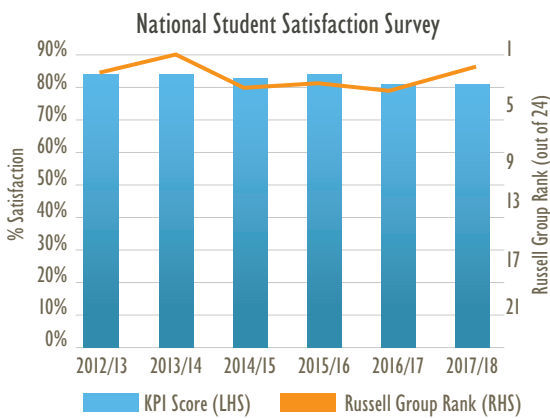
This commitment can be seen through our results; a Gold rating in the first Teaching Excellence Framework (TEF) in 2017 and National Student Survey (NSS) overall satisfaction scores in excess of 87% for the past decade; continuation rates at 97.5% and an 18.7 percentage point increase in graduate level destinations since 2007/08.

According to the Higher Education Statistics Agency's Destination of Leavers from Higher Education (DLHE) survey released in 2018, Exeter was Number 1 Business School in the UK for graduate outcomes with 94.4% of

graduates in graduate employment or postgraduate study - based on Economics, Management Studies, Business Studies, Accounting and Finance<sup>1</sup>. DLHE also shows that overall 85.5% of Exeter graduates are either in graduate level employment or undertaking graduate level study within six months. This ranks the University of Exeter 12th overall, and 7th in the Russell Group for graduate outcomes.

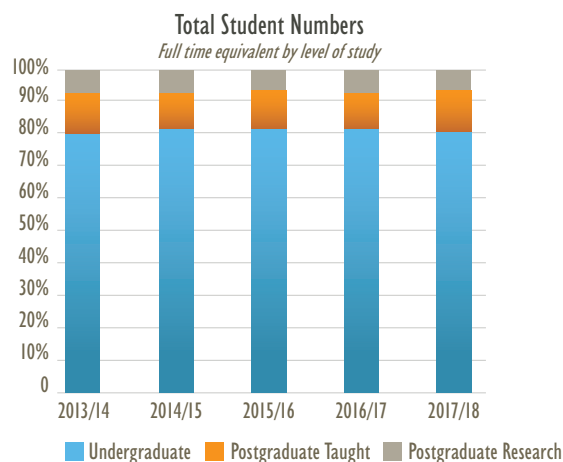
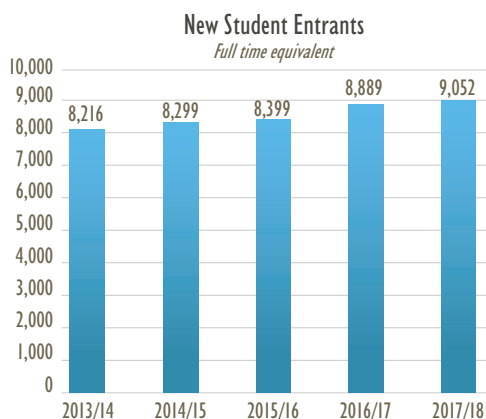
In 2017 29.1% of all finalists progressed to further study, and of these 97.5% went on to graduate-level study.

<sup>1</sup> Based on Economics, Management Studies, Business Studies, Accounting and Finance HESA DLHE data 2016/17 analysis. Source: HESA DLHE Record 2016/17. Copyright Higher Education Statistics Agency Limited. Neither the Higher Education Statistics Agency Limited nor HESA Services Limited can accept responsibility for any inferences or conclusions derived by third parties from data or other information supplied by HESA Services.



The University admitted 9,052 new students in 2017 covering 37 disciplines in six colleges: Humanities, Engineering, Mathematics and Physical Sciences, Life and Environmental Sciences, Social Sciences and International Studies, the Business School and the College of Medicine

and Health. While we fell a little short of our teaching income budget in 2017/18 the outlook for 2018/19 looks more positive and we anticipate we will achieve the 2018/19 income budget.



At Exeter we believe that we all learn together, so working in partnership with students to co-create what and how they learn delivers the best experiences and outcomes. Our students are inspired and challenged by the expertise of our academic staff with whom they learn, their world-leading research and their scholarly engagement with pedagogy. We greatly value our relationship with our two students' unions, the Students' Guild in Exeter and FXU in Cornwall, both of which are integrated into our annual planning process and major workstreams (such as the Provost Commission). Our students, and their representatives in the Guild and FXU, seize the opportunities available at Exeter in order to become sought-after graduates and leaders.

Student co-creation is a feature of life throughout the University and in every discipline we work together with the student unions to ensure that academic representation is student-led. In addition to sabbatical officers, students elect 570 representatives including 58 Subject Chairs and six College Officers. These student representatives chaired 147 Student-Staff Liaison Committee meetings during 2017/18. Exeter has pioneered the Students As Change Agents (SACA) concept and our SACA Programme empowers students to develop and lead research projects to effect change in their programmes and at the institution. Furthermore, our innovative Library Champions initiative involves students in decision-making about the library and includes a discretionary budget to spend on resources.

In order to foster these partnerships with our students, we have designed our ways of working to increase interaction between students and senior staff. For example, the Students' Guild organised a Question Time, style event in which the Vice-Chancellor and members of his executive group fielded questions from a student audience. We also have a thriving, student-led Academic Executive where the Deputy Vice-Chancellor (Education) and other senior education leaders receive direct feedback from student representatives and seek solutions with student as peers.

### **Innovation**

Since 2016, we have been pioneering the implementation of degree apprenticeships, in partnership with employers including IBM, BT, the Met Office, Laing O'Rourke, WSP, JP Morgan and the NHS. These innovative programmes use blended delivery models, challenging traditional ways of delivering education. In 2018/19 we will have around 260 degree apprentices across three academic Colleges, including Digital and Technology Solutions, Civil Engineering, Chartered Management and Senior Leadership.

We recruited more than 100 new online students last year, delivering our exceptional student experience to learners across all major continents. All are working students, have busy time schedules and are often living in different time zones. Courses have been delivered in a flexible way to complement student work and family commitments with learner feedback consistently praising the range of activities and content presented.

The Exeter Education Incubator programme invests in pedagogic innovation, by supporting academics to explore new ideas and to work in partnership with students, to develop ground-breaking new approaches to teaching and learning. In 2018/19 we will be developing a new Education Strategy which will seek to embrace the opportunities of digitally-enhanced education, and ensure success for our diverse student community both within their studies and as global 21st-century citizens.

All taught modules must have a virtual learning presence and in 2017/18, 6,078 modules were delivered, making more than 231,018 curriculum-related resources available. Our virtual learning platform is also mobile device responsive and integrated into the iExeter app. Lectures are automatically recorded by our RECAP system and are accessible through our virtual learning platform. This has resulted in 354,216 hours of lecture recordings available to be viewed by students. Through our partnership with FutureLearn over the past four years, a number of Massive Open Online Courses (MOOCs) have been offered, and in the past 12 months we have seen our 100,000th learner engage with one of our MOOCs.

### **Student Outcomes**

We support students' career planning through our well-established, award winning employability programme. 'My Career Zone' and 'MCZ Digital' provide online information, elearning and support whilst at the University and for the first three years following graduation. eXfactor is a day-long training programme undertaken by all first years, encouraging them to begin their career planning. The Exeter Award gives formal recognition to extra-curricular activities and helps support skills development; 6,128 students were enrolled in 2017/18. The Leaders' Award is designed to develop tomorrow's leaders through a range of bespoke workshops and presentations from experts in their field; 45 students completed it in 2017/18. The proportion of students searching for graduate jobs before their final year has risen from 28% in 2010 to 82% in 2017.

CASE STUDY



### Students As Change Agents (SACA)

This innovative programme supports students to develop and lead research projects designed to effect change in their programmes and explore the impact of their learning. The several hundred SACA projects which have taken place over the past decade have included: student-run careers and module fairs; a buddy scheme for year-abroad students; resources for mental health; support for international students; and improved delivery of seminar teaching.

CASE STUDY



### Research Showcase

Our Research Showcase week in 2018 was our most successful yet, providing multiple ways for postgraduate research students to present their work to a wider audience. It included holding a poster competition and 'three-minute thesis' presentations. The winner of our 'tweet your thesis' competition was Harriet Goodrich, who went on to represent the University in a national competition.

CASE STUDY



### The Teaching Awards

The Teaching Awards, run by our students' unions, recognise teaching innovation and excellence, as well as examples of exceptional support offered by academic and professional services staff. In 2018 more than a thousand nominations were submitted.

CASE STUDY



### Grand Challenges

Grand Challenges is an innovative project week, in which students work in interdisciplinary groups with others to design innovative solutions to real world challenges. Top academics and invited speakers share their views and help students apply their skills and knowledge to a real-life problem. It helps students to further develop transferable skills including team work, presentation skills and project planning. In 2018 the challenges included climate change, mental health, ocean plastic and global security. More than 560 students signed up for the challenge in 2018.



### National Teaching Fellowships

We were delighted that two academics won National Teaching Fellowships: Dr Andrew Pye (Biosciences) and Dr Greta Bosch (Law).

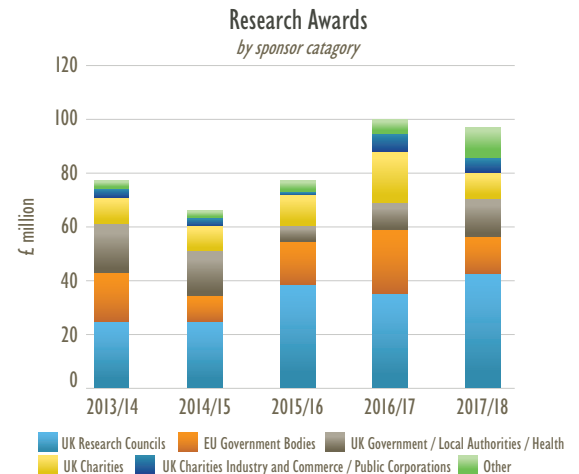
## How we performed:

# Knowledge – research and impact

Creating and disseminating knowledge that has an impact on society; addressing the many challenges facing humankind is central to our mission.

We are one of the UK's fastest growing and fastest rising research universities, operating in a highly competitive, global field, building on interdisciplinarity and carrying out concept-changing, opinion-forming research.

This year new research awards, the order book for new multi-year research projects, totalled £96.3m, which will be converted into income over the next two to three years as projects get underway and move through to their completion.



### Research and Impact Strategy

The last year has seen major strategic developments, strengthening our research infrastructure, providing academics with support and tools for cutting-edge research. This included investment for specialist library and digital collections.

#### Global Systems Institute (GSI)

The GSI was created to solve global challenges, and help create a flourishing future world together, through transformative research and education.

In 2018 GSI was formally established and made significant progress across a number of areas;

- New senior lecturers in Geography have been appointed bringing expertise in energy systems. GSI also hosted a visiting fellow, Dr Paul Lussier from Yale, who has informed several activities including the creation of networks of change around transformative projects.
- In July 2018 a two-day launch event was held, attracting more than 160 delegates - more than 30 of whom were from our external partners.
- New education programmes are in development, including a new Masters programme.
- Establishment and growth of major partnerships including new joint appointments with the Met Office, potential PGT partners such as the Eden Project and a range of research project partners.

Research England approved the University's three-year Development and Global Challenges Research Fund Strategy, leading to a confirmed budget allocation for 2018/19 to support research aimed at working with developing countries, addressing the UN's sustainability goals.

The Global Systems Institute (GSI) was launched and the Institute for Data Sciences and Artificial Intelligence (IDSAI) developed in conjunction with our membership of the Alan Turing Institute, strengthening our academic community in key strategic and interdisciplinary areas and complementing our existing Living Systems Institute and the Environment and Sustainability Institute.

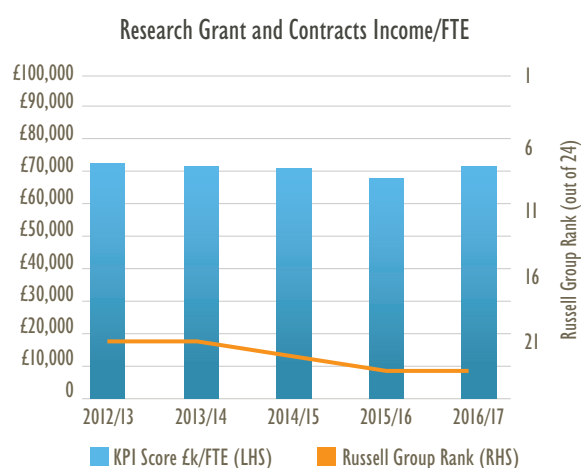
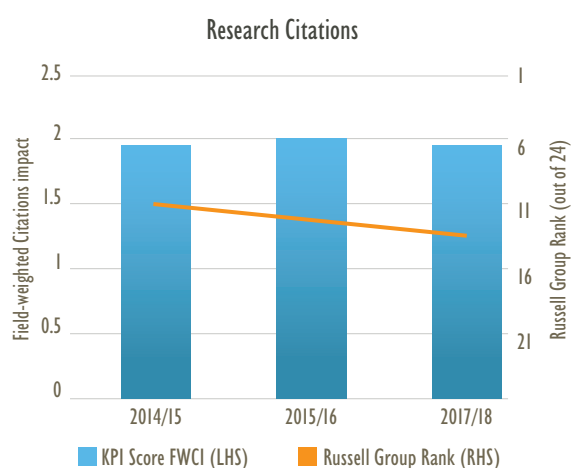
#### Wellcome Centre for Cultures and Environments of Health (WCCEH)

Central to the Wellcome Trust Strategy to support and advance world class research and high impact translation, the WCCEH was supported by a £4.1m grant. Formally launched in February 2018, the Centre has already made significant progress including:

- Recruitment of new PhD students and post-doctoral fellows across a diverse range of projects from end-of-life care, post genomic environments and understandings of non-communicable diseases in West Africa.
- Funding of three large Beacon Projects on transforming care, evidence, and engaged research, as well as five Seed Awards led by collaborators both inside and outside the University.
- A major seminar series with the World Health Organisation.
- Collaboration with local and international external partners, including Libraries UnLtd, Exeter City and Devon County Councils, CoLab, the Department for Environment, Food and Rural Affairs and World Health Organisation collaborative projects across Australia, Czech Republic, Belarus and Ukraine.

## Research Excellence

In the Research Excellence Framework 2014 exercise, 98% of the University's research was rated as of internationally excellent quality. Exeter is among the smallest in the Russell Group, (the UK's most research-intensive institutions), but punches above its weight in terms of research quality, with citations ranking 12th highest in the group.



We also performed strongly in terms of our outputs, maintaining our position at 35th in the world in the Leiden table (measured by the percentage of publications in the top 10 per cent most cited).

Research income per staff FTE has remained stubbornly flat over the last five years, reflecting the highly competitive funding environment we operate in. On this measure we are ranked 22nd (out of 24) in the Russell Group, reflecting the relative size of our science and medicine base in comparison to the large civic and London institutions in the peer group.

We continue to benefit from Research Council funding for doctoral training with 12 partnerships across the full range of funders, along with two additional programmes funded by the Alzheimer's Society. 2018/19 saw the first intake into the South West and Wales Arts and Humanities Research Council Doctoral Training Partnership, a successful bid for the Natural Environment Research Council FRESH Centre for Doctoral Training in Freshwater Biosciences and Sustainability and re-bid for the Economic and Social Research Council South West Doctoral Training

Partnership. The year has also seen the first intake for the PhD programmes under our partnership with the University of Queensland.

Despite fewer applications being received, acceptances for post graduate research programmes in 2018 are almost on par with 2017 levels.

Our annual Postgraduate Research Experience Survey (PRES), measuring the satisfaction of our post graduate research students, saw an increase in overall satisfaction from 82.9% in 2017 to 84% in 2018.

This year's financial results confirm our research performance with research income of £76.1m, up 8.3% on 2016/17 and with an improved cost recovery rate at 27.8% of income (27.1% in 2016/17).



## CASE STUDY



### Reducing microplastic pollution through policy-changing research

A team of University researchers was awarded the Guardian University Award in the Research Impact category in 2018. Led by Professor Tamara Galloway, the team researched the global impact of micro and nanoplastics – small plastic particles less than 1 mm in length – which are increasingly contaminating the natural environment. Professor Galloway gave evidence to Parliament that helped bring about the ban on microplastics in cosmetics and personal care products which came into force in January 2018. The team found that these particles are permeating the food chain of all creatures, including humans. The risks to health posed by uncontrolled disposal of waste plastics has been recognised not only by the United Nations environment programme, but is also one of the G7 summit strategic development goals.

## CASE STUDY



### Changing police reporting systems on the use of force

Dr Abi Dymond's research on police reporting of use of force in England and Wales contributed directly to a new national use of force reporting system, introduced in April 2017. Abi was awarded the Economic & Social Research Council's 2018 Celebrating Impact Prize for Outstanding Early Career Impact. All 43 police forces in England and Wales now have a single, standardised form to report in detail every use of 'less-lethal' force, including tasers, batons, irritant sprays and restraint.

## CASE STUDY



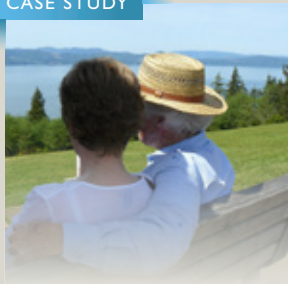
Photo: Peter Kennedy

### Asian hornet nests found by radio-tracking

Electronic radio tags can now be used to track invasive Asian hornets and stop them colonising the UK and killing honeybees. Scientists from the University attached tiny tags to Asian hornets, then used a tracking device to follow them to their nests; the first time this has been achieved. Radio tags have now been used to find and destroy a nest of Asian hornets on the UK mainland.

#### CASE STUDY

#### CASE STUDY



### Ten critical questions can help couples thrive

Asking ten “critical” questions before embarking on a serious relationship can help couples thrive, according to a study backed by the prominent divorce lawyer Baroness Fiona Shackleton. Long-term relationships last when they are built on friendship, respect, realistic expectations, shared interests and humour, according to the Exeter research. Evidence from couples, as well as family lawyers, mediators and judges helped identify the ten key aspects of a relationship which other couples can use to reflect on to see if they are likely to thrive and stand the test of time. Continuing to ask the ten critical questions can also help couples build their relationship.



### Genes could protect against Type 2 diabetes, new study finds

Scientists in Exeter and London identified seven new genetic variants that could lower a person's risk of developing Type 2 diabetes. The research studied 451,000 people involved in the UK Biobank to find variations in certain genes that were linked to levels of body fat. The findings were then compared with data from existing studies to narrow down the results to see if genetic changes were linked to high levels of body fat, but with the characteristics of a 'healthy' body.

Previous studies have linked variations in genes associated with obesity to a lower risk of Type 2 diabetes. This study went a step further, identifying new genetic variants and building understanding around the underlying reasons for this reduced risk

#### CASE STUDY

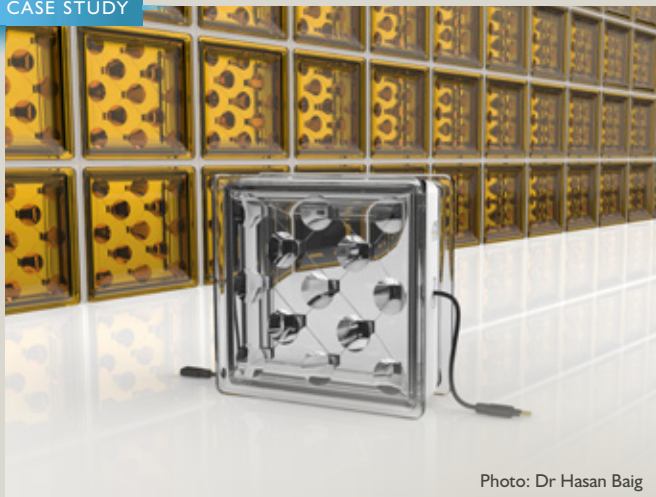


Photo: Dr Hasan Baig

### Buildings to generate their own power with innovative glass blocks

Buildings could soon be able to convert the sun's energy into electricity without the need for solar panels, thanks to innovative new technology. Renewable Energy experts from the University are developing a pioneering new technique that could accelerate the widespread introduction of net-zero energy buildings through the latest Building Integrated Photovoltaics (BIPV).

These products, similar to the solar tile created by Tesla, can become a part of a building's architecture to generate electricity. The team have created an innovative glass block, which can be incorporated into the fabric of a building and is designed to collect solar energy and convert it to electricity.

## CASE STUDY

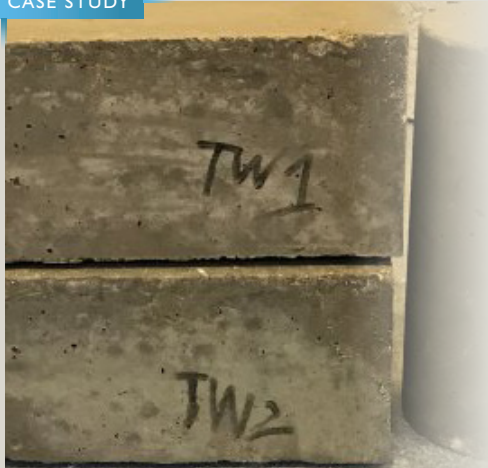


Photo: Dimitar Dimov

### Scientists create innovative new 'green' concrete using graphene

A new greener, stronger and more durable concrete made using the wonder-material graphene could revolutionise the construction industry. Experts from the University have developed a pioneering new technique that uses nanoengineering technology to incorporate graphene into traditional concrete production. The new composite material, which is more than twice as strong and four times more water resistant than existing concretes, can be used directly by the construction industry on building sites. All of the concrete samples are tested according to British and European standards for construction. Crucially, the new graphene-reinforced concrete material also drastically reduced the carbon footprint of concrete production methods.

## CASE STUDY



### Nine out of 10 people worldwide breathe polluted air

New data released in May by the World Health Organization (WHO) revealed that air pollution levels are dangerously high in many parts of the world. Most significantly, updated estimates revealed an alarming toll of seven million deaths every year can be associated with exposure to outdoor and household air pollution. Professor Gavin Shaddick led the international team that produced the new estimates of global air quality.

## CASE STUDY



### Forgotten Lancashire poems written during misery of cotton famine found

Hundreds of moving poems written by desperate Lancashire cotton workers facing hunger and homelessness because of the American Civil War have been uncovered by experts. The conflict stopped cotton from reaching the North West, leaving people without work and facing poverty. The writings are a rare example of working class poetry of the era, and therefore were only published in local newspapers and through letters between 1861 and 1865. Experts from the University have been working to find letters and poems, most of which haven't been seen or read for 150 years. They have found 300 poems so far through local archives, and are confident there are as many again still to be found.

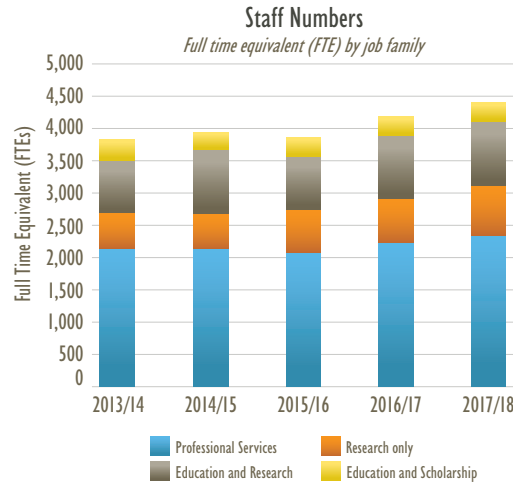


### Athena Swan

Athena SWAN is a nationally recognised charter award that encourages universities to work towards gender equality. We submitted our institutional Athena SWAN Silver application during 2017/18 and were delighted to learn that this had been successful in November 2018. All of our disciplines within the College of Engineering, Mathematics and Physical Sciences, the College of Life and Environmental Sciences and the College of Medicine and Health hold Athena SWAN awards.

# How we performed:

## People



### Our People

We are fortunate to have a community of passionate and dedicated students, staff and graduates. Our people are fundamental to our success and we continue to work hard to create a diverse and inclusive community.

*Attract, Perform, Retain - Our People Strategy 2016-2021* aims to help everyone fulfil their potential, rewarding them fairly and providing a positive working environment in which people can thrive and enjoy their work. We aim

to provide opportunities for those looking to build their careers, but also recognise that staff have lives outside the University and so offer flexible working to help colleagues achieve a work/life balance.

The University employs more than 4,670 full time equivalent staff. In 2017/18 the number of academics and research staff grew by 9%, reflecting continued investment in front-line teaching and research staff and the recruitment of exceptional research leaders to our newly opened Living Systems Institute.

### Career Path developments

In 2017/18 we launched our ePDR system, enabling colleagues to record their performance and development conversations online; encouraging discussions to continue throughout the year. Our 'Exeter Academic' career progression programme won the Universities Human Resources Award for Learning and Organisational Development in 2017, for its work giving clear career development opportunities for academics. We are building our professional development framework for Professional Services colleagues and currently have 42 staff apprentices spread across the University at all levels.

We developed our coaching programme during 2017/18, aiming to help individuals unlock their potential and develop their skills.

### The Provost Commission

Following the incident of unacceptable racist, sexist and bigoted behaviour by a small number of students within the Bracton Law Society, our Provost, Professor Janice Kay, set up a new commission aiming to eradicate racism and all forms of bigotry, harassment, and discrimination from our campuses.

The first initiative launched a new online hub to bring together information on support and advice available for students and staff about bullying, harassment and discrimination, along with a new anonymous reporting tool to address underreporting of incidents, so that we can gain a clearer picture of this issue. *Speak Out Guardians* were also appointed to help support the University to be an open and transparent place to work and study.

## CASE STUDY



### Gender equality

In March 2018 we published our first gender pay gap report showing an institutional level gender pay gap of 17.2% (median). The report set out the actions we are taking to ensure equal opportunities and increase the number of women in senior roles. Our gender equality actions have resulted in the proportion of female professors increasing to 27% (above the national average) but we recognise there is much more to do.

As an employer that is committed to supporting staff with caring responsibilities through a good work/life balance we have introduced a new maternity leave policy enabling staff to qualify for 26 weeks full pay, from the first day of their employment. Paternity leave has also been extended to six weeks full pay, creating one of the most generous schemes in the sector.

### Stonewall Success

The University saw a significant rise in the 2018 Stonewall index survey, to 136<sup>th</sup> nationally (up from 268<sup>th</sup> place in 2017.)

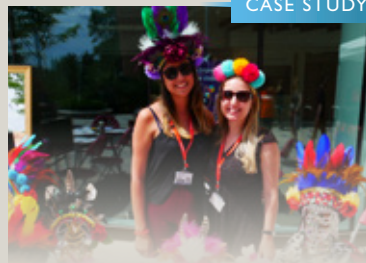
## CASE STUDY



### International Women's Day

We celebrated International Women's Day (IWD) on 8 March with a series of events including guest speaker Laura Penhaul, record-breaking rower, and an online gallery and videos showcasing some of our talented women. This year we also launched the Parents' and Carers' Network.

## CASE STUDY



## CASE STUDY

### Staff Festival

Each year we celebrate the contribution of all of our staff with an annual Staff Festival. Focusing on themes such as improving awareness of health and wellbeing, showcasing academic research and building community and networks, the 2018 Festival also includes a Bee Walk around campus, health checks, swimming and a team murder mystery!



### Professional Services Recognition Awards

For the seventh consecutive year our Professional Services Recognition Awards recognised the vital contribution professional services staff make in delivering the best staff and student experience. Nine awards reflect staff who are exemplars of our values, show innovation and contribute to equality and diversity. The Permanent and Temporary Resourcing Team won the Roddy Ross Award for Innovation.

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## How we performed:

# Relationships

Our work with partners continues to grow substantially and this has been a record-breaking year for research and education collaborations with business and with philanthropic partners. Overall our research and education income from partnerships with business reached £33.4m, we developed our biggest ever degree apprenticeship programme and our philanthropy generated gifts and commitments of £15m, the best performance in the University's history.

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### Business and government partnerships

The total value of partnership proposals more than doubled in 2017/18, leading to awards of £49.5m. We have increased the range of business and government Research and Development partners and increased project award value by 25% to c£24.3m including £6.3m of industry research. We have boosted our regional innovation programmes by £5.2m via European Structural Investment Funds; grown our Science Park innovation programmes through SETsquared, which was again voted the world's best university business incubator; driven consultancy income to £1m; achieved total income from licences and spin out exits of £590k; our spin out company portfolio has trebled in value to £44m; and degree apprenticeships have generated £1.2m of income. Exeter was ranked top in the South West for the number of Innovate UK Knowledge Transfer Partnership awards.

An Exeter proposal to Wave 3 of the Industrial Strategy to digitise the marine environment leading to more efficient ports and more use of autonomous vessels worth more than £60m was one of only 18 shortlisted for development out of 252 submissions.

Our contribution to the economy has been estimated at £1.17bn, with £662m benefiting Devon and £73m in Cornwall. Our activity supports over 11,400 jobs in the UK.

We work closely with a range of corporate partners, including: Airbus, Airmic, Amicus Therapeutics, Applegate Marketplace, Astra Zeneca, Atkins, Babcock, BBC, BASF, Beckley Foundation, Boeing, Britvic, CanopyHealth, Caparo Industries, Celgene, Celltrion, Cyclops, Dashboard, Dow Agrosiences, DuPont, Dyson, EDF, Eugene O'Neill Performing Arts Centre, Etex Roofing, Exeter Chiefs, the Football Association, the Forestry Commission, Fujitsu, GSK, Historic England, Hitachi, Huawei, Huntington Museum (USA), IBM, International Red Cross Committee Archive (Switzerland), Invista, JP Morgan, Leonardo, LivaNova, Mars, MiniBems, M-Subs, Novartis, NovoNordisk, L'Oreal, ONS, Museum of Kolkata, Permian Capital, Plessey, Pukka, Pulcea, Qinetiq, Quattro, Quorn, Renishaw, Rentokil, Rezcom, Rolls Royce, Royal Victoria Museum (India), Sagetech, Samsung, SC Group, Sigma, South West Water, Sport England, Shell, Sutton Seeds, Synexus, Syngenta, Teva, Thales, UCB Pharma, UK Space Agency, We The Curious and WSP.

### CASE STUDY

#### Degree Apprenticeships lift off

*"More than ever we think that the University of Exeter programme is not only the best in the UK, but will be the best for BT's Research and Innovation apprentices."*

**Matt Capp; Head of Technology Strategy; BT**

Exeter is proud to be one of the top universities offering Degree Apprenticeships, which combine university study with paid work in a professional role. We built on our initial portfolio of degree apprenticeship programmes and income has increased to £1.3m. Our reputation, combined with our flexible delivery model is attracting interest from companies across the country. We are currently working with IBM, BT, Bank of England, Airbus, Met Office and others. Rolls-Royce is one of the companies joining the programme from 2018/19 onwards. For example, IBM started with two apprentices in our very first Digital and Technology Solutions (DTS) intake, increased to seven apprentices in 2017-18 and currently has 19 apprentices lined up for 2018/19.

*"The degree apprenticeship is a fantastic opportunity to combine academic and workplace learning."*

**Charlotte Fisher-Morecroft; Degree Apprenticeships Scheme Lead; IBM**

A new suite of programmes was developed in the Business School and this has led to a multi-million framework agreement with JP Morgan to provide degree apprenticeships in two of our Colleges.

### Student Placements – Pathway to success

We deliver student placements with businesses through our Professional Pathways programme which expanded from three to ten pathways, placing 190 students in: Marketing, Digital Innovation, Arts, Culture and Heritage, International Trade, Sports and Health, Politics Government and the Public Sector, Charity and Development, Accounting and Primary Education. 170 students have completed the Global Leaders programme working with overseas social enterprises, NGOs and for-profit organisations. 30 more will also have completed the International Event Management pathway in Geneva.

#### CASE STUDY

Deborah Flint, Managing Director of Cinderhill Farms, provided an internship as part of this year's **Pathways to International Trade** programme delivered in partnership with Business West and the Department for International Trade. Deborah's intern completed a week-long research project specifically focused on developing an export plan targeting the Netherlands market.

Deborah commented: *"Our intern brought fresh and enthusiastic new eyes to our project, was well briefed before joining us, and in the short space of one week came back to us with useful research that will help shape and inform our forward planning. I would also say that their work saved me several days of research for which I am very grateful."*

### Record breaking year for philanthropic donations

The University of Exeter's 'Making the Exceptional Happen' Campaign raised over £15 million of philanthropic income during the 2017/18 academic year, the best fundraising performance in our 63 year history. More former students gave than ever before, but donations came from a variety of sources and from far and wide; from Devon and Cornwall and from people living thousands of miles away. Funds from individuals, businesses, trusts and foundations supported projects, research and students across all disciplines at the Exeter and Cornwall campuses.

Highlights included:

- our largest single philanthropic donation to secure a new imaging centre for dementia research, hosting the latest generation PET and MRI scanners at the Royal Devon and Exeter (RD&E) Hospital;
- a 20-year scholarship programme for the Camborne School of Mines;
- support for research into Classics and Ancient History from the Leventis Foundation – bringing their combined support to over £1m
- receipt of legacies to support our Exeter Forever endowment fund.

The Campaign launched publicly in February 2017 with the aim of raising £60 million and 60,000 volunteering hours by 2020. The totals (as of August 2018) stood at £44.5 million and 62,000 volunteering hours.



CASE STUDY

### Gift from the Dennis and Mireille Gillings Foundation is the single largest received by the University

The new Mireille Gillings Neuroimaging Centre will be built at the University of Exeter Medical School. It will transform dementia research and diagnosis, thanks to a £10 million donation from the Dennis and Mireille Gillings Foundation. The new building, located at the RD&E hospital site, will help accelerate clinical trials for potential dementia treatments over the next five years. Fifty million people around the world suffer from dementia. Currently there are less than 30 phase two or phase three trials for disease-modifying therapies for Alzheimer's worldwide.

The new Mireille Gillings Neuroimaging Centre should double the number of dementia drugs in development, through innovative use of new brain-scanning technology and techniques. The Centre has the potential to benefit patients globally. The £10 million gift will also be used to help improve cancer diagnosis by General Practitioners and to support the next generation of outstanding medical leaders. The research, made possible by the donation, has the potential to save thousands of lives and improve treatments for people in the South West of England, and across the world.



## How we performed:

# Physical resources

We continue to invest in our physical and 'virtual' environments, having completed a number of key projects in the last year covering digital services, IT infrastructure, and campuses for buildings and services.

A major part of our work this year has been the launch of our ambitious Capital Strategy, setting out our vision over the coming decade, with significant investment in our built estate, digital services and research equipment. We are creating and enhancing the capabilities that we need to deliver world-class research and internationally-excellent education, with an ambitious digital transformation, exceptional teaching, learning and research spaces all supported by efficient 'customer focused' services.

### Buildings

Ensuring that our built estate is fit for purpose is critical. Over the last year, we have continued to work with our partners to enhance research and learning for academics and students. This has seen us collaborate with our Royal Devon and Exeter NHS Trust partners to design and build an MRI and PET CT facility, to be located at the NHS Wonford site, in Exeter.

Equally important is delivering refurbishment and maintenance projects, totalling £6m over the last year, including accessibility enhancements and the start of major projects on the Physics tower and Harrison building.

One of our most significant upcoming projects is Project North Park, which will be a purpose-built facility to build on our global research capabilities. The new building will house a number of research institutes, bringing together students and leading academics from the sciences, humanities and social sciences. In Cornwall, planning permission has now been granted for the first stage of the exciting Penryn Campus 2020 academic space development, providing space for tutorial and seminar use.

Our Residential Strategy also started in 2017/18, and will see us provide more on-campus student accommodation. We have appointed UPP Ltd as our preferred supplier to develop a new student village, East Park, consisting of 1,200 student bedrooms alongside social and study space on the Streatham campus. Residences are integral to our students having the best possible experience and this is supported by a range of initiatives, from our first Facebook Live tour with prospective students (which reached nearly 31,000 people within the first hour) through to our Residence Life team, who strive to build a strong community within halls.

Our beautiful grounds are at the heart of our campus experience for students, staff and visitors. This year teams rose to two distinct challenges; the closure of our campuses on two occasions because of significant snowfall which was followed by extreme dry conditions, as a result of the joint hottest summer on record. The quality of our outstanding grounds was rewarded when Streatham, St Luke's and Penryn campuses were once again each awarded prestigious Green Flag status.

The University's sustainability credentials were recognised with a First Class Award in the People and Planet University "Green" League, finishing 18th out of 154 participating UK universities.

### Digital

Digital services lie at the heart of research, education and business activity. Student satisfaction for question 18 of the National Student Survey ("*The IT resources and facilities provided have supported my learning well*") remains high, and significantly greater than the benchmark. We have worked to reduce the risk of cyber-attack by implementing technology solutions and achieved Cyber Essentials Plus' accreditation.

## CASE STUDY

### CASE STUDY



### Anyone for coffee?

We pledged to become a Flagship Employer of the Plastic Free Exeter campaign. In September 2017 only 3% of drinks sold on our campuses were in reusable cups. Using price incentives and awareness campaigns, coupled with the national publicity surrounding plastic in the oceans by our own academics, within six months that figure had changed to 33%, with 65,000 fewer cups used during the year.



### Smart support for students

iExeter is our smartphone app, created and developed in partnership with students. This year the app was used more than 16 million times, with 90% of students telling us that they use it daily. iExeter allows students to check their timetable, access the online learning environment, check their grades, find available study space, navigate the campuses, stream student radio and TV and even check when their laundry is done!

### CASE STUDY

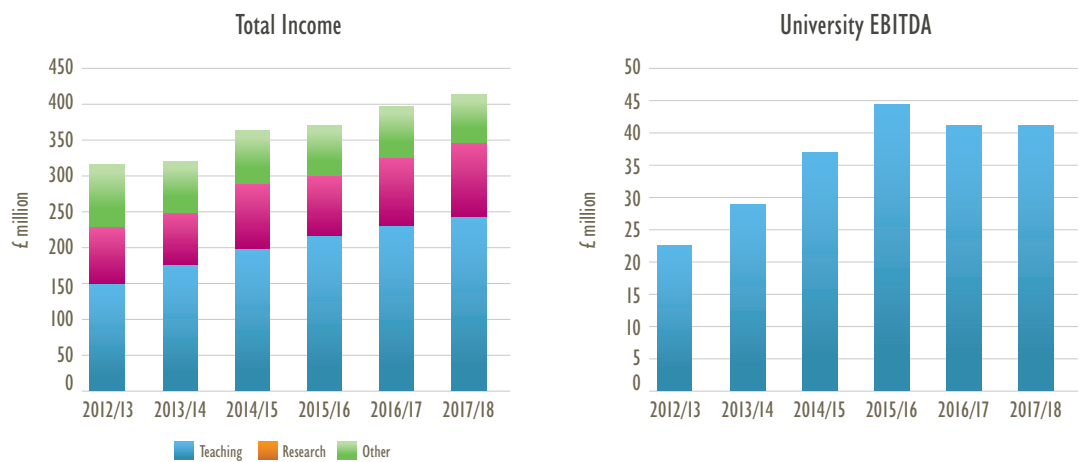


### REEF

A pioneering new renewable energy teaching and research centre on our Penryn Campus opened in May 2018. The £1.77m Renewable Energy Engineering Facility (REEF) provides workshop and laboratory space, giving students the opportunity to put into practice the knowledge gained in lectures for a number of clean energy technologies, such as measuring real wind speed, assessing how well an engine runs on bio-diesel, or seeing the electrical output of a solar panel under actual sunlight. It is equipped with traditional mechanical engineering tools alongside the latest 3D printing, CNC machining, electronic and electrical equipment. Fittingly the REEF building is rated as BREEAM Excellent, placing it in the 'best practice' category set by the Building Research Establishment.

## How we performed: Finances

Strong finances underpin the delivery of all our strategies. Over the year, total income grew to £415.5m (£397.1m in 2016/17), an increase of 4.7% with income from teaching growing by 5.3% and from research by 8.3%.



Income growth provides insight into the amount of activity undertaken as well as indicating the capacity we have for coping with future challenges. But our key financial target is generating a level of cash operating surplus, defined as EBITDA, sufficient to meet our investment needs and service our debt.

EBITDA of £42.4m (£42.3m in 16/17) was in line with our budget. In 2017 the Government increased the cap on the home/EU undergraduate tuition fee from £9,000 to £9,250 for the first time in 5 years. We took the decision to invest the additional income from the increase into the student experience by appointing new academic staff to improve staff-student ratios issues in certain disciplines, improving careers provision through the creation of a placement unit and other student facing initiatives. Investment in research staff has also followed as we increased the number of colleagues in the Living Systems Institute which opened in July 2017, as well as investing in our research strategy. These investments have resulted in EBITDA flat-lining compared to 2016/17.

### Investing responsibly

Council has adopted a new investment policy focused on making our investment portfolio *best in class* with respect to environmental, social and governance (ESG) factors. We believe that companies that embrace the best ESG characteristics will deliver the best long-term financial returns. The new policy was adopted after listening to the concerns of students who have also participated in fund manager selection and appointment and are joining an internal group that oversees the University's endowment investments and fund manager performance.

We invested £35.7m (£29.5m in 16/17) in new capital facilities, reflecting the start of our new Capital Strategy. This includes new teaching facilities in Penryn for renewable engineering students and the creation of new student hubs, creating one-stop shops covering a range of student services in a small number of distributed points throughout our Streatham and St Luke's campuses.

During the year we re-financed our existing debt, increasing it by £21m, in order to take advantage of current low-market interest rates. Total debt stands at £210m (£188.8m in 2016/17).

Cash balances, at £104.7m (£127.3m in 2016/17) would cover 103 days of average expenditure. This planned decrease in cash balances over the year reflects the one-off cost of funding the re-financing of debt along with the commencement of the capital strategy.

A solid financial performance in 2017/18 has underpinned our financial strength.

### Re-financing our debt

In February 2018 the University issued a private placement to three institutional investors to secure low-cost, long-term funding, governed by a single commercial agreement. This has simplified the commercial terms of our borrowing arrangements while improving our cash flow by £10m per year.

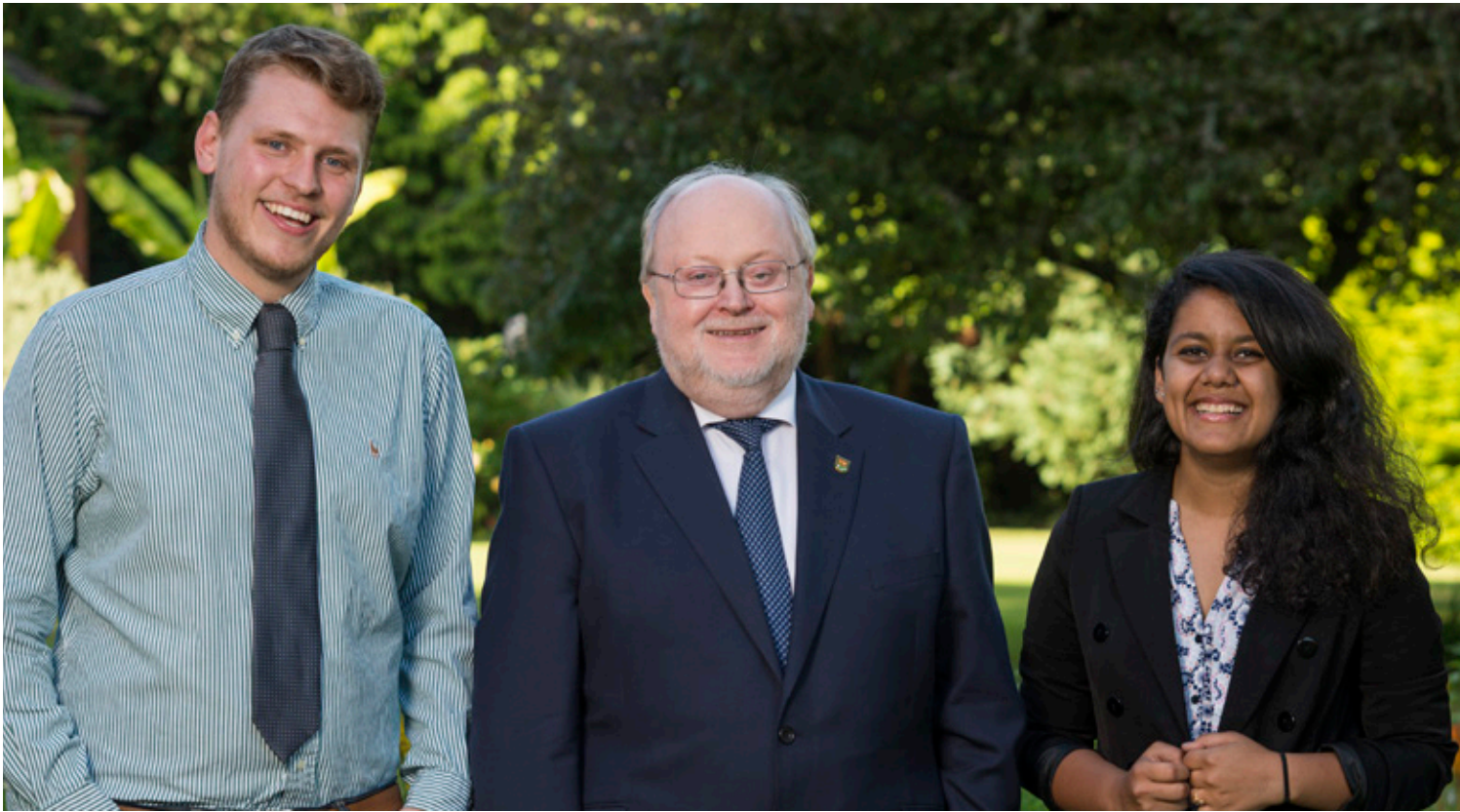
Further details of how our finances performed over the year can be found in the Financial Statements to 31 July 2018 report or at

[www.exeter.ac.uk/finance/financialstatements](http://www.exeter.ac.uk/finance/financialstatements).

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# What do our students think?

The 2017/18 Presidents of our two students' unions give their view of the University's performance over the last year and the value students receive.



*"The relationship between the University and the Students' Guild is a defining feature of the Exeter student experience. This is reflected throughout the structures of both organisations, with students represented as full members of all the major University committees including Council, Senate, the Senior Management Group and Education Executive and participating through constructive and active dialogue.*

*The University and the Guild have dealt with numerous challenges this year ranging from adverse weather to mass industrial action. The University has taken appropriate measures always to ensure that students' experience and achievements are not compromised due to the ongoing issues. The University senior management and the Guild worked closely to ensure that all detriment to students was mitigated against and concerns were regularly addressed.*

*Exeter students have a strong association with the University and the Guild through societies, student-staff Liaison Committees and volunteering. These aspects contribute positively to their university experience. Nationally and within*

*Exeter, there is growing debate about the perceptions of value for money. Students have a great experience due to the value added by the study and social spaces, the sport facilities and the various Guild and University commercial outlets.*

*Quality teaching, fair and helpful assessment and feedback and facilities and resources, give students a good experience and better value for their HE investment. The University and the Guild work closely to ensure that students co-create their academic experience while making sure that every decision that the University makes is assessed for its impact on student experience. The hubs project was a great example of this as it had student engagement at the heart of it and thus had considerable buy-in from the student body.*

*Whilst the University exudes best practice within teaching, research and assessment and feedback, student experience is affected negatively due to low level investment into digital resources and systems. Further, with growing student numbers and financial constraints on the University, there are pockets of disparity of experience amongst students depending on the campus they are based on.*

*The University of Exeter is a global institution and has a huge variety of needs to cater to. This relationship between the Guild and the University is key to maintaining and enhancing the student experience."*

**Shraddha Chaudhary, Guild President 2017-18**

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Photo: Michelle Garrett-Martin

*“The University of Exeter is uniquely positioned to robustly face many of the emerging situations in higher education. As a firmly established Russell Group university, situated as one of the strongest within the United Kingdom and within the top 150 of all global universities, it is a destination for many of the most capable students, academics and staff within Higher Education (HE).*

*Alongside the Devon based campuses of Streeham and St Luke’s, Exeter also has campuses in Cornwall, within Penryn and Truro. The experience here is truly exceptional, with often unbeatable student-staff ratios, strong community spirit, and great integration into the local community through projects organised from grass-roots, student-led (Penryn Memory Cafe) to institutional partnership level (Falmouth Spring Festival).*

*Exeter is well placed to address Teaching Excellence Framework (TEF), Research Excellence Framework (REF) – with a very strong focus on leading with Research Inspired Learning - and indeed Knowledge Exchange Framework and Community Engagement Framework when they arise, with a dedication to sharing the benefits of Higher Education with the local community, and positively integrating into the community as a vortex university.*

*Alongside this, a shared campus with Falmouth University, a leading arts institution, encourages interdisciplinarity and collaboration across all areas of HE, while nearby Cornwall College allows for a crossover between HE and Further Education.*

*All of this culminates in extremely high student satisfaction, cases of undergraduates being published, and students presenting research at national and international levels. The experience of a University of Exeter student is one that provides opportunities far beyond its competitors, and one that is truly great value for money, well equipping them for the future.”*

**Dean Pomeroy, FXU President Exeter 2017/18**

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# Risk

Oversight of the management of corporate risks rests with the Vice-Chancellor's Executive Group (VCEG), the membership of which includes all the corporate risk owners. The corporate risks are considered in detail by VCEG four times a year.

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## **The management of risk**

Oversight of the management of corporate risks rests with the Vice-Chancellor's Executive Group (VCEG), the membership of which includes all the corporate risk owners. The corporate risks are considered in detail by VCEG four times a year.

Assurance oversight for risk rests with the Risk Dual Assurance Group, together with an annual detailed review of all risks by the Audit Committee. The key corporate, professional service and college risks are reported to Council twice a year.

The key corporate risks facing the University are:

## **Pensions**

The 2017 tri-annual review of Universities Superannuation Scheme (USS) pensions, which is not yet finalised, has estimated the scheme's deficit at £7.5 billion (as at 31 March 2017). Proposed pension reforms to benefits and costs led to national industrial action in the sector. Discussion facilitated by the Advisory, Conciliation and Arbitration Service (ACAS) resulted in the appointment of an independent panel to review the 2017 valuation.

The report of the independent review panel was published in September 2017 and gives some grounds for optimism that the 2017 valuation will be concluded with more modest cost increases which will be considerably more palatable to trade union and employer representatives.

## **Political Uncertainty: Financial Sustainability**

The risks in this area stem from a combination of the Government's Post-18 Education review, the potential impact of Brexit, the national pay award outcome and the ongoing USS pensions review. Active monitoring is conducted in each of these areas, to identify change in risk factors. Also, as mentioned above, there has been extensive "worst case" scenario planning.

Risk mitigation has included the formation of a Strategic Futures Group, chaired by the Provost and the Registrar, which has been charged with overseeing the development of strategic initiatives across the University, designed to respond to the rapidly changing HE environment. We are also developing and promoting pathways for income diversification, and supporting the growth of profitable international partnerships. Market testing, programme development, and portfolio review are also strongly linked to political and sector developments.

## **Political uncertainty: Impact of leaving the EU**

The risks of Brexit are a key focus for the University, and an EU Referendum Working Group has been formed to oversee developments. Associated risks are kept under constant review by this group, and related risks identified by colleges and services are included within this review. The risks to European-based research funding, partnerships with EU organisations, the recruitment and retention of EU staff and students are considered to be the key risks in this area. There is a strong focus on national and European influencing and networking within the senior executive team. We will continue to engage with the Government and sector to influence with regard to the position for EU staff and students post-Brexit.

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### **Delivering student expectations**

Industrial action taken during 2018 increased the likelihood of a negative impact on the delivery of student expectations. The risk score increased from amber to red as a consequence. Mitigation was managed by an Industrial Action Mitigation Group (IAMG), and a scenario specific business continuity plan developed, which was overseen by the Group.

The work of the group was seen to have significantly mitigated the risks associated with industrial action, particularly with regard to the impact on the student experience. This was demonstrated by the small number of student appeals giving industrial action as a ground for appeal and better than expected National Student Survey outcomes.

There remains the potential for further nationwide industrial action during academic year 2018/19 and the IAMG is assessing the risk and impact at an institutional level in order to best plan for mitigation.

### **Reputation management**

Reputation is important to us as it underpins our position and in the market place, helps attract the very best students and staff as well as attracting funding and facilitating regional, national and global partnerships. Ultimately our reputation underpins the quality of our graduates assisting their own career prospects and earning power.

There has been increased media attention on the Higher Education sector. Widespread use of social media for reaction to news stories in a much more sensitised environment poses a challenge for effective message management.

Mitigation of this risk has included key spokespersons for the University receiving media and external affairs training, with enhanced crisis media training scheduled for senior spokespersons. The Press and Social Media teams provide an out of hours service to monitor for issues, with clear escalation routes in place to ensure that a timely response is developed.





Financial Statements  
to 31 July 2018

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WE MAKE THE  
EXCEPTIONAL HAPPEN  
BY CHALLENGING  
TRADITIONAL THINKING  
AND DEFYING  
CONVENTIONAL  
BOUNDARIES

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# Members of the Council

## Chancellor

Lord Paul Myners of Truro CBE

## Council

### Officers:

Sarah Turvill, Pro-Chancellor and Chair of Council  
Sarah Buck OBE, Pro-Chancellor  
Richard Atkins CBE, Pro-Chancellor

Professor Sir Steve Smith, Vice-Chancellor and Chief Executive  
Professor Janice Kay CBE, Provost and Senior Deputy Vice-Chancellor  
Professor Nick Talbot, Deputy Vice-Chancellor (appointment ended 31 March 2018)  
Professor Mark Goodwin, Deputy Vice-Chancellor (appointed 1 April 2018)

### Members appointed by Council:

Jo Binding  
Gerry Brown  
Nicholas Bull (appointed ended 31 July 2018)  
Graham Cole CBE  
Kiron Farooki  
Judy Hargadon OBE  
Salam Katbi (appointed 18 October 2018)  
Dame Clare Marx CBE, DL, PRCS  
Sir John O'Reilly  
Alison Reed  
Richard Sargeant

### Members appointed by the Senate:

Dr Barrie Cooper (appointment ended 31 July 2018)  
Professor David Hosken  
Dr Anni Vanhatalo (appointed 8 October 2018)  
Professor Wendy Robinson

### Member of Staff other than Academic Staff:

Sally Turner (appointment end 31 August 2018)  
Alison Rose (appointed from 1 September 2018)

### Student Members:

Shraddha Chaudhary (to 31 July 2018)  
Grace Frain (from 1 August 2018)  
Dean Pomeroy (appointment ended 30 June 2018)  
Izi Robe (appointed 1 July 2018)

## Vice-Chancellor's Executive Group as at 22 November 2018

### Vice-Chancellor and Chief Executive

Professor Sir Steve Smith, BSc MSc PhD Soton FAcSS

### Provost and Senior Deputy Vice-Chancellor

Professor Janice M Kay CBE, BA Newc PhD Cantab AFBPsS

### Deputy Vice-Chancellors

Professor Mark Goodwin, BA Sussex PhD LSE FAcSS  
DVC for External Engagement

Professor Tim Quine, BSc UCL PhD Strath  
DVC for Education

Professor Neil Gow, FRS  
DVC for Research and Impact

### Pro-Vice-Chancellors and Executive Deans

Professor David Allen, BA MFA MBA PhD  
Professor Clive Ballard, MBChB (Medicine), MMed Sci, MRC Psych, MD  
Professor Dan Charman, BSc Newc PhD Soton  
Professor Ken Evans, BSc PhD CEng CPhys  
Professor Debra Myhill MBE, BA MPhil PhD FAcSS  
Professor Andrew Thorpe, BA (Hons) Birm PhD Sheff FRHistS

### Registrar and Secretary

Miike Shore-Nye, BA (Hons)

### Deputy Registrar and Director of People Services and Global Partnerships

Jacqui Marshall, FCIIPD FIoD

### Director of Communications and Corporate Affairs

Jane Chafer, BSc MBA FCIM

### Chief Financial Officer

Andrew Connolly, BA (Hons) CPFA

### Chief College Operations Officer

Linda Peka BSc (Hons) FCPFA

### Director of Campus Infrastructure and Operational Support Services

Craig Nowell B.Eng. (Hons), C.Eng, M.I.Mech.E

## BANKERS

National Westminster Bank PLC  
18 St Thomas Centre  
Cowick Street  
Exeter EX4 1DE

Barclays Bank PLC  
3 Bedford Street  
Exeter EX1 1LX

## INVESTMENT MANAGERS

J.P. Morgan International Bank Ltd  
25 Bank Street  
Canary Wharf  
London E14 5JP

## EXTERNAL AUDITOR

KPMG LLP  
Plym House  
3 Longbridge Road  
Plymouth PL6 8LT

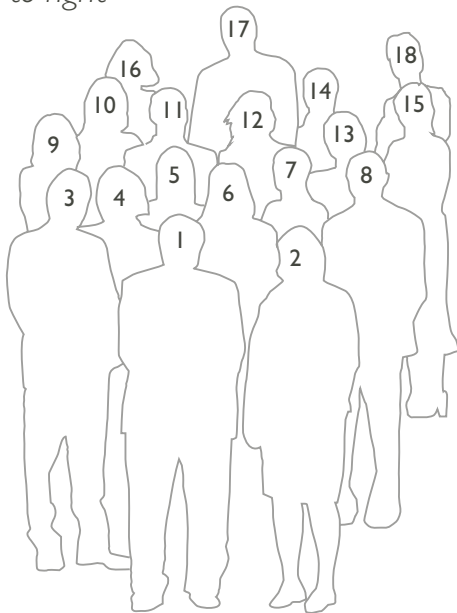
## INTERNAL AUDITOR

PriceWaterhouse Cooper LLP  
1 Embankment Place  
London WC2N 6RH



## Members of the Council

From left to right



### Front row:

- 1 Professor Sir Steve Smith, Vice-Chancellor and Chief Executive
- 2 Sarah Turvill, Pro-Chancellor and Chair of Council

### Middle row:

- 3 Professor Mark Goodwin, Deputy Vice-Chancellor (External Engagement)
- 4 Dame Clare Marx, Independent Member
- 5 Izi Robe, FXU President Exeter
- 6 Professor Janice Kay CBE, Provost
- 7 Grace Frain, President, Students' Guild
- 8 Gerry Brown, Independent Member
- 9 Dr Anni Vanhatalo, Senate Representative
- 10 Alison Reed, Independent Member
- 11 Professor David Hosken, Senate Representative
- 12 Jo Binding, Independent Member
- 13 Salam Katbi, Independent Member

### Back row:

- 14 Alison Rose, Professional Services Representative
- 15 Professor Wendy Robinson, Senate Representative
- 16 Judy Hargadon OBE, Independent Member
- 17 Richard Atkins CBE, Pro-Chancellor
- 18 Sarah Buck OBE, Pro-Chancellor

### Absent from photograph:

- Graham Cole CBE, Independent Member  
 Kiron Farooki, Independent Member  
 Sir John O'Reilly, Independent Member  
 Richard Sargeant, Independent Member

# Financial Review

## HIGHLIGHTS

### Performance

Total income: **£415.5m** (£387.1m), up **5%**

Cash flow from operating activity: **£45.9m** (£55.0m)

Surplus for the Year: **£3.7m** (£18.2m)

Staff cost ratio: **53.3%** of total income (52.0%)

### Investment

Capital expenditure: **£35.7m** (£29.5m)

Capital grants: **£4.8m** (£5.1m)

### Liquidity and Debt

Total bank debt: **£209.5m** (£188.8m)

Total cash (cash and current investments): **£104.7m** (£127.3m)

Net debt: **£105.0m** (£61.9m)

### Financial Strength

Net current assets ratio: **1.5** (1.6)

Net assets: **£537.6m** (£509.3m)

\* Comparative data for the prior year 2016/17 is shown in parenthesis throughout the business review

## Scope of the Financial Statements

These financial statements cover the University of Exeter, its subsidiary undertakings and joint ventures and have been prepared in accordance with Financial Reporting Standard 102 (FRS102) as interpreted by the 2015 edition of the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2015).

## Results for the Year

Another strong year with total income up 5% to £415.5m and EBITDA of £42.4m was exactly in line with our budget. The surplus for the year fell to £3.7m, but surplus is a poor reflection of the University's financial performance as it includes valuation gains, capital grants for example, neither of which are available to support recurrent activity. Net assets increased by 6% to stand at £537.6m.

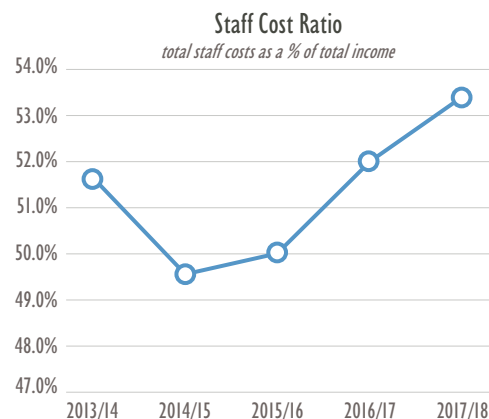
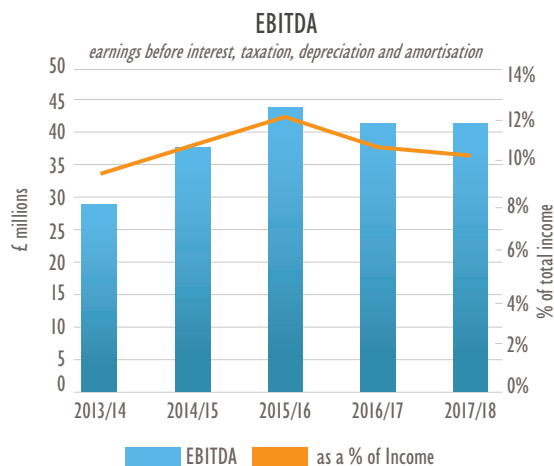
Growth of income was fuelled by a strong performance from research grants and contracts, up 8.3% to £76m, and by international student fees also up 8.3% to £68m.

We measure our financial performance by two key financial indicators: EBITDA and the staff cost ratio. EBITDA represents the cash operating surplus and is targeted to achieve a level sufficient to fund our capital plans and to service our debt. We use the definition of EBITDA (University EBITDA), as the standard definition set by the British Universities Finance Directors Group, would lead to an overstatement of our underlying financial performance. The table to the right reconciles the standard definition to the University's preferred definition:

	EBITDA
	£000
<b>EBITDA for Higher Education</b>	<b>48,756</b>
less service concessions	(13,754)
less research equipment depreciation <sup>2</sup>	(1,238)
add endowment deficit less new permanent endowments	784
add Alan Turing Institute grant	5,000
add Transformation and other one off costs	2,808
<b>University EBITDA</b>	<b>42,356</b>

The historical trajectory of EBITDA shows planned increases starting in 2014 when the University commenced a number of major transformation projects aimed at realigning our professional support services to ensure they were enabled to support our new education, research and impact strategies. This included an objective of increasing EBITDA to £55m per year by 2020/21 in order to fund planned own-funded capital investment of £40m per year and debt servicing costs, then running at the rate of £15m per year. In 2016/17 and 2017/18 EBITDA has since flat-lined, reflecting investment in new academic staff, addressing staff-student ratios in a targeted number of disciplines, investments in wellbeing and careers to support the student experience, along with above inflation cost increases in pay, pensions and National Insurance. This investment was supplemented in 2017/18 with the appointment of new academics to the newly opened Living Systems Institute.

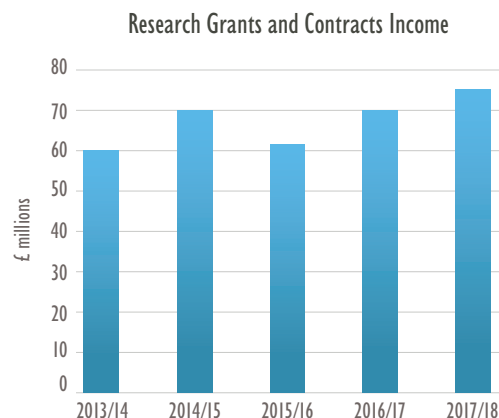
<sup>2</sup> EBITDA for HE adds back depreciation charges. In the University's management accounts however, research equipment depreciation is treated as a direct cost to be funded from targeted University EBITDA.



For the third successive year staffing costs have increased at a rate faster than income, resulting in a deterioration of the staff cost ratio to 53.3% (52% in 2016/17). This is comparable to our peer group and reflects wider sector trends.

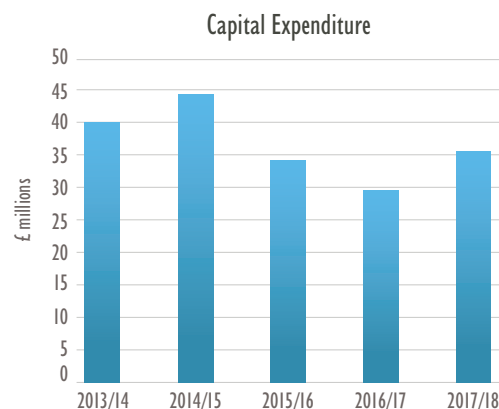
One of the sectors most significant financial challenges is being able to fund a rate of cost inflation on our single biggest cost, staffing, covering pay awards, increments and increases to pension costs, national insurance and the apprenticeship levy, from a largely flat home/EU tuition fee. In 2017/18 the home/EU undergraduate fee increased to £9,250, up 3%. This was its first increase since the fee was introduced 5-years ago, in 2012. The University took a conscious decision to invest the additional fee inflation in new student facing activity rather than using it to fund cost inflation such as pay awards.

Income from research grants and contracts has performed well, increasing by 8.3% in 2017/18 to £76.1m (£70.2m in 16/17). Attracting research funding is highly competitive and based on peer-reviewed quality assessments of project proposals. The trend is all the more impressive as public funders of research have had their own budget constrained over this period.



### Investment

Our capital strategy will see significant investment over ten years and has begun to mobilise with new projects being delivered such as £4.7m in student hubs, providing distributed one-stop shops and study and social spaces for students and the Renewable Energy Engineering Facility (REEF) in Cornwall. The commencement of the capital strategy is reflected in an up-turn in capital investment in 2017/18, totalling £35.7m (£29.5m in 2016/17), a trend that will continue into 2018/19 and beyond as we approve major new investments in teaching and learning facilities and a digital strategy.



In June 2018 we completed a transaction that resulted in two properties being transferred to UPP Ltd, to demolish, develop and operate 382 student bedrooms. Both properties had previously been fully impaired in the financial statements. At financial close a 50-year service concession was granted to UPP Ltd, to develop and operate the residences which also resulted in the receipt of a £6.4m lease premium. The development is expected to be completed for the start of 2020/21 academic year.

In December 2018 we expect to close a major transaction to develop and operate 1,200 new student bedrooms on

the Streatham campus, creating a new student village. UPP Ltd has been appointed preferred supplier and at financial close will be granted a 50-year service concession. The development will be completed in two phases, with 600 rooms delivered in 2020/21 and a further 600 in 2021/22. The University's financial obligation will be limited to nominating a number of rooms, ranging from 0% to 100%, for a single academic year.

Taking both of these transactions together, UPP Ltd will be investing £135m into the Streatham campus to develop these facilities for our students over the next two years.

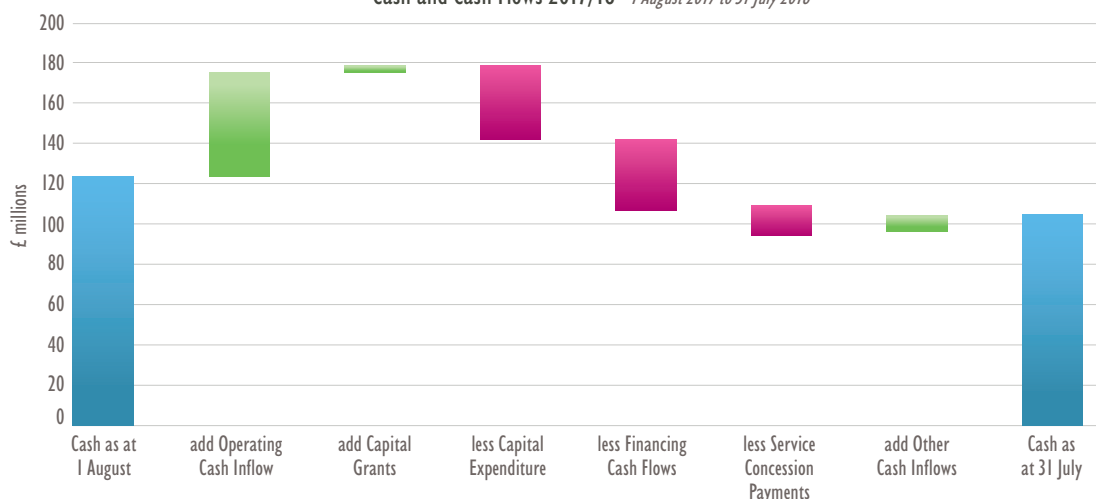
## Liquidity and Debt

During the year the University re-financed its entire debt, consisting of two variable rate term bank loans backed with interest-rate swap contracts to secure fixed interest costs and a fixed-rate bank loan. At 31 July 2017 this loan debt amounted to £188.8m while swap contract liabilities were valued at £45.9m. These loans have been repaid, swap contracts cancelled and replaced with £210m of Loan Notes issued to three institutional investors under a single Note Purchase Agreement. The overall blended fixed coupon on the Loan Notes is 2.64%, compared to an effective all-in fixed interest rate on previous debt of 4.434%. Aside from reducing the interest rate on the University's debt, the repayment structure has also changed from amortising loan repayment to a bullet-style repayment at the end of the term resulting in significant cash flow savings, while the maturity of the debt has increased from 24 to 27 years. The Note Purchase Agreement also represents a considerable simplification of commercial terms, along with a simpler covenant package.

Swap and fixed-rate loan breakage costs were financed from a mix of financial discounts and incentives provided by swap counterparties, additional borrowing of £21m and utilising our own cash balances. The transaction has resulted in an increase in net debt, rising from £61.9m in 2016/17 to £105m in 2017/18. However, the new debt structure will result in cash flow savings and a reduction in interest costs of £10m per year which will replenish cash balances.

Cash balances remain at a healthy £105m as at 31 July 2018 (£127.3m in 16/17), representing 103 liquidity days. Cash balances have been artificially high for a number of years, reflecting a previous focus on transformation project delivery rather than on capital investment. This resulted in EBITDA improvements combined with falling levels of capital investment, both of which contributed to an increase in cash balances. The new capital strategy will result in cash balances being modestly drawn down over the next few years before they then stabilise with annual cash generation funding annual capital investment and debt servicing.

Cash and Cash Flows 2017/18 | August 2017 to 31 July 2018



The refinancing package included a low-cost seven-year £50m revolving credit facility, providing access to a cash facility should it be required.

During 2017/18 this facility was undrawn and there are no plans to draw upon it in the next 12 months.

## Financial Risks

### Pensions

Defined benefit pension obligations continue to represent a material liability at £44.9m (£68.3m in 2016/17). This comprises a liability relating to the Universities Superannuation Scheme (USS) deficit recovery plan of £41.7m, up £1.1m over the year, and a liability relating to the University's own Exeter Retirement Benefit Scheme (ERBS) estimated at £3.2m, down £24.5m over the year.

USS is currently undergoing its 2017 triennial valuation. At its 2014 valuation the scheme deficit was assessed at £5.3 billion and a suite of benefit changes and higher employer and employee contributions were introduced. The 2017 valuation has not yet concluded and initial proposals to reform benefits were subject to industrial action. The initial valuation results suggest the past service deficit has increased to £7.5 billion and a further £900m per year is required to fund future benefits. As

a result of the industrial action, an independent review of the valuation was commissioned. The report, published in September 2018, is being considered by employers and trade unions with a view to develop a new set of proposals. At best it is likely that the employer will face an increase in funding costs of at least 14% per year with the contribution rate increasing from 18% to 20.1%, equating to £2.8m per year. Staff are likely to suffer a similar proportionate increase in their contribution costs.

There is a significant risk that the year-end provision for the USS liability provided for in these financial statements (£41.7m) will not reflect the position following the final outcome of negotiations, potentially by a material amount. The liability provided for in these financial statements has been assessed based on the current deficit recovery plan, dated July 2015, which is based on employers paying 2.1% of salaries towards the repayment of the past service deficit over the next 14 years. If the new deficit recovery plan results in an increase in deficit funding required payable over a longer period, this is likely to result in a materially higher liability. The 2017 valuation is expected to be agreed in early 2019.



Sensitivity analysis suggests the existing liability of £41.7 million could increase to between £56.1m and £119.2m:

- The impact of the deficit recovery rate increasing from 2.1% to 3.1% would mean the University's liability increasing from £41.7m to £61.6m
- The impact of the recovery rate increasing to 6%, as indicated by the latest communication by USS, would mean the University's liability increasing to £119.2m
- The impact of the deficit repayment period increasing from 14 to 17 years would result in the liability increasing to £56.1m

The University closed its own ERBS scheme to future accrual of defined benefits on 1 December 2016. ERBS has commenced its own triennial scheme valuation and the results are expected in early 2019. The University is not anticipating a material adverse change to its funding requirements to meet the scheme deficit.

### Post-18 Education Review

In 2017/18 the home/EU undergraduate fee cap of £9,000 received its first inflationary uplift, to £9,250, since the fee cap was introduced in 2012/13. Following the general election the Government has commissioned a Post-18 Review. It is anticipated that this will adversely impact on the future funding of higher education in England. The University is undertaking scenario modelling and has formed a Strategic Futures Group in order to plan its response as and when details of the Government's proposals are published in early 2019.

### Brexit

The UK is due to leave the EU on 29 March 2019. Since the referendum the Government have removed considerable elements of uncertainty over the residency status of existing EU staff in the UK, as well as announcing access to the student loan book, for the duration of their study, for EU students who enter University in 2019.

The Government has announced a guarantee to honour research funding awarded by the EU during the UK's continued membership of the EU which provides a degree of funding certainty, at least to the point the UK leaves the EU, on terms which are yet to be agreed. There is uncertainty, but some optimism, that the UK will be able to participate in EU-funded research programmes after Brexit.

The University's Brexit Mitigation Group continues to monitor and co-ordinate the University's response to evolving Government announcements and policy.

### Future Outlook

Student recruitment in 2018/19 is in line with our budget, despite a highly challenging market environment.

Research awards, the order book for future research activity and income, continues on a strong upward trajectory and this will translate into higher income streams. Confidence that the 2018/19 research income budget will be delivered is high.

The settlement of the USS 2017 actuarial valuation is a key risk, both financially and in terms of industrial relations, with the national trade unions agitating to protect current pension benefits. If there is a requirement to fund higher deficit requirements it is likely that the increase in provisions for pension liabilities will result in a material deficit for the year for the University in 2018/19. This is an accounting valuation of the increased liability rather than an immediate call on cash funding as the deficit recovery plan is likely to be funded over a 14 to 17-year period.

While confidence is high in terms of delivering the 2017/18 budget, beyond that the sector faces considerable uncertainty relating to the Post-18 Review, the USS valuation and Brexit.

### Going Concern

In July 2018 Council approved the five year financial forecasts submitted to the Office for Students, including income and expenditure, cash flow, capital investment and balance sheets. These show a continuation of improving finances as the University heads towards its target EBITDA by 2020/21, underpinned by the delivery of its capital strategy that will strengthen its long-term financial future.

Cash balances remain high, representing 103 days average expenditure at 31 July. July and August represent the lowest point of the University's cash balances during the year as capital works are in full swing pending the start of the following academic year in October. In addition, the University holds a £50m revolving credit facility which gives it access to cash should it be required. This facility was not used during 2017/18 and there are no plans to draw upon it for the foreseeable future.

The University is highly confident that it will be able to meet all of its future financial obligations and commitments, operating within its financial investor covenants for the next 12 months and will continue to do so for the foreseeable future.

These financial statements have been prepared and approved by Council on a going concern basis.

### Andrew Connolly

Chief Financial Officer

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# Corporate Governance

## Principles

The University is committed to best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the Higher Education Code of Governance issued by the Committee of University Chairs in December 2014 and revised in June 2018. These principles and the expectations of the Code are reflected in the Statement of Primary Responsibilities of the University Council, our governing body. This Statement was reviewed during 2017/18 and Council is satisfied that it remains compliant with the Code.

This statement relates to the period covered by these financial statements and up to the date they were approved.

## Legal status of the University

The University is an exempt charity, meaning it is exempt from registration with the Charity Commission. The Office for Students is the regulator for Higher Education charities.

Members of the University Council are the charity trustees and details of Council membership as at November 2018 is provided in the front of these statements. No trustees received any payment for their trustee duties. Details of the total expenses paid in relation to trustee duties and related party transactions are reported in notes 7 and 31 to the financial statements respectively.

The University operates from four campuses: Streatham and St Luke's in Exeter, and Penryn and Truro in Cornwall. The University works in partnership with its two student unions: The Guild based in Exeter and FXU which jointly represents students of the University of Exeter Penryn Campus and Falmouth University. The University also has a research and education facility on the Wonford site of the Royal Devon and Exeter NHS Foundation Trust in Exeter.

## Governance

The Charter and Ordinances require the University to have two separate bodies, Council and Senate, each with clearly defined functions and responsibilities, to oversee and manage its activities along with College Executive Groups. Supporting the Vice-Chancellor with the management and strategic direction of the University is the Vice-Chancellor's Executive Group (VCEG), more details of which are given under the section on management.

## Council

Council is the governing body of the University, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. There are 22 members of Council, the majority of whom are from outside the University (independent members). The members include representatives of staff and students. Council met 6 times during 2017/18. Additionally it held a strategic away day and a joint meeting with Senate. The responsibilities of Council are more fully described below (page 41).

## Council Committees

There are three Council committees: Audit, Nominations and Remuneration. There is also a Professorial and Senior Salaries Committee which reports to the Remuneration Committee. The decisions and recommendations of these committees are formally reported to Council. These committees are formally constituted as committees of Council with written terms of reference and specified membership, including a significant proportion of independent members. The Chair of each committee is drawn from the independent members.

# Responsibilities of Council

The primary responsibilities of Council are:

1. To approve the mission and strategic vision of the University, long-term academic and business plans, key performance indicators (KPIs), and annual budget and financial statements.
2. To appoint the Vice-Chancellor as the University's Chief Executive, and to put in place suitable arrangements for monitoring his/her performance.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that there are arrangements in place for effective academic governance and the quality and standards of educational programmes.
5. To monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable universities.
6. To ensure compliance with the charter, statutes, ordinances and other provisions regulating the University and its governance framework
7. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal and statutory obligations.
8. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
9. To monitor and evaluate the performance and effectiveness of the governing body itself – including conducting a full review of Council's effectiveness not less than every five years and a parallel review of Senate's effectiveness.

The Council is responsible for preparing the Annual Report and Financial Statements for the group and parent University in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Accounts Direction of the Office for Students requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and specifies certain other disclosures that the University is required to make. Members of Council are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, members of Council are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

Council is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible under the Terms and Conditions of Funding issued by both the Office for Students and with Research England, for:

- ensuring that funds from the Office for Students and Research England and other funding bodies are used only for the purposes for which they have been given and in accordance with the Terms and Conditions of Funding;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the University's resources and expenditure.

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.

## Higher Education Code of Governance

Council has adopted the Committee of University Chairs Higher Education Code of Governance, issued in December 2014 and revised in June 2018. In accordance with the Code, the Council has adopted a Statement of Primary Responsibilities which is based on the Code's model and adapted to reflect the powers and responsibilities derived from University Statutes.

In accordance with the Code, Council undertook a review of its effectiveness during 2013/14 and produced an action plan in response to the recommendations raised.

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# Systems of Internal Control

Council has responsibility for ensuring the maintenance of a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to manage rather than eliminate the risk of non-achievement of policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the University's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements.

As the governing body, Council must assure itself of the effectiveness of the University's systems of internal control. It meets at regular intervals to consider the plans and strategic direction of the institution and receives the minutes of Audit Committee and periodic reports from the Chair of Audit Committee concerning internal control. The review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development, maintenance and continual review of the internal control framework.

The Audit Committee receives regular reports from internal audit, which include an independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.

VCEG has responsibility for risk management, receiving updated risk registers from Colleges and Services, updating the corporate risk register and reporting on risk to Council throughout the year. Council and VCEG are assisted in the definition and scoring of risk across the institution and the development of risk management policies by the Risk Dual Assurance Group. The work of these key groups with regard to risk is supported by the Compliance, Governance and Risk Directorate.

Responsibility for the operational management of individual corporate, college and professional services risks rests with risk owners and the risk facilitators in these areas. Risks are evaluated on their likelihood and the impact of risks becoming a reality. Key risks are escalated to Council and VCEG as part of their termly reporting, or sooner through the dual assurance governing mechanism. These reports are used to inform the Corporate, Colleges and Professional Services risk registers considered by VCEG, Council and Audit Committee. This ensures that the risk information provided via the registers to VCEG and Council includes business, operational, compliance and financial risk from all areas of the University.

The University uses a tolerance / appetite model of risk reporting. This approach is underpinned by four categories: risk averse, unknown risk, managed risk and risk reward. These categories have different reporting thresholds and allow management to understand tolerance of risk in a more granular and focused manner (e.g. by setting lower reporting levels for compliance risks and higher ones for strategic risks). This model has allowed the University to better understand its key risks and put in place mitigating actions in partnership with its Colleges and Professional Services.

## Report from the Chair of Audit Committee

Audit Committee perform a number of important roles, including: reviewing the effectiveness of financial and other control systems as well as the adequacy and effectiveness of the University's arrangements for corporate governance, risk management, value for money and data management.

The Committee consists entirely of non-executive members, mostly drawn from Council but co-opting individuals outside of the University who can bring specialist expertise. Regular reports from both internal and external audit and presented to the Committee throughout the year. Senior officers from the University regularly attend, such as the Registrar and Secretary and Chief Financial Officer while others are called to the Committee as and when requested, such as the Chief Information and Digital Officer. The Deputy Secretary to Council acts as Secretary to the Committee.

The Committee met four times during 2017/18. Membership and attendance at meetings, was as follows:

	Eligible to Attend	Actually attended
Nicholas Bull FCA Independent Member of Council (to 31 July 2018) and Chair	4	4
Alison Reed, ACA Independent member of Council	4	4
David Dupont, co-opted member	4	3
Judy Hargadon Independent member of Council	4	3
Nick Swift ACT ACA, co-opted member (to 31 July 2018)	4	3
Simon Enoch, co-opted member	2	2
Graham Cole, Independent member of Council	3	3

Audit Committee has continued to work on behalf of the Council and gained assurance on the effectiveness of the University's financial controls, corporate governance and accountability mechanisms, including its risk management arrangements.

Another busy year included continued focus on value for money, the effective management of financial controls, the implementation of the new University finance system, the impact of key legislation (GDPR, the Modern Slavery Act and the Criminal Finances Act), the management of financial irregularities, mandatory training in compliance areas and the assurance of efficient tax compliance. We have also continued to work closely with the Risk Dual Assurance team to gain assurance that the University's risk management arrangements and policies are effective and robust and that they are properly focused on mitigation.

We reviewed the outcome of 23 internal audits that ranged across the entire width of the University's business activities. We also continued to ensure strong focus on the completion of outstanding audit recommendations and saw the overall number fall to its lowest number for over 5 years.

A particular focus of our audit attention has been upon addressing a procurement compliance issue that was identified following a Public Interest Disclosure (PID). A full report on the particular procurement process associated with the disclosure was commissioned by the Chair of the Committee and the Registrar and Secretary. The report made a number of recommendations for service improvement which have been taken forward by the University. The Committee also sought assurance from the University that the PID process would continue to be seen as a valued tool to ensure compliance and give assurance, and that role of "whistle blower" would be recognised as a positive and helpful one. This assurance was given by the Registrar and Secretary.

The Committee has continued to review the University's processes for ensuring data quality and has worked closely with planning staff to ensure that reports to Audit Committee are strongly focused on data quality risks and their mitigation.

Other key areas of work have included:

- An Audit Committee Effectiveness Review.
- An assurance review of controls around capital programme risks.
- Ongoing assurance review of a major HE benchmarking exercise including the University of Exeter.
- On-going assurance review of Tier 4 visa compliance.
- On-going assurance review of Cyber Essentials accreditation.
- Oversight of the procurement of new internal auditors.

The Committee was satisfied that these areas were being managed effectively.

As usual, we also undertook, on behalf of Council, a detailed review of the University end of year financial statements and judged that these had been prepared using appropriate accounting practises and policies and took into account the opinion of external auditors.

In our Annual Report to the Vice-Chancellor, Council and the Office for Students (OfS) for 2017/18, the Committee was of the opinion that the University had a sound framework of risk management, control and governance, value for money and the management and quality assurance of data.

**Gerry Brown**  
Chair of Audit Committee

# Reports from the Chair of Nominations Committee

The Nominations Committee is responsible for making recommendations to Council in relation to the following positions:

- The Chancellor
- The Pro-Chancellors
- The Chair of Council
- Independent Members of Council
- Members of Committees of Council and other University committees
- Dual Assurance appointments
- Appointments to Trusts associated with the University.

It is also responsible for reviewing arrangements for developing future leaders of the University and for succession planning.

The Nominations Committee actively promotes equality and diversity in all its deliberations and appointments.

The Committee met three times in the academic year 2017/18. Membership and attendance at meetings was as follows:

	Eligible to Attend	Actually attended
Sarah Turvill, independent member and Chair of Council (Chair)	3	3
Sarah Buck OBE, independent member of Council	3	3
Richard Atkins CBE, independent member of Council	3	3
Professor Sir Steve Smith, Vice-Chancellor	3	2
Professor Janice Kay CBE, Provost and Senior Deputy Vice-Chancellor	3	3
Mike Shore-Nye, Registrar and Secretary	3	3
Bettina Rigg, co-opted member	3	2

Following the publication of CUC's Illustrative Practice Note on The Role of the Nominations Committee, the committee's term of reference were reviewed. The skills grid was reviewed and refreshed, and is used as the basis for membership decisions.

The Committee made the following recommendations of nominations to Council which were subsequently approved:

- Sarah Turvill to continue for a third and final three year term of office with effect from 1 August 2018 as a Class I member and Chair of Council.
- John O'Reilly to continue for a second term of office as a Class II with effect from 1 August 2018.
- Salam Katbi to be appointed as a Class II with effect from 1 August 2018.
- Mark Goodwin, Deputy Vice-Chancellor (External Engagement) as the longest serving Deputy Vice-Chancellor, would become an ex-officio member of Council with effect from 1 April 2018.
- Simon Enoch to be appointed as a member of Audit Committee for a period of three years with immediate effect.
- Gerry Brown be appointed to Chair of Audit Committee from 1 August 2018.

The committee agreed to make an amendment to Council membership to state that one of the nominated Senate representatives on Council should be from the elected members of Senate.

The Committee reviewed Dual Assurance areas and the independent leads; an outcome was that it was agreed that Widening Participation business area should not be separated from Education in the Dual Assurance portfolios; and that Jo Binding would become the Independent Lead for the Sport portfolio.

The Committee also reviewed the diversity of the membership of Council. For 2018/19 the Independent Members of Council, including the Pro-Chancellors, are made up of five males and eight females, two of whom identity as BAME.

The Committee received a presentation at two of the three meetings from the Deputy Registrar and Director of People Services and Global Partnerships on the Developing Future Leaders programme and succession planning.

## **Sarah Turvill**

Chair of Nominations Committee

# Report from the Chair of Remuneration Committee

## Introduction

The Remuneration Committee is responsible for determining the Reward Strategy of the University and for setting the remuneration of the Vice-Chancellor and other members of the Vice-Chancellor's Executive Group (VCEG).

The terms of reference of the Committee, which include a list of post holders within the remit of the Committee, are available at [www.exeter.ac.uk/about/organisation/governance/committees/remuneration\\_committee/](http://www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/). The terms of reference have been reviewed by the Committee to take account of the Committee of University Chairs' Remuneration Code issued in June 2018.

## Membership 2017/18

The Committee is chaired by a Pro-Chancellor. The Chair of Council and three other independent members of Council are also members of the Committee. The Vice-Chancellor is not a member of the Committee. No member of staff is present for the discussion of their own remuneration or when the Committee makes decisions on the reward of members of the Vice-Chancellor's Executive Group.

## Meetings 2017/18

The Committee met six times during 2017/18. The attendance of members at meetings was as follows.

	Eligible to Attend	Actually attended
Richard Atkins, independent member of Council (Chair)	6	6
Sarah Turvill, independent member and Chair of Council	6	6
Sarah Buck OBE, independent member of Council	6	6
Judy Hargadon OBE, independent member of Council	6	6
Kiron Farooki, independent member of Council	6	6

## Summary of meetings in 2017/18

### September 2017

At the beginning of the year, the Committee reviewed and approved the institutional and personal targets for 2017/18.

### October 2017

The Committee reviewed the terms of reference, membership and operating arrangements of the Committee, taking account of the issues raised by the current public debate on senior reward in Universities.

The Committee agreed its annual report for 2016/17 and its and its schedule of work for 2017/18. The Committee reviewed the reward arrangements of the Vice-Chancellor.

### December 2017

The Committee reviewed the draft regulatory requirements of the Office for Students, the outcome of the HEFCE report on governance at the University of Bath and good practice guidance issued by the Russell Group and agreed to commission an external review of the Committee and the University's reward arrangements for senior executives.

The Committee reviewed options for extending the long-term performance reward arrangements and agreed that there would not be a long-term institutional performance reward arrangement for the three year period 2018-2021. The Committee reviewed the reward arrangements of the Vice-Chancellor, taking account of independent professional advice.

### April 2018

The Committee reviewed the draft Committee of University Chairs Remuneration Code.

The Committee agreed a new policy on external work for senior executives and reviewed its decision-making and delegation framework.

The Committee reviewed the reward arrangements of the Vice-Chancellor, taking account of independent professional advice and agreed amendments to his long-term reward arrangements.

### June 2018

The Committee received a report on external work undertaken for senior executives.

The Committee agreed a revised decision-making and delegation framework.

The Committee reviewed and revised its Executive Reward Policy.

The Committee reviewed the report of the external review of the Committee and the University's reward arrangements for senior executives.

After reviewing its Policy on Pension Taxation, the Committee agreed to suspend the scheme and consider no new applications for the next 12 months.

The Committee reviewed the proposed institutional targets for 2018/19.

### August 2018

The Committee reviewed the base salaries of members of the Vice-Chancellor's Executive Group, taking account of market data, affordability and performance.

### October 2018

The Committee reviewed the achievement of the institutional targets and personal objectives for members of the Vice-Chancellor's Executive Group which had been agreed for 2017/18. Taking account of these assessments, the Committee made decisions on the percentage of performance related reward which should be paid under the Executive Performance Reward Scheme to recognise the achievement of these institutional and personal objectives.

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The Committee reviewed the proposed performance targets for 2018/19 under the Executive Performance Reward Scheme.

To improve accountability, governance and transparency of its work the Committee reported in detail to Council at its meeting in October 2018.

### External Review

The Committee commissioned the Korn Ferry Hay Group to review the University's approach towards senior reward and the effectiveness of the Committee, taking account of the Committee of University Chairs' Remuneration Code and good practice. The report noted that the steps which the Committee has already taken to improve transparency and accountability already satisfy most of the requirements of the Code and that the Committee operated effectively and independently. The review also concluded that the University's reward arrangements for senior executives met the requirements of the Code.

### Approach to Remuneration

#### Reward Strategy

The University's Reward Strategy (agreed by the Committee in 2014) is designed to motivate our key talent to achieve the University's strategic objectives, to deliver an outstanding experience for our students, to drive forward our internationally focused research and to lead and inspire our academic and Professional Services employees.

Taking account of the requirements of the Office for Students and the Committee of University Chairs' Remuneration Code, the Committee reviewed its Executive Reward Policy in June 2018.

### Executive Reward Policy

#### Introduction

The Committee is concerned with the full spectrum of senior employment issues, including recruitment; promoting and retaining the highest quality academic and Professional Services leaders; setting performance targets and incentives for these leaders to develop the continued success of the University; and monitoring the outcomes and the way in which they are achieved.

University of Exeter Remuneration Committee is responsible for reviewing and making decisions on the remuneration, benefits and conditions of employment of the Vice-Chancellor's Executive Group, taking account of affordability and comparative information on the remuneration, benefits and conditions of employment in the University sector and elsewhere as appropriate, so that:

- the University is able to recruit and retain the highest quality academic and Professional Services leaders;
- the Committee sets performance targets and incentives for these leaders to develop the continued success of the University; and
- the Committee effectively monitors the outcomes and the way in which they are achieved.

The Reward Strategy sets out the following overarching principles which guide the decisions taken by the Committee on executive reward:

- reward excellence and competency;
- be more transparent about the total reward package and how reward is determined;
- apply a consistent framework to reward which recognises different staff categories;
- further reinforce the embedding of equality in our approach towards reward;
- promote the total reward package (financial and non-financial);
- develop clear initiatives which facilitate career and reward progression;
- focus reward on positive stewardship of the University and legacy;
- clearly contribute to key University strategies.

### Executive Reward

Decisions on the base salary of members of VCEG are informed by market data, institutional and personal performance and affordability. The Committee's aim is to pay a competitive salary but a significant part of this is dependent upon performance. The University will pay a competitive salary based on the market median (informed by appropriate market intelligence) and, in addition, members of the Vice-Chancellor's Executive Group will have the opportunity to earn above the market median through the Executive Performance Reward Scheme.

### Base Salary

Remuneration Committee will set an indicative "mid-point" for the base pay of members of the Vice-Chancellor's Executive Group at approximately 95% of the Russell Group median.

Remuneration Committee will review the mid-point each year to ensure that it is appropriately aligned to the Russell Group median (or other appropriate market data). Members of VCEG do not receive general increases agreed annually at national level in the Joint National Committee for Higher Education Staff.

Decisions on starting salaries for Members of the Vice-Chancellor's Executive Group will be made in accordance with the Committee's delegation schedule, informed by appropriate market intelligence and the new appointment's experience.

Members of the Vice-Chancellor's Executive Group whose starting salary is below the mid-point have a reasonable expectation that their base salary will progress to the mid-point subject to satisfactory performance, to be assessed annually by Remuneration Committee.



Progression beyond the mid-point will be subject to exceptional contribution over a sustained period, determined by Remuneration Committee. Members of the Vice-Chancellor's Executive Group who are paid at or above the mid-point will only have their base salary increased to take account of an increase in the market rate within the Russell Group or exceptional performance sustained over a longer period. Members of the Vice-Chancellor's Executive Group will therefore normally only be considered for performance-related pay progression above the mid-point every 3 years.

Each year, the Committee will review the base salaries of members of the Vice-Chancellor's Executive Group, taking account of the principles above and any recommendations made by the Vice-Chancellor, Provost and Registrar and Secretary for their direct reports.

### Executive Performance Reward Scheme

The Executive Performance Reward Scheme recognises both institutional performance and personal performance. Under the Executive Performance Reward Scheme members of VCEG are eligible for a performance related payment of up to 20% each year.

To recognise institutional performance – since all senior managers have a shared responsibility in the success of the University – half of the potential performance related payment is subject to the University achieving a range of institutional targets.

The other half is subject to the achievement of personal performance objectives, including how these are achieved, as well as what is achieved.

Remuneration Committee will approve both the institutional targets and annual personal targets (after consultation with role holders) and assess achievement against these objectives and the amounts (if any) to be paid. Both institutional and personal targets should have a direct "line of sight" to the University's strategic plans. The annual institutional targets should also ensure there encompass the achievement of longer term objectives.

### Academic Office Holders

If a member of staff returns to their substantive position of Professor in their College on the expiry of their term of office as Deputy Vice-Chancellor or Pro-Vice-Chancellor, their salary will be the higher of:

- the minimum point on the University of Exeter Professorial pay band to which they are assimilated; or
- their base salary at 1 August 2014 or the date their term of office commenced (if later);
- or the mid-point salary agreed by Remuneration Committee for Deputy Vice-Chancellor or Pro-Vice-Chancellor (as appropriate), if on the date of the expiry of their term of office, their salary is above this mid-point;
- other salary figure agreed by Remuneration Committee.

If their salary is higher than the top point of the University of Exeter Professorial pay band to which they are assimilated then they will not receive any JNCHES increases until the Professorial payscale has caught up with their protected salary. They will be eligible for consideration

for pay progression within the pay band and for progression to a higher band in common with the processes which will apply to all Professors at the University.

### Pension

Subject to the rules of USS, base salary will be pensionable but members of the Vice-Chancellor's Executive Group may request that part of their salary is taken as non-pensionable. They also have the opportunity to choose other options provided by USS to take account of the Annual Allowance and Lifetime Allowance.

The Policy on Pension Taxation, which provided for the payment of an allowance in lieu of employer pension contributions for staff who had reached or exceeded their Lifetime Allowance and taken advice from an independent financial adviser, has been suspended by the Committee and no new applications are being considered.

### Institutional Performance: Context

The University's corporate strategy for 2016-2021<sup>3</sup> (*Making the Exceptional Happen*) sets out ambitious plans to grow the University by increasing our research volume, quality and impact, delivering an internationally exceptional educational experience to a more diverse and international student body and to raise the University's international reputation so that we become a sustainable Global 100 research institution. The strategy outlines our goals to build research power to tackle global challenges, deliver an internationally excellent education, create an impact regionally, national and globally, support our people to make the exceptional happen, and make the most of our resources.

The University is planning to achieve these challenging targets in an increasingly competitive environment both in the UK and internationally. There is significant global competition for the very best students and academic experts. We are also operating within an environment of financial uncertainty, competing with other research intensive universities for limited research funding and managing the uncertainties of Brexit. We will continue to measure our progress towards the achievement of our aims within the UK and international markets by the use of performance metrics, including maintaining and improving our standing in the main global and UK league tables.

### Institutional Performance 2017/18

The University's achievement in 2017/18 are detailed in the Annual Report (see page 3).

### Remuneration Decisions

The Committee reviewed the remuneration of members of the Vice-Chancellor's Executive Group in accordance with the Committee's Executive Reward Policy and agreed increases to basic salary for 8 (of the 17) members, increasing the total cost of the basic salaries of the Vice-Chancellor's Executive Group by 1.3%. The Executive Performance Reward Scheme recognises both institutional performance and personal performance. Under the Executive Performance Reward Scheme members of VCEG are eligible for a performance related payment of up to 20% each year. To recognise institutional performance – since all senior managers have a shared

<sup>3</sup> [www.exeter.ac.uk/ourstrategy](http://www.exeter.ac.uk/ourstrategy)

responsibility in the success of the University – half of the potential performance related payment is subject to the University achieving a range of institutional targets. The other half is subject to the achievement of personal performance objectives, including how these are achieved, as well as what is achieved. 16 members of the Vice-Chancellor's Executive Group were eligible for payments in 2017/18.

In reaching decisions on payments under the Executive Performance Reward Scheme in respect of institutional and personal performance in 2017/8, the Committee took account of the following against the targets agreed by the Committee at the beginning of the year:

- International and PGR student numbers
- NSS performance
- Employability
- Research performance including income and awards and progress towards REF 2021 targets
- Reputational indicators (ie UK and international league tables)
- Financial performance including fundraising
- Inclusivity, equality and diversity.

Professor Sir Steve Smith has led the University of Exeter as Vice-Chancellor since 2002. The role of Vice-Chancellor as Chief Academic Officer and Chief Executive of the institution is a complex and challenging one, requiring not only excellent administrative and people skills to deal with the wide range of stakeholders which exist in every university, but also has a comprehensive insight into the future of higher education. Sir Steve is an outstanding leader.

During his tenure the University has been transformed into one of the UK's leading research intensive universities. In 2002 the University of Exeter was 34th in the national league tables and today is in the top 14 in the UK and top 150 universities in the world. In the 2014 Research Excellence Framework, the University saw the third highest increase in QR funding in the UK, and has moved from 38th to 12th in terms of Research Council awards. Also under his leadership, Exeter has become a member of the Russell Group of leading UK research intensive universities, has established the University of Exeter Medical School – one of the most successful new Medical Schools in the country and has become recognised as one of the best teaching and research universities in the country with a Gold rating for teaching excellence (TEF).

Since 2002 the University's turnover has increased from £85m to £420m and has grown from an institution of 12,000 students and 2,500 staff to more than 22,000 students and 5,000 staff today. Significant in this growth has been the establishment of the Penryn campus in partnership with Falmouth University and the enormously successful expansion of our activities in Cornwall over the last fourteen years.

Sir Steve's considerable leadership experience as one of the UK's longest serving Vice-Chancellors enables him to act as an ambassador for the University, and UK Higher Education in general, both within the UK and globally. As a Board

Member of both Universities UK and the Russell Group, he contributes to the development of Higher Education in the UK. Locally, he is a Board Member of Heart of the South West Local Enterprise Partnership, promoting the University's contribution to the local economy. The University injects £1.17 billion into the economy, creating 11,000 jobs, fuelling business and research, and sponsoring and supporting local schools.

Decisions on the reward of the Vice-Chancellor are made by the University's Remuneration Committee (which comprises of independent members of the University's Governing Body) taking account of the achievement of strategic goals, the institution's national and international rankings and his performance against key performance metrics. Sir Steve's remuneration reflects his contribution to the success of the University and his Higher Education leadership experience.

In reviewing the performance of the Vice-Chancellor in 2017/18, the Committee noted that he has continued to lead the University in an exemplary manner during a challenging year. The University's research awards have continued at a very high level at £96.4 million and our REF plans are on target. The Medical School has been awarded additional medical students, established a nursing degree from 2019 and secured a £10 million donation to medical research from the Dennis and Mireille Gillings Foundation. The University achieved its EBITDA target and exceeded the target for philanthropy. We continue to improve the diversity of our senior staff and have established the Provost's Commission to address unacceptable attitudes and conduct. Our performance has improved in two of the UK league tables and achieved a satisfactory outcome in the National Student Survey. The Vice-Chancellor has also continued to play a leading role nationally and internationally on behalf of the higher education sector. He has built a strong leadership team.

Details of the remuneration of the Vice-Chancellor is summarised in Note 7 of the Financial Statements and below. The Committee made no change to the base salary of the Vice-Chancellor this year.

The remuneration received by the Vice-Chancellor in 2017/18 included:

- a base salary of £315,000;
- an allowance in lieu of employer pension contributions;
- a performance award (under the Executive Performance Reward Scheme) of 13% (out of a potential 20%) in respect of institutional and personal performance in respect of 2017/18.

Emoluments of the Vice-Chancellor	2017-18 (£000)	2016-17 (£000)
Salary	315	315
Performance-related remuneration	41	47
Additional pay in lieu of pension contributions	53	47
Sub-total excluding pension contributions	409	409
Pension contributions to USS	-	15
Other taxable benefits	2	2
Other non-taxable benefits	12	12
<b>Total Emoluments</b>	<b>423</b>	<b>438</b>

The University pays an annual subscription to provide space for business meetings held by the Vice-Chancellor when he is in London. It is necessary for the subscription to be in the name of the Vice-Chancellor and HM Revenue and Customs require this to be taxed. The cost to the University in the financial year 2017/18 was £1,952.

The University requires the Vice-Chancellor to occupy accommodation on the University campus. Since this accommodation is provided for the better performance of his duties, this is not treated as a benefit in kind. The accommodation comprises of private living accommodation and space for business use. If the property was rented out privately, the income to the University (for the proportion of the property which is apportioned to the Vice-Chancellor's private living accommodation) would be £11,700 per annum.

In 2013, the Committee agreed that part of the Vice-Chancellor's reward should be directly linked to the achievement of long-term performance targets and, in recognition of the importance of the Vice-Chancellor to the University achieving its strategic goals, the Vice-Chancellor remaining in the employment of the University up to the expiry of his contract. These long-term arrangements were reviewed and updated by the Committee during 2017/18.

If the Vice-Chancellor achieves agreed long-term performance targets for the period 2013 to 2020, he will be eligible for a performance related reward. The Remuneration Committee will make an assessment of the amount to be paid at the end of the 2019/20 University year and any payment will be reported in the University's Financial Statement for 2019/20. The payment is expected to be circa £180,000.

In recognition of the importance of Professor Sir Steve Smith remaining in post as Vice-Chancellor to the achievement of the University strategic objectives, provided he has remained in post until the expiry of his contract on 31 August 2020, a retention payment of £105,850 will be made. This will be reported in the 2020/21 Financial Statement.

The Committee has also agreed a post-termination restriction with Professor Sir Steve Smith to protect the business interest of the University of Exeter: provided he is not employed by or provide consulting services to competitor institutions for a period of 12 months following the expiry of his contract on 31 August 2020, he will receive a payment in August 2021 of £105,850. This will be reported in the University's Financial Statement in accordance with the requirements of the Office for Students Accounts Direction.

### External appointments

The Committee has agreed a new policy on External Work for senior executives which is available at [www.exeter.ac.uk/about/organisation/governance/committees/remuneration\\_committee/](http://www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/).

The Vice-Chancellor serves on the following external bodies with the approval of the University Council. He does not receive any remuneration for this external work.

- Chair of UCAS
- Board Member of Heart of the South West Local Enterprise Partnership
- Board Member of the Russell Group
- Board Member and Chair of the International Policy Network of Universities UK
- Trustee of the Education and Employers Task Force

### Expenses

All expenses paid to members of the Vice-Chancellor are in furtherance of the business of the University and comply with the University's expenses policy<sup>4</sup> and Entertainment, Hospitality and Gifts Policy<sup>5</sup>.

### Richard Atkins

Chair of the Remuneration Committee

<sup>4</sup> [www.exeter.ac.uk/media/universityofexeter/financeservices/pdfs/Exeter\\_Expenses\\_Policy\\_v10\\_\(2018\\_Refresh\).pdf](http://www.exeter.ac.uk/media/universityofexeter/financeservices/pdfs/Exeter_Expenses_Policy_v10_(2018_Refresh).pdf)

<sup>5</sup> [www.exeter.ac.uk/media/universityofexeter/financeservices/pdfs/Entertainment\\_Hospitality\\_Gifts\\_Policy\\_2.pdf](http://www.exeter.ac.uk/media/universityofexeter/financeservices/pdfs/Entertainment_Hospitality_Gifts_Policy_2.pdf)

## Dual Assurance

The University's business is governed through a mechanism known as dual assurance. As its name suggests, this model involves two people. The first of these is a member of VCEG, who takes responsibility for the management and development of policy in a particular area of business. The other is an independent member of Council, knowledgeable in the same area, who provides assurance to Council that this activity is well-managed and that

decisions have been reached following due process and appropriate consultation. The dual assurance mechanism is designed to minimise the number of committees, empower senior managers, speed up decision-making and make the most of the talents of independent members.

The table below shows the areas governed through dual assurance and the management and independent leads as at November 2018:

Business Area	Management Lead	Independent Lead
Arts and Culture	PVC (Humanities)	TBA
Finance and Investment	Chief Financial Officer	Alison Reed
Research	DVC (Research and Impact)	Sir John O'Reilly
Innovation and Business	DVC (External Engagement)	Graham Cole
Human Resources including Wellbeing	Director of People Services and Global Partnerships	Kiron Farooki
Equality and Diversity	DVC (External Engagement)	Kiron Farooki
Estates and Environmental Sustainability	Registrar and Secretary	Sarah Buck OBE
Ethics	DVC (Research and Impact)	Clare Marx
Information Technology, including digital	Registrar and Secretary	Richard Sargeant
Education	DVC (Education)	Richard Atkins CBE
Global Advancement	Provost	Gerry Brown
Risk	Registrar and Secretary	Judy Hargadon OBE
Communication and Reputation	Director of Communication and Corporate Affairs	Jo Binding
Sport	Registrar and Secretary	Jo Binding

## Senate

Senate is the academic authority of the University and its role is to direct and regulate the teaching and research work of the University. Senate draws its membership from senior academic and other staff and representatives of the students of the University. It is chaired by the Vice-Chancellor and meets at least 3 times a year with an additional joint meeting with Council.

## Senate Committees

Although Senate meets regularly each academic year, much of its detailed work is delegated to committees, in particular the Taught Programmes and Graduate Research Faculty Boards, the Flexible Combined Honours Degree Board of Studies and Ethics Committee.

Further information about Council and Senate Committees can be found at:  
[www.exeter.ac.uk/about/organisation/governance/committees/](http://www.exeter.ac.uk/about/organisation/governance/committees/)


## Management

The principal academic and administrative officer of the University is the Vice-Chancellor who has general responsibility to Council and Senate for maintaining and promoting the efficiency and good order of the University. The Vice-Chancellor has been nominated the accountable officer under the Terms and Conditions of Funding with the Office for Students.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. Senior Managers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

VCEG comprises the senior management team of the University. Led by the Vice-Chancellor and Chief Executive, it includes the Provost, three Deputy Vice-Chancellors, six Pro Vice-Chancellors, Director of People Services and Global Partnerships, Chief Financial Officer, the Director of Communications and Corporate Affairs, the Chief College Operations Officer and the Director of Campus Infrastructure and Operational Support Services. Details of VCEG membership is given at the front of these financial statements.

The Corporate Governance Statement and Responsibilities of the Council of the University on pages 33 to 48 were approved by Council on 22 November 2018 and signed on its behalf by:



**S Turvill**  
Chair of the Council



**Professor Sir S Smith**  
Vice-Chancellor and Chief Executive

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# Fundraising standards

In line with the Charities (Protection and Social Investment) Act 2016, the University is required to provide information about fundraising activities for the University and Exeter University Foundation (the Foundation).

The University of Exeter employs a team of professional fundraisers, as well as a number of student telephone fundraisers, to raise new funds through a variety of methods, namely: legacy fundraising, major gift fundraising from individuals, fundraising from charitable trusts and foundations and low level fundraising requests made via telephone, email, mail, or crowdfunding. The University takes a long-term approach to fundraising, taking time to develop relationships with potential donors and then carefully stewarding existing donors. The University seeks to engage all alumni, whether they choose to donate or not, and is keen to maintain mutually beneficial relationships with all its stakeholders.

The University is careful to ensure that its approach to fundraising protects vulnerable people and other members of the public from unreasonable intrusion, persistent approaches or from placing undue pressure on a person to give money or other property.

- The University provides regular opportunities for all alumni and other individuals being solicited to opt out of all or some of a variety of fundraising approaches. These preferences are accurately recorded on the central database and are reflected in data selections for specific appeals.
- The University of Exeter does not actively fundraise from individuals over the age of 80 by telephone or over the age of 83 for postal or e-appeals, where age is known or suspected. Donors over the age of 80 are informed of the impact of their existing donations by post and phone, but are not asked to increase their donations.
- All contactable alumni, regardless of age, receive generic communications from the University, updating them about the University's activities and progress, including the impact of previous donations. These communications may include details of how to support the University.
- The University does not solicit donations from each individual more than once per year over the telephone or more than four times per year through direct mail.

All fundraising staff are trained to ensure that no undue pressure is placed on potential donors. The University takes a life-long approach to relationships with alumni and others and does not want to impede those relationships by pressuring individuals to make donations.

Activities carried out by fundraisers are monitored through standard University procedures surrounding Performance Development Reviews. All fundraising activity is recorded on a central database.

Neither the University nor any person acting on behalf of it was subject to an undertaking to be bound by any voluntary scheme for regulating fundraising, or any voluntary standard of fundraising, in respect of activities on behalf of the charity.

The University received no complaints about its fundraising activities for the year to 31 July 2018.

# Independent Auditor's Report

## Report on the audit of the financial statements Opinion

We have audited the financial statements of University of Exeter ("the University") for the year ended 31 July 2018 which comprise the Group and University Statement of Comprehensive income, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement, and related notes, including the 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 2018, 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 the Accounts Direction dated 19 June 2018 issued by the Office for Students

## 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 Review and the Report of the Governors and Corporate Governance Statement. 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 their statement set out on page 41, 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](http://www.frc.org.uk/auditorsresponsibilities).

## Report on other legal and regulatory requirements

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; 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 paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. 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.

**Michael Rowley**  
for and on behalf of **KPMG LLP, Statutory Auditor**  
Chartered Accountants  
Plym House  
3 Longbridge Road  
Plymouth PL6 8LT

# Principal Accounting Policies

## **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice 2015 (SORP 2015): Accounting for Further and Higher Education and in accordance with Financial Reporting Standard 102 (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention except for the revaluation of heritage assets, investment property, pensions and swaps.

Council has a reasonable expectation that the University and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

## **Basis of consolidation**

The results of the University's subsidiary undertakings and undertakings in which it has a controlling interest for the financial year to 31 July 2018, have been consolidated in the financial statements. Details of these subsidiaries are provided in note 15.

Jointly controlled entities are accounted for using the equity method. The University's share of income and expenditure in joint venture entities is recognised in the consolidated Statement of Comprehensive Income, and its share of assets and liabilities in joint venture entities are recognised in the consolidated Balance Sheet. Details of these joint ventures are provided in note 16.

The consolidated financial statements do not include the income and expenditure of the University of Exeter Students' Guild and the Falmouth and Exeter Students' Union, as the University does not operate dominant or significant influence over their activities.

## **Accounting estimates and judgements**

### **Key sources of estimation uncertainty**

The University makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### **Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See note 12 for the carrying amount of the property, plant and equipment, and the tangible assets accounting policy for the useful economic lives for each class of assets.

### **Impairment of debtors**

The University makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors, our knowledge of

individual debtors and our historical experience. See note 17 for the net carrying amount.

### **Pensions- ERBS**

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the University's retirement benefit obligation and pension assets/liabilities. Assumptions used in the current financial year are detailed in note 29.

### **Pensions- USS**

USS is a multi-employer scheme whereby the liabilities of the scheme cannot be separately attributable to individual Universities / employers. The liability has instead been calculated as the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements. Assumptions used to calculate the scheme liability in the current financial year are detailed in note 29.

### **Provisions- Exeter Science Park Loan Guarantee**

The University has recognised a provision in respect of the loan guarantee with Exeter Science Park Limited, based on the estimated liability as at the 31 October 2023, the date at which this liability would transfer to the University. Further details are included in note 28.

### **Critical accounting judgements in applying the University's accounting policies**

There are no such judgements in either the current or prior year.

## **Recognition of Income**

### **Recurrent grants and Tuition fees**

Recurrent grants from funding bodies represent the funding allocations, which are attributable to the current financial year and are credited directly to the income and expenditure account.

Tuition fees represent all fees chargeable to students or their sponsors, received and receivable, which are attributable to the current accounting period net of discounts. The cost of any fees waived by the University is deducted from tuition fee income. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

### **Grant funding**

Grant funding including funding council grant, research grants from government sources and grants (including research grants) from non-government sources are recognised when the University is entitled to the income and performance related conditions have been met. If no performance conditions exist, income is recognised on entitlement. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.



Capital grants are recognised within income when the University is entitled to the funds, subject to any performance related conditions being met.

#### **Donations and endowments**

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
4. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.

Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with the restrictions, at which point the income is released to general reserves through a reserve transfer. Donations without restrictions are recognised in income when the University is entitled to the funds.

Gifts in kind are included in donations using a reasonable estimate of their gross value or the amount realised.

#### **Other income**

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Investment income is included in full in the income and expenditure account. Income from endowment assets held for restricted purposes imposed by the donor or funder is recognised in line with the conditions attached to the University's right to the investment income. The University acts as an agent in the collection and payment of hardship funds and training bursaries from the funding bodies. Related receipts from the National College for Teaching and Leadership and subsequent disbursement to students are excluded from the income and expenditure account. Details are provided in note 32 of transactions in the year.

Income within the University's subsidiary companies represents the fair value of consideration receivable, excluding Value Added Tax, in the ordinary course of that Company's business for goods and services provided. In respect of long-term contracts and contracts for on-going services, income represents the value of work done in the year, including estimates of amounts not invoiced. Income in respect of long-term contracts for on-going services is recognised by reference to the stage of completion.

#### **Accounting for retirement benefits**

The two principal pension schemes for University staff are the Universities Superannuation Scheme (USS) and the University of Exeter Retirement Savings Scheme (ERSS). A third scheme, the University of Exeter Retirement Benefit Scheme (ERBS) closed to future accrual in November 2016.

The USS is a defined benefit, multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to the University due to the mutual nature of the scheme and therefore is accounted for as a defined contribution retirement benefit scheme. A scheme-wide contribution rate is set and the institution is therefore exposed to actuarial risks associated with the other institutions' employees. As a result, the amount charged to the staff costs represents the contribution payable to the scheme in the accounting period and a liability is recorded within provisions for any contractual commitment to fund past deficits, at a discounted rate within the USS scheme. The University has entered into an agreement with USS to fund a share of the scheme deficit. These agreed future contributions are recognised as a provision in the financial statements, with any movements in the provision charged to staff costs. The fund is revalued every three years by professionally qualified independent actuaries.

ERSS is a new defined contribution scheme, which opened in December 2016. The University pays fixed contributions to the fund, which are recognised within staff costs.

ERBS, a defined benefit scheme, was closed to future accrual in November 2016. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, at bid price, and any unrecognised past service costs) are dedicated.

Further information on pension schemes and post-retirement benefits are disclosed in note 29.

#### **Employment benefits**

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

#### **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. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised 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.

Minimum lease payments are apportioned between the finance charge and the 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.

### **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 the 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.

### **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.

### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate ruling at that date. Resulting exchange differences arising on translation are recognised in the income statement (except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive Income).

### **Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 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.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any other commercial organisation.

### **Tangible and intangible assets**

Non-current tangible and intangible assets are stated at cost less accumulated depreciation/amortisation and accumulated impairment losses. Land and buildings that had been revalued to fair value on or prior to the date of transition to the SORP 2015, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets, in line with component accounting.

### **Capitalisation**

Tangible and intangible assets are capitalised where they are capable of being used for a period that exceeds one year and which:

- Individually have a cost greater than £25,000; or
- Collectively have a cost equal to or greater than £25,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

The University has a five-year rolling long-term maintenance plan, which forms the basis of the on-going maintenance of the estate. Expenditure on long-term maintenance which does not either enhance an asset beyond its original condition or increase its expected economic life, and expenditure on all routine corrective maintenance, is charged to the income and expenditure account as incurred. Major replacement and refurbishment work is capitalised if the work creates or enhances an existing asset, or improves or substantially overhauls an asset. Finance costs directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

Intangible assets held by the University consist of software.

### **Heritage assets**

Heritage assets are capitalised and recognised at the cost or value of the acquisition where such a cost or valuation is reasonably obtainable. Where reliable estimates of cost or value are not available on a cost-benefit basis, these assets are omitted from the financial statements. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

Any costs of maintaining and displaying the collection are reported in the Statement of Comprehensive Income in the year that they are incurred.

### **Depreciation / Amortisation**

A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal, with the exception of research equipment which is depreciated monthly on a straight line basis. All depreciation is calculated on a straight line basis as follows:

Freehold land	Not depreciated
Freehold buildings	Over their expected remaining useful lives, subject to a maximum of 60 years
Leasehold buildings	Over the shorter of the lease term and the expected useful lives
Assets under construction	Not depreciated
Assets held for sale	Not depreciated
Infrastructure	Over their expected remaining useful lives, subject to a maximum of 60 years
Computer equipment and IT infrastructure	Over its expected useful life between 4 to 8 years
Intangible Assets / Software	Over its expected useful life between 3 to 5 years
Other Equipment	Over its expected useful life between 3 to 8 years

Building works that are greater than £150,000 are analysed into the following components:

Component	Life
Building shell	40-60 years
Mechanical and Engineering Services	10-30 years
Fit Out	20-25 years

#### **Investment Property**

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Rental property held primarily for the provision of social benefits (e.g. student residences) are accounted for as tangible fixed assets rather than Investment Property, in accordance with FRS 102.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Surplus or Deficit. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

#### **Investments**

Non-current investments are held on the balance sheet at amortised cost less impairment. Current asset investments are included in the balance sheet at fair value. Increases/decreases in value arising on the revaluation of fixed asset investments are recognised in the Surplus or Deficit.

In the financial statements of the University the investments in subsidiary undertakings are included in the balance sheet at cost.

#### **Stock**

Stock is shown at the lower of cost and net realisable value and is measured using a first in first out formula. Where necessary, provision is made for obsolete, slow-moving and defective stocks. Stocks of consumables held for administration purposes and in Colleges are not valued.

#### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice 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 of value.

#### **Financial Instruments**

The provisions of both section 11 and 12 of FRS 102 are applied in full. Basic financial instruments are held at amortised cost using the effective interest method or cost and are subject to an annual impairment review.

Complex financial instruments are held at fair value, with changes in the fair value taken directly to the Statement of Comprehensive Income, except where hedge accounting is applied

#### **Derivatives and hedge accounting**

The University used derivative financial instruments (interest rate swaps) to reduce exposure to interest rate movements on its loans until it cancelled all of its interest-rate swap contracts in November 2017. These derivative financial instruments were not held for speculative purposes and related to variable rate bank loans.

Derivatives are held on the balance sheet at fair value. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair value are recorded within other comprehensive income.

#### **Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when

- the University has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer 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 pre-tax 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.

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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 not recognised in the Balance Sheet but are disclosed in the notes when required.

**Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

# Statement of Comprehensive Income

	Notes	Group		University	
		Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
<b>INCOME</b>					
Tuition fees and education contracts	1	232,065	219,237	232,065	219,237
Funding body grants	2	45,795	44,019	45,795	44,019
Research grants and contracts	3	76,073	70,241	76,073	70,241
Other income	4	57,584	58,543	57,360	58,130
Investment income	5	1,450	1,161	1,454	1,176
Endowments and donations	6	2,522	3,855	2,788	6,106
<b>Total income</b>		<b>415,489</b>	<b>397,056</b>	<b>415,535</b>	<b>398,909</b>
<b>EXPENDITURE</b>					
Staff costs	7	222,863	206,346	222,842	206,304
Staff costs – movement on pension provisions	7	(285)	45	(285)	45
Operating expenses	8	139,969	131,837	139,965	131,484
Depreciation	9	41,594	38,520	41,594	38,520
Impairment	9	-	2,830	-	2,830
Interest and other finance costs	10	10,110	10,093	10,110	10,093
<b>Total expenditure</b>		<b>414,251</b>	<b>389,671</b>	<b>414,226</b>	<b>389,276</b>
<b>Surplus before other gains/(losses) and share of operating surplus in joint ventures</b>		<b>1,238</b>	<b>7,385</b>	<b>1,309</b>	<b>9,633</b>
Gain on investments	15	1,404	2,821	1,404	2,821
Share of operating surplus in joint venture	16	1,092	1,117	-	-
Curtailment gain on defined benefit pension scheme	29	-	6,884	-	6,884
<b>Surplus for the year</b>		<b>3,734</b>	<b>18,207</b>	<b>2,713</b>	<b>19,338</b>
Actuarial gain in respect of pension schemes	29	24,607	2,076	23,748	1,160
Change in fair value of financial instruments	22	-	13,485	-	13,496
<b>Total comprehensive income</b>		<b>28,341</b>	<b>33,768</b>	<b>26,461</b>	<b>33,994</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year	23/24	1,047	4,648	1,047	4,648
Restricted comprehensive income/(expenditure) for the year		(13)	7	(13)	7
Unrestricted comprehensive income for the year	25	27,592	29,476	25,452	29,337
Revaluation reserve comprehensive (expenditure)/income for the year	26	(285)	(363)	(25)	2
		<b>28,341</b>	<b>33,768</b>	<b>26,461</b>	<b>33,994</b>

All items of income and expenditure relate to continuing activities

# Changes to Reserves

Group	Endowment	Restricted	Unrestricted	Revaluation	Total
	Reserve	Income and	Income and	Reserve	
	£'000	Expenditure	Expenditure	£'000	£'000
<b>Balance at 1 August 2016</b>	<b>32,533</b>	<b>23</b>	<b>421,210</b>	<b>21,755</b>	<b>475,521</b>
Surplus/(deficit) from the income and expenditure statement	4,648	7	13,550	2	<b>18,207</b>
Other comprehensive income	-	-	15,561	-	<b>15,561</b>
Transfers between revaluation and income and expenditure reserve	-	-	365	(365)	-
<b>Total comprehensive income</b>	<b>4,648</b>	<b>7</b>	<b>29,476</b>	<b>(363)</b>	<b>33,768</b>
<b>Balance at 1 August 2017</b>	<b>37,181</b>	<b>30</b>	<b>450,686</b>	<b>21,392</b>	<b>509,289</b>
Surplus/(deficit) from the income and expenditure statement	1,047	(13)	2,725	(25)	<b>3,734</b>
Other comprehensive income	-	-	24,607	-	<b>24,607</b>
Transfers between revaluation and income and expenditure reserve	-	-	260	(260)	-
<b>Total comprehensive income</b>	<b>1,047</b>	<b>(13)</b>	<b>27,592</b>	<b>(285)</b>	<b>28,341</b>
<b>Balance at 31 July 2018</b>	<b>38,228</b>	<b>17</b>	<b>478,278</b>	<b>21,107</b>	<b>537,630</b>

University	Endowment	Restricted	Unrestricted	Revaluation	Total
	Reserve	Income and	Income and	Reserve	
	£'000	Expenditure	Expenditure	£'000	£'000
<b>Balance at 1 August 2016</b>	<b>32,533</b>	<b>23</b>	<b>423,075</b>	<b>7,157</b>	<b>462,788</b>
Surplus/(deficit) from the income and expenditure statement	<b>4,648</b>	7	14,681	2	<b>19,338</b>
Other comprehensive income	-	-	14,656	-	<b>14,656</b>
Transfers between revaluation and income and expenditure reserve	-	-	-	-	-
<b>Total comprehensive income</b>	<b>4,648</b>	<b>7</b>	<b>29,337</b>	<b>2</b>	<b>33,994</b>
<b>Balance at 1 August 2017</b>	<b>37,181</b>	<b>30</b>	<b>452,412</b>	<b>7,159</b>	<b>496,782</b>
Surplus/(deficit) from the income and expenditure statement	1,047	(13)	1,704	(25)	2,713
Other comprehensive income	-	-	23,748	-	<b>23,748</b>
Transfers between revaluation and income and expenditure reserve	-	-	-	-	-
<b>Total comprehensive income</b>	<b>1,047</b>	<b>(13)</b>	<b>25,452</b>	<b>(25)</b>	<b>26,461</b>
<b>Balance at 31 July 2018</b>	<b>38,228</b>	<b>17</b>	<b>477,864</b>	<b>7,134</b>	<b>523,243</b>

# Balance Sheets

	Notes	Group		University	
		Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2018	Year Ended 31 July 2017
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Intangible assets	11	7,365	5,541	7,365	5,541
Tangible fixed assets	12	704,304	692,834	703,864	692,527
Heritage assets	13	7,244	7,244	7,244	7,244
Investments	15	41,998	44,952	42,691	45,462
Investment in joint venture	16	14,374	12,823	-	-
		<b>775,285</b>	<b>763,394</b>	<b>761,114</b>	<b>750,774</b>
<b>Current assets</b>					
Stock		553	487	553	487
Receivables falling due within one year	17	37,806	27,720	37,714	27,865
Receivables falling due after one year	17	15,925	16,059	15,925	16,059
Investments	18	61,606	59,286	61,606	59,286
Cash and cash equivalents		43,076	68,024	42,522	67,530
		<b>158,966</b>	<b>171,576</b>	<b>158,320</b>	<b>171,227</b>
Less: Creditors: amounts falling due within one year	19	(108,306)	(108,318)	(108,028)	(107,960)
		<b>50,660</b>	<b>63,258</b>	<b>50,292</b>	<b>63,267</b>
<b>Net current assets</b>					
		<b>50,660</b>	<b>63,258</b>	<b>50,292</b>	<b>63,267</b>
<b>Total assets less current liabilities</b>					
		<b>825,945</b>	<b>826,652</b>	<b>811,406</b>	<b>814,041</b>
Creditors: amounts falling due after more than one year	20	(240,972)	(246,669)	(240,820)	(246,565)
<b>Provisions</b>					
Pension provisions	30	(44,943)	(68,294)	(44,943)	(68,294)
Other provisions	30	(2,400)	(2,400)	(2,400)	(2,400)
		<b>537,630</b>	<b>509,289</b>	<b>523,243</b>	<b>496,782</b>
<b>Total net assets</b>					
<b>Restricted Reserves</b>					
Endowment reserve	23/24	38,228	37,181	38,228	37,181
Income and expenditure reserve		17	30	17	30
<b>Unrestricted Reserves</b>					
Income and expenditure reserve	25	478,278	450,686	477,864	452,412
Revaluation reserve	26	21,107	21,392	7,134	7,159
		<b>537,630</b>	<b>509,289</b>	<b>523,243</b>	<b>496,782</b>
<b>Total Reserves</b>					

The financial statements on pages 58 to 93 were approved by Council on 22 November 2018 and were signed on its behalf by:



**Professor Sir S Smith**  
Vice-Chancellor and Chief Executive



**S Turvill**  
Chair of the Council



**A Connolly**  
Chief Financial Officer

# Cash flow Statement

		Year Ended 31 July 2018	Year Ended 31 July 2017
	Notes	£'000	£'000
<b>Cash flow from operating activities</b>			
Surplus for the year		3,734	18,207
<b>Adjustment for non-cash items</b>			
Depreciation	12	40,610	40,373
Amortisation of intangibles	11	984	977
Gain on investments	15	(1,404)	(2,821)
(Increase) in stock		(66)	(3)
(Increase) in debtors		(9,921)	(654)
Increase in creditors		10,749	5,048
Increase/(Decrease) in pension provision	30	396	(5,285)
(Decrease)/Increase in other provisions		-	(200)
Share of operating surplus in joint ventures		(1,092)	(1,117)
<b>Adjustment for investing and financing activities</b>			
Investment income		(1,450)	(1,161)
Interest and other finance costs	10	10,110	10,093
New endowments	6	(2,048)	(3,643)
Loss on the sale of fixed assets		71	270
Capital grant receipts		(4,759)	(5,076)
<b>Net cash inflow from operating activities</b>		<b>45,934</b>	<b>55,008</b>
<b>Cash flow from investing activities</b>			
Disposal of non-current asset investments		190	131
Investment income		1,016	2,992
Capital grants receipts		4,759	5,076
Withdrawal of deposits		(2,320)	10,532
New non-current asset investments		(1)	(4)
Payments made to acquire fixed assets		(33,401)	(27,647)
Payments made to acquire intangible assets		(2,266)	(1,698)
<b>Net cash outflow from investing activities</b>		<b>(32,023)</b>	<b>(10,618)</b>
<b>Cash flow from financing activities</b>			
Interest and other finance costs		(10,141)	(9,876)
New endowments		2,048	3,643
New bank loans		210,000	-
Repayments of amounts borrowed		(235,243)	(6,674)
Capital element of finance lease and		(5,523)	-
Service concession payments		(13,911)	(13,333)
Lease premium received		8,388	-
<b>Net cash outflow from financing activities</b>		<b>(38,859)</b>	<b>(26,240)</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>24,948</b>	<b>18,150</b>
Cash and cash equivalents at beginning of the year		68,024	49,874
Cash and cash equivalents at end of the year		43,076	68,024



# Notes to the Financial Statements

## NOTE 1 TUITION FEES AND EDUCATION CONTRACTS

	Group		University	
	Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000	£'000	£'000
Full-time home and EU students	152,795	144,197	152,795	144,197
Full-time international students	67,524	62,346	67,524	62,346
Part-time home and EU students	1,303	2,563	1,303	2,563
Part-time international students	744	671	744	671
Research Training Support Grant	7,577	7,110	7,577	7,110
Non-credit bearing course fees and other tuition fees	2,122	2,350	2,122	2,350
	<b>232,065</b>	<b>219,237</b>	<b>232,065</b>	<b>219,237</b>

## NOTE 2 FUNDING BODY GRANTS

	Group		University	
	Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000	£'000	£'000
Recurrent Grant				
HEFCE / Office for Students - Teaching grant	12,323	12,469	12,323	12,469
HEFCE / Research England - Research grant	23,596	23,229	23,596	23,229
Specific Grants				
HEFCE Capital grants	4,759	4,574	4,759	4,574
Higher Education Innovation Fund	2,244	3,105	2,244	3,105
HEFCE Other grants	2,690	142	2,690	142
Teach First	183	500	183	500
	<b>45,795</b>	<b>44,019</b>	<b>45,795</b>	<b>44,019</b>

The Office for Students (OfS) replaced HEFCE as the Higher Education regulator with effect from April 2018. OfS will continue to provide grant funding in respect of teaching activities. The Research and Knowledge Exchange functions of HEFCE have transferred to Research England.

## NOTE 3 RESEARCH INCOME

	Group		University	
	Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000	£'000	£'000
Research Councils	31,270	29,112	31,270	29,112
UK Research Charities	11,030	7,876	11,030	7,876
UK Central Government, local authorities and health authorities	10,506	11,763	10,506	11,763
UK Industry and commerce	3,080	3,016	3,080	3,016
European Union government	15,739	14,098	15,739	14,098
European Union industry / other bodies	241	92	241	92
Other	4,207	4,284	4,207	4,284
<b>Total Research Income</b>	<b>76,073</b>	<b>70,241</b>	<b>76,073</b>	<b>70,241</b>

#### NOTE 4 OTHER INCOME

	Group		University	
	Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000	£'000	£'000
Residences, catering and conferences	23,380	25,090	23,153	24,934
Service concession arrangement income (note 14)	13,754	13,115	13,754	13,115
Other revenue grants	1,074	826	1,123	826
Other capital grants	-	503	-	503
Other services rendered	2,704	2,289	1,690	1,416
Income from health authorities and trusts	3,805	4,748	3,805	4,748
Sports and swimming pool income	2,368	2,335	2,368	2,335
Summer Schools, fair and degree day income	282	330	282	330
ERASMUS income	1,028	1,218	1,028	1,218
Rental income and room hire	586	886	65	128
Externally charged staff time	1,600	1,740	2,169	2,282
Supplies and services to external customers	2,520	1,709	3,615	2,605
Library and IT related income	118	123	118	123
Family centre fees	463	500	463	500
Other income	3,902	3,131	3,727	3,067
	<b>57,584</b>	<b>58,543</b>	<b>57,360</b>	<b>58,130</b>

#### NOTE 5 INVESTMENT INCOME

	Note	Group		University	
		Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2018	Year Ended 31 July 2017
		£'000	£'000	£'000	£'000
Investment income on expendable endowments	24	206	116	206	116
Investment income on permanent endowments	23	628	307	628	307
Other investment income		616	738	620	753
		<b>1,450</b>	<b>1,161</b>	<b>1,454</b>	<b>1,176</b>

#### NOTE 6 ENDOWMENTS AND DONATIONS

	Note	Group		University	
		Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2018	Year Ended 31 July 2017
		£'000	£'000	£'000	£'000
New expendable endowments	24	1,813	2,237	1,813	2,237
New permanent unrestricted endowments	23	235	1,405	235	1,405
Restricted donations		15	7	15	7
Unrestricted donations		459	206	725	2,457
		<b>2,522</b>	<b>3,855</b>	<b>2,788</b>	<b>6,106</b>

**NOTE 7 STAFF COSTS**

Average staff numbers (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:

	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017
	Number	Number
Academic	1,389	1,306
Research	756	669
Professional Services	2,528	2,440
<b>Total</b>	<b><u>4,673</u></b>	<b><u>4,415</u></b>

**Staff costs for the above persons:**

	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017
Note	£'000	£'000
Salaries	177,399	164,345
Employer taxes	17,194	15,437
Pension contributions	28,270	26,564
	<u>222,863</u>	<u>206,346</u>
<b>Direct staff costs</b>	<b>222,863</b>	<b>206,346</b>
Movement on ERBS pension provision	(1,385)	(1,183)
Movement on USS pension provision	1,100	1,228
	<u>1,100</u>	<u>1,228</u>
<b>Total staff costs</b>	<b><u>222,578</u></b>	<b><u>206,391</u></b>

**Emoluments of the Vice-Chancellor and Chief Executive**

	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017
	£'000	£'000
Salary	315	315
Performance related remuneration	41	47
Additional pay in lieu of pension contributions	53	47
Sub-total excluding pension contributions	409	409
Pension contributions to USS	-	15
Other taxable benefits	2	2
Other non-taxable benefits	12	12
	<u>423</u>	<u>438</u>
<b>Total emoluments</b>	<b><u>423</u></b>	<b><u>438</u></b>

The University pays an annual subscription to provide space for business meetings held by the Vice-Chancellor when he is in London. It is necessary for the subscription to be in the name of the Vice-Chancellor and HM Revenue and Customs require this to be taxed. The cost to the University in the financial year 2017/18 was £1,952.

The University requires the Vice-Chancellor to occupy accommodation on the University campus. Since this accommodation is provided for the better performance of his duties, this is not treated as a benefit in kind.

The accommodation comprises of private living accommodation and space for business use. If the property was rented out privately, the income to the University (for the proportion of the property which is apportioned to the Vice-Chancellor's private living accommodation) would be £11,700 per annum.

Emoluments for senior staff are determined by the Remuneration Committee as set out in the Corporate Governance and Internal Control Statement on page 39.

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## **NOTE 7 STAFF COSTS (Continued)**

Justification for the Vice-Chancellor's remuneration is detailed in the Remuneration Committee report on page 44.

The ratio between the Vice-Chancellor's basic salary and the median basic salary of all other employees at 31 July 2018 (excluding casual workers) is 9.13.

The ratio between the Vice-Chancellor's total reward in 2017/18 and the median total reward of all other employees at 31 July 2018 (excluding casual workers and non-cash benefits, but including employer pension contributions) is 8.80. When the value of the accommodation provided to the Vice-Chancellor is included in the total reward pay ratio calculation, the figure is 9.05.

(Note: it has not been practical for the University to include casual workers or agency workers in these pay ratio calculations since the data which is available does not enable the University to accurately calculate a full-time equivalent rate for all casual workers and agency workers.)

The pay ratio figure encompasses all University employees, including academic and professional services staff. Unlike some other higher education institutions, the University of Exeter has not contracted out services on a significant scale.

### **Compensation for loss of office**

The total amount of any compensation for loss of office paid by the University for the year ended 31 July 2018 was £1,157k, this relates to 144 posts (£329k for 88 posts to 31 July 2017).

### **Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. These have been defined as members of the Vice-Chancellors Executive Group. Remuneration of key management personnel, excluding employer's pension contributions (except where this is part of a salary sacrifice scheme) was £3,186k for 17 posts for the year ended 31 July 2018 (£3,264k for 15 posts to 31 July 2017). No severance payments were made during the year.

Remuneration of higher paid staff, excluding employer's pension contributions (except where this is part of a salary sacrifice scheme) but inclusive of payments made on behalf of the NHS and partner institutions in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are excluded in the University's Statement of Comprehensive Income is reported in the following table:

	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017
	Number	Number
£100,000 to £104,999	24	34
£105,000 to £109,999	24	18
£110,000 to £114,999	9	6
£115,000 to £119,999	14	11
£120,000 to £124,999	4	7
£125,000 to £129,999	4	2
£130,000 to £134,999	-	1
£135,000 to £139,999	4	5
£145,000 to £149,999	2	1
£150,000 to £154,999	1	1
£160,000 to £164,999	1	1
£165,000 to £169,999	1	-
£170,000 to £174,999	4	5
£200,000 to £204,999	2	2
£210,000 to £214,999	-	1
£215,000 to £219,999	1	1
£230,000 to £234,999	1	-
	<b>96</b>	<b>96</b>

This table excludes the Vice-Chancellor's remuneration, which is detailed on page 44.

#### **Council Members**

The University Council members are the charitable trustees. Due to the nature of the University's operations and the composition of the University Council (with members being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest.

Details of the organisations in which members of Council have an interest are published online at [www.exeter.ac.uk/about/organisation/council/whoware](http://www.exeter.ac.uk/about/organisation/council/whoware)

Further information on related party transactions is included in note 32.

Lay members do not receive payment, apart from reimbursement of expenses, for fulfilling their role as members of the governing body. Reimbursement of expenses amounted to £11,097 for 9 trustees (2017: £9,502 for 11 trustees). An additional £16,548 was paid directly by the University for travel, accommodation and subsistence for Council members.

## NOTE 8 OTHER OPERATING EXPENSES

	Group		University	
	Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000	£'000	£'000
Residences, catering and conferences	8,905	10,078	8,871	10,089
Rents and rates	1,490	1,258	1,946	1,262
Light, heat, power and water	5,809	5,192	5,788	5,158
Repairs and general maintenance	10,568	10,857	10,456	10,728
Research	18,091	18,718	18,091	18,718
Sport	1,811	1,679	1,811	1,679
Penryn Campus costs	5,681	5,553	5,681	5,553
Laboratory equipment and consumables	3,719	3,865	3,719	3,865
IT hardware, software and licences	2,860	2,696	2,803	2,635
Other equipment (including loss on disposal of equipment)	6,756	6,978	6,754	6,975
Books and periodicals	5,536	5,659	5,536	5,659
Agency, seconded staff and staff support costs	6,429	6,914	6,429	6,915
Publicity, publications and student recruitment	5,709	5,388	5,701	5,372
Travel and subsistence	11,431	10,703	11,428	10,697
Scholarships, prizes and student support	27,881	26,367	27,773	26,296
Grants paid to Alan Turing Institute	5,000	-	5,000	-
Auditors remuneration	65	65	59	58
Auditors remuneration in respect of non-audit services	8	21	5	19
Other expenses	12,220	9,846	12,114	9,806
	<b>139,969</b>	<b>131,837</b>	<b>139,965</b>	<b>131,484</b>
Included within other operating expenses are:				
Internal audit costs (within other expenses)	148	99	148	99
External audit costs (within Auditors remuneration)	65	65	58	58
Operating lease expenses	651	941	578	941

**NOTE 9 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY**

Group	Staff	Other	Depreciation/ Amortisation	Interest Payable	2018	2017
	Costs	Operating Expenses			Total	
	£'000	£'000	£'000	£'000	£'000	£'000
Academic colleges	103,639	23,181	2,233	-	129,053	121,235
Academic services	15,526	13,432	4,060	-	33,018	31,387
Administration and central services	51,239	53,775	43	-	105,057	93,592
Premises	9,943	22,585	20,869	9,409	62,806	60,520
Residences, catering and conferences	6,923	8,905	13,128	-	28,956	30,136
Research grants and contracts	35,593	18,091	1,261	-	54,945	51,182
Pension adjustment	(285)	-	-	701	416	1,619
	<b>222,578</b>	<b>139,969</b>	<b>41,594</b>	<b>10,110</b>	<b>414,251</b>	<b>389,671</b>

**NOTE 10 INTEREST AND OTHER FINANCE COSTS**

Group and University	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Loan interest	2,564	8,519
Finance costs relating to refinancing (note 20)	6,845	-
Net charge on pension schemes	701	1,574
	<b>10,110</b>	<b>10,093</b>

## NOTE 11 INTANGIBLE ASSETS

Group and University	Software	Assets under construction	Total
	£'000	£'000	£'000
<b>Cost</b>			
As at 1 August 2017	8,627	3,183	11,810
Additions	53	2,212	2,265
Disposals	-	-	-
Transfers	543	-	543
<b>As at 31 July 2018</b>	<b>9,223</b>	<b>5,395</b>	<b>14,618</b>
<b>Depreciation</b>			
As at 1 August 2017	6,269	-	6,269
Charge for the year	984	-	984
Written back on revaluation	-	-	-
Disposals	-	-	-
<b>As at 31 July 2018</b>	<b>7,253</b>	<b>-</b>	<b>7,253</b>
<b>Net Book Value</b>			
<b>At 31 July 2018</b>	<b>1,970</b>	<b>5,395</b>	<b>7,365</b>
At 31 July 2017	2,358	3,183	5,541

## NOTE 12 TANGIBLE FIXED ASSETS

Group	Land and buildings		Service concession	Equipment	Assets under construction	Total
	Freehold	Long Leasehold	arrangement			
	£'000	£'000	(Note 14) £'000	£'000	£'000	£'000
<b>Deemed Cost</b>						
At 1 August 2017	608,501	90,317	13,754	72,737	21,742	807,051
Additions	-	-	14,291	3,463	29,938	47,692
Transfers	23,791	164	-	7,828	(32,326)	(543)
Disposals	(2,830)	-	(13,754)	(165)	-	(16,749)
Transfer from Investment Property	5,002	-	-	-	-	5,002
<b>At 31 July 2018</b>	<b>634,464</b>	<b>90,481</b>	<b>14,291</b>	<b>83,863</b>	<b>83,863</b>	<b>842,453</b>
<b>Depreciation</b>						
At 1 August 2017	54,262	7,477	-	52,478	-	114,217
Charge for the year	17,098	2,795	13,754	6,963	-	40,610
Impairment – Historic Cost	-	-	-	-	-	-
Disposals	(2,830)	-	(13,754)	(94)	-	(16,678)
<b>At 31 July 2018</b>	<b>68,530</b>	<b>10,272</b>	<b>-</b>	<b>59,347</b>	<b>-</b>	<b>138,149</b>
<b>Net book value</b>						
<b>At 31 July 2018</b>	<b>565,934</b>	<b>80,209</b>	<b>14,291</b>	<b>24,516</b>	<b>19,354</b>	<b>704,304</b>
At 31 July 2017	554,239	82,840	13,754	20,259	21,742	692,834



**NOTE 12 TANGIBLE FIXED ASSETS (Continued)**

University	Land and buildings		Service concession arrangement (Note 14)	Equipment	Assets under construction	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Deemed Cost</b>						
At 1 August 2017	608,194	90,317	13,754	72,475	21,742	806,482
Additions	-	-	14,291	3,463	29,938	47,692
Transfers	23,791	164	-	7,828	(32,326)	(543)
Disposals	(2,830)	-	(13,754)	(165)	-	(16,749)
Transfers from Investment Property	4,869	-	-	-	-	4,869
<b>At 31 July 2018</b>	<b>634,024</b>	<b>90,481</b>	<b>14,291</b>	<b>83,601</b>	<b>19,354</b>	<b>841,751</b>
<b>Depreciation</b>						
At 1 August 2017	54,262	7,477	-	52,216	-	113,955
Charge for the year	17,098	2,795	13,754	6,963	-	40,610
Impairment – Historic Cost	-	-	-	-	-	-
Disposals	(2,830)	-	(13,754)	(94)	-	(16,678)
<b>At 31 July 2018</b>	<b>68,530</b>	<b>10,272</b>	<b>-</b>	<b>59,085</b>	<b>-</b>	<b>137,887</b>
<b>Net book value</b>						
<b>At 31 July 2018</b>	<b>565,494</b>	<b>80,209</b>	<b>14,291</b>	<b>24,516</b>	<b>19,354</b>	<b>703,864</b>
At 31 July 2017	553,932	82,840	13,754	20,259	21,742	692,527

- a) At 31 July 2018, freehold land and buildings included £88.7m (2017: £83.8m) in respect of freehold land which is not depreciated.
- b) Included in the cost of freehold land and buildings is £1.1m (2017: £1.1m) bank loan interest payable that has been capitalised. This has been calculated at the loan interest rate of 5.88%. These finance costs are directly attributable to the construction of student residences and were capitalised as part of the cost of those assets whilst they were in the course of construction. There has been no capitalisation of interest payable in the current or prior years.
- c) Upon transition to FRS102 tangible fixed assets were valued at deemed cost following a valuation performed by the external Chartered Surveyors, Jones Lang LaSalle, as at 31 July 2014 on the basis of existing use or depreciated replacement cost according to the nature and use of each building. This valuation was prepared in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors. No further revaluations of tangible fixed assets will occur, with the exception of investment properties (note 15) and heritage assets (note 13)
- d) Long leasehold land and buildings comprise the University owned buildings on the Penryn Campus, which were acquired under a 125 lease (111 years remaining) and the Research, Innovation, Learning and Development (RILD) buildings on the Royal Devon and Exeter Hospital (Wonford) site in Exeter, which was completed in 2013/14. The RILD buildings are held under a finance lease arrangement which has been fully paid in advance.

## NOTE 12 TANGIBLE FIXED ASSETS (Continued)

A finance lease liability and the equivalent prepayment have been included on the balance sheet in relation to the RILD buildings on the following basis:

	Note	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Debtors: Amounts falling due within one year	17	133	133
Debtors: Amounts falling due after more than one year	17	15,925	16,059
Creditors: Amounts falling due within one year	19	(133)	(133)
Creditors: Amounts falling due after more than one year	20	(15,925)	(16,059)

Of the amounts falling due after more than one year, £133k is due within one to two years, £399k is due within two to five years, and £15,393k is due after more than five years.

## NOTE 13 HERITAGE ASSETS

Group and University	Special Collections £'000	Fine Art Collection £'000	Total £'000
<b>Cost/Valuation</b>			
As at 1 August 2017	4,294	2,950	7,244
Additions	-	-	-
Disposals	-	-	-
Revaluation	-	-	-
<b>As at 31 July 2018</b>	<b>4,294</b>	<b>2,950</b>	<b>7,244</b>

### History of heritage assets

Year-ended 31 July	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Acquisition of heritage assets	-	-	108	-	-
Donated heritage assets	-	-	40	-	-
Revaluation of collections	-	-	75	-	2,586

### Library special collection

The library special collection consists of more than 400 collections of archives and manuscripts and 25 print collections. The John Betjeman Library of more than 4,000 printed books and pamphlets is one of the larger individual collections relating to a particular author. It was purchased in 1997 with the help of Heritage Lottery Fund and a grant from the Esmee Fairburn Charitable Collection, as well as donations from private individuals and the University.

### Fine art and furniture collection

The University has a collection ranging from paintings, drawings and sculpture to silverware, ceramics and pianos. The University has a collection of sculpture across Streatham Campus by distinguished artists such as Barbara Hepworth, Paul Mount and Geoffrey Clark.

Both the library and fine art collection were professionally valued during the year ended 31 July 2016 by external Fine Art Auctioneers and Valuers, Messrs. Bearn's Hampton and Littlewood, on an open market value basis.

**NOTE 13 HERITAGE ASSETS (Continued)****Bill Douglas Cinema Museum**

The Bill Douglas Cinema Museum holds a collection of books, prints, artefacts and ephemera relating to the history and pre-history of cinema. The initial collection was donated to the Exeter University Foundation in 1991 but since then other collections have also been donated. No value is reported in the Group's balance sheet as no reliable cost or

valuation can be attributed to this unique and irreplaceable collection. These assets are managed by the curator and his staff to ensure their cataloguing, safe keeping and preservation and are insured against accidental damage or loss at the University's expense. The museum was opened to the public in 1997 and is free of charge.

**NOTE 14 SERVICE CONCESSION ARRANGEMENTS**

The University has one service concession arrangement with University Partnerships Programme Limited (UPP) for the provision of student residential accommodation services.

In September 2009 the University entered into a 42 year contract with UPP for the provision of residential accommodation services, providing accommodation for 2,569 students. The assets and liabilities relating to this contract are recognised on the University's Balance Sheet to the extent that the University is required to fulfil nomination commitments at each 31 July. At the end of the contract term the buildings will revert back to the University. The University has the right to nominate rooms each January for the following academic year. This commits the University to pay for these rooms in the following year only. It is anticipated that student rents received will fully fund this obligation.

**Service Concession Arrangement assets**

The asset value of the service concession in the Balance Sheet as at 31 July 2018 is £14.3m (2017: £13.7m).

**Service Concession Arrangement liabilities**

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2018 were £14.3m (2017: £13.7m), representing the present value of lease obligations for the following academic year.

**Future Commitments**

The following table analyses the University's future commitments in relation to service concession arrangements:

	<b>Payable within 1 year</b>
	£'000
Liability repayments	14,267
Service charge	24
	<b><u>14,291</u></b>

## NOTE 15 NON-CURRENT INVESTMENTS

	Endowment Funds £'000	Investment Property £'000	Subsidiary companies £'000	Other investments £'000	Total 2018 £'000	Total 2017 £'000
Group						
<b>At 1 August</b>	<b>34,712</b>	<b>10,185</b>	-	<b>55</b>	<b>44,952</b>	42,039
Investment income	834	-	-	-	834	424
Fees	(190)	-	-	-	(190)	(128)
Transfer to Tangible Fixed Assets	-	(5,002)	-	-	(5,002)	(204)
Gain/(Impairment)	1,404	-	-	-	1,404	2,821
	2,048	(5,002)	-	(1)	(2,954)	2,913
<b>At 31 July</b>	<b>36,760</b>	<b>5,183</b>	-	<b>55</b>	<b>41,998</b>	<b>44,952</b>
<b>University</b>						
<b>At 1 August</b>	<b>34,712</b>	<b>10,493</b>	<b>210</b>	<b>47</b>	<b>45,462</b>	<b>44,478</b>
Investment income	834	-	-	-	834	424
Fees	(190)	-	-	-	(190)	(128)
Transfer to Tangible Fixed Assets	-	(4,869)	-	-	(4,869)	(2,133)
Gain/(Impairment)	1,404	-	-	-	1,404	2,821
	2,048	(4,869)	-	-	(2,821)	984
<b>At 31 July</b>	<b>36,760</b>	<b>5,624</b>	<b>210</b>	<b>47</b>	<b>42,641</b>	<b>45,462</b>

### Endowment Funds

The University holds an investment portfolio to invest part of its endowment funds, which are managed in line with the University Investment Policy. The investment objective of endowment funds is to achieve an absolute rate of return deemed achievable in the market place and sufficient to fulfil the charitable objectives of the donation, taking into account risk and any requirements to preserve capital. For more details on the endowment funds see notes 23 and 24.

### Investment Property

The University holds investment property where buildings are held for their external rental income. Where premises are occupied by subsidiary companies, these assets are not included as investment property at a consolidated level and are instead included within tangible fixed assets (note 12).

**NOTE 15 NON-CURRENT INVESTMENTS (Continued)****Subsidiary companies**

The investment in subsidiary undertakings, as consolidated in the financial statements, comprises the following:

<b>Directly owned Indirectly owned</b>	<b>Group Holding</b>	<b>Shareholding</b>	<b>Principal business activity</b>
UOE Consulting Limited	100%	60,110 Ordinary £1	Consultancy activities
Peninsula Innovations Limited	100%	2 Ordinary £1	Property management
ESI Enterprises Limited	100%	1 Ordinary £1	Dormant company
Living Systems Technology Ltd	100%	1 Ordinary £1	Dormant company
Exeter ISC Limited	100%	100 Ordinary £1 and 149,900 Redeemable preference £1	Holding company of INTO University of Exeter LLP
ERBS Trustee Limited	100%	1 Ordinary £1	Dormant company

All of the above companies are registered in England and Wales.

The activities of The Exeter University Foundation (Foundation), a registered charity, are consolidated on the grounds that the University has a controlling influence over its activities. From 2015/16 the University is the sole

corporate trustee of the Foundation. The Foundation supports the collections of The Bill Douglas Cinema Museum. It does not actively solicit donations, but will accept donations from those who prefer to donate to the Foundation rather than the University. The Foundation shares a year end of 31 July with the University.

**Other investments**

Other investments of the University comprise the following:

<b>Name</b>	<b>Holding</b>
Attomarker Limited	765 Ordinary £1 shares
Biosystems Technology Limited	270 Ordinary £0.50 shares
ChocEdge Limited	10 Ordinary £1 shares
Cotton Mouton Diagnostics Limited	132,800 Ordinary £0.01 shares
CVCP Properties Limited	37,355 Ordinary £1 shares
Disigi Limited	12 Ordinary £1 shares
Full Scales Dynamics Limited	1,600 Ordinary £1 shares
Health Behaviour Limited	Limited by Guarantee
Industrial Tomography Systems Plc	249,564 Ordinary £0.01 shares
Isca Diagnostics Limited	2,500 Ordinary £1 shares
Myco Sciences Limited	125 Ordinary £1 shares
One Health Ventures Limited	500,050 Ordinary £0.01 shares
TTL Holdings Limited	1,583 Ordinary £1 shares
Trireme Systems Limited	59,220 Ordinary £1 shares

These are all minority shareholdings whereby the University does not have significant influence or control over the companies.

Shares in Exeter Science Park Ltd are held at nil value, reflecting the uncertainty and remoteness of a return on

investment. The development of the Science Park is being funded in part from the Heart of the South West Local Enterprise Partnership loan facility, for further details on the loan see note 28.

## NOTE 16 INVESTMENT IN JOINT VENTURES

### Falmouth Exeter Plus Ltd Group (FX+ Ltd)

FX+ Ltd is a joint venture company with two members—the University and Falmouth University. It is a company limited by guarantee without share capital. FX+ Ltd has been established to provide student accommodation, student support and commercial services for the Penryn campus, occupied by the University and Falmouth University and has the status of an exempt charity.

Tremough Development Vehicle Limited (TDV Ltd) is a dormant wholly owned subsidiary of FX+ Ltd. It was established to provide the construction of the main campus for the University and Falmouth University.

Cornwall Plus Limited is a wholly owned subsidiary of FX+ Ltd. It was established to operate non-student letting of residences, non-academic conferences, external events and corporate hospitality. It commenced trading on 1 August 2013.

FX+ Ltd, TDV Ltd and Cornwall Plus Ltd have financial years that end on 31 July.

### INTO University of Exeter LLP

INTO University of Exeter LLP is a limited liability partnership between Exeter ISC Limited, a wholly owned subsidiary of the University, and INTO Exeter Limited, a wholly owned subsidiary of INTO University Partnerships Limited. Its principal place of business is INTO Building, Stocker Road, Exeter, EX4 4PY. INTO University of Exeter LLP was formed in December 2006 and operates from the University of Exeter's Streatham Campus. Its principal activity is the provision of English language and pre-university foundation, diploma and pre-masters' courses.

Exeter ISC Limited and INTO University of Exeter LLP have financial years that end on 31 July.

### Jointly controlled entities

Both FX+ Ltd and INTO University of Exeter LLP arrangements are jointly controlled entities and are accounted for using the gross equity method, such that 50% of each company's net equity (gross assets less gross liabilities) is included in the consolidated balance sheet of the University and 50% of their net income is reported in the University's consolidated income and expenditure account.

Both INTO University of Exeter LLP and Exeter ISC Limited have entered into a gift aid arrangement to distribute surpluses arising on their activities to the University and joint venture partners accordingly.

		Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Share of operating surplus	FX+	(341)	370
	INTO	1,433	747
		<b>1,092</b>	<b>1,117</b>
Share of total comprehensive income	FX+	518	1,275
	INTO	1,433	747
		<b>1,951</b>	<b>2,022</b>
Share of gross assets	FX+	44,110	45,234
	INTO	7,935	8,347
		<b>52,045</b>	<b>53,581</b>
Share of gross liabilities	FX+	(30,687)	(32,329)
	INTO	(6,984)	(8,429)
		<b>(37,671)</b>	<b>(40,758)</b>
Share of net assets	FX+	13,423	12,905
	INTO	951	(82)
		<b>14,374</b>	<b>12,823</b>

**NOTE 17 TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>University</b>	
	<b>Year Ended</b>	Year Ended	<b>Year Ended</b>	Year Ended
	<b>31 July 2018</b>	31 July 2017	<b>31 July 2018</b>	31 July 2017
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
<b>Amounts falling due within one year</b>				
Accrued research grant income	20,877	14,986	20,878	14,986
Prepayments	8,653	4,478	8,432	4,252
Other receivables	8,256	8,101	8,357	8,452
Amounts due from subsidiary companies	-	135	27	155
Amounts due from group undertakings	20	20	20	20
	<b>37,806</b>	<b>27,720</b>	<b>37,714</b>	<b>27,865</b>
<b>Amounts falling due after one year</b>				
Finance lease prepayment	<b>15,925</b>	<b>16,059</b>	<b>15,925</b>	<b>16,059</b>

**NOTE 18 CURRENT ASSET INVESTMENTS**

	<b>Group</b>		<b>University</b>	
	<b>Year Ended</b>	Year Ended	<b>Year Ended</b>	Year Ended
	<b>31 July 2018</b>	31 July 2017	<b>31 July 2018</b>	31 July 2017
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Short term deposits	29,753	17,073	29,753	17,073
Other short term investments	31,853	42,213	31,853	42,213
	<b>61,606</b>	<b>59,286</b>	<b>61,606</b>	<b>59,286</b>

Deposits are held with banks and building societies operating in the London market and authorised by the Prudential Regulation Authority with greater than three months but less than twelve months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.89% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 175 days.

Other short term investments are money market funds, certificates of deposit, floating rate notes and corporate bonds with greater than three months maturity but less than 12 months at the balance sheet date.

**NOTE 19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>University</b>	
	<b>Year Ended</b>	Year Ended	<b>Year Ended</b>	Year Ended
	<b>31 July 2018</b>	31 July 2017	<b>31 July 2018</b>	31 July 2017
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Bank loans	-	7,553	-	7,553
Other payables	21,104	18,696	21,104	18,665
Obligations under finance leases	133	133	133	133
Trade payables	5,013	14,172	4,971	14,065
Service Concession Arrangement	14,291	13,754	14,291	13,754
Social security and other taxation payable	5,341	4,979	5,293	4,979
Accruals and deferred income	17,480	13,334	17,293	13,114
Research grants received on account	44,944	35,697	44,944	35,697
	<b>108,306</b>	<b>108,318</b>	<b>108,029</b>	<b>107,960</b>

## NOTE 20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2018	31 July 2017	31 July 2018	31 July 2017
	£'000	£'000	£'000	£'000
Bank loans	209,524	181,264	209,524	181,264
Obligations under finance lease	15,925	16,059	15,925	16,059
Obligations under interest rate swap contracts	-	45,884	-	45,884
Other creditors	15,523	3,462	15,371	3,358
	<b>240,972</b>	<b>246,669</b>	<b>240,820</b>	<b>246,565</b>

### Analysis of bank loans Group and University

	Year Ended	Year Ended
	31 July 2018	31 July 2017
	£'000	£'000
Due within one year (note 21)	-	7,553
Due within one and two years	-	8,243
Due within two and five years	-	24,729
Due in five or more years	209,524	148,292
<b>Total secured and unsecured loans</b>	<b>209,524</b>	<b>188,817</b>

Included within the total balance above is the following:

Lender	Facility	Interest Rate %	Repayment	Maturity	Year Ended	Year Ended
	£'000				31 July 2018	31 July 2017
					£'000	£'000
National Westminster Bank Plc	100,000	4.79	Quarterly	2043	-	72,107
Barclays Bank Plc	65,000	4.62	Quarterly	2043	-	49,335
European Investment Bank	70,000	3.69	Quarterly	2036	-	67,375
Northwestern Mutual	35,000	2.58	Bullet	2038	34,921	-
Pricoa	60,000	2.61	Bullet	2043	59,864	-
Pricoa	90,000	2.68	Bullet	2048	89,796	-
Macquarie	25,000	2.68	Bullet	2048	24,943	-
					<b>209,524</b>	<b>188,817</b>

In January 2018 the University issued Loan Notes of £210m to three investors at fixed interest rates. The purpose of the funding was to refinance existing debt, repaying three bank loans and terminating all interest-rate swap contracts. Transaction fees of £482k are being amortised over the duration of the loans and charged to Other Finance costs.

All borrowings are unsecured but include a negative pledge obligation to each of the lenders, whereby the University has agreed not to grant security over its assets to third parties.

In November 2017, the University entered into a new 7-year £50m revolving credit facility with Barclays Bank. No drawings from the facility have been made over the year`.



**NOTE 21 ANALYSIS OF CHANGES IN NET DEBT**

Group	At 1 August 2017 £'000	Cash flow in year £'000	Change in creditor £'000	At 31 July 2018 £'000
Cash and cash equivalents	68,024	(24,948)	-	43,076
Current asset investments	59,286	2,320	-	61,606
	<u>127,310</u>	<u>(22,628)</u>	-	<u>104,682</u>
Bank loan and borrowings				
Due within 1 year	(7,553)	7,553	-	-
Due after 1 year	(181,264)	(28,260)	-	(209,524)
Other borrowings	(360)	192	-	(168)
	<u>(189,177)</u>	<u>(20,515)</u>	-	<u>(209,692)</u>
	<u>(61,867)</u>	<u>(43,144)</u>	-	<u>(105,011)</u>

**NOTE 22 FINANCIAL INSTRUMENTS**

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Examples of financial instruments include: cash; bank accounts; debtors and creditors; investments and options, forward contracts and hedging instruments and loans.

Nature and Extent of Risks Arising from Financial Instruments. The University's activities expose it to a variety of financial risks. The main risks to the University's treasury activities are:

- Credit and counterparty risk (security of investments);
- Liquidity risk / refinancing risk (inadequate cash resources / impact of debt maturing in future years);
- Market or interest rate risk (fluctuations in interest rate levels);
- Inflation risk (exposure to inflation);
- Foreign exchange risk.

**Credit and Counterparty Risk**

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the University an unexpected burden on its capital or revenue resources.

The risk is minimised through the investment strategy, and more specifically by the defined lending counterparty criteria, which sets out the criteria with which potential counterparties' creditworthiness is judged. They take account of counterparty ratings by the three major ratings agencies, Fitch; S&P and Moody's, with the lowest rating of the three being used. Limits are set on the amount that can be invested with each financial institution based on ratings, group structure, duration, and country of domicile.

The lending counterparty criteria are proposed and approved regularly, incorporating any changes in financial institutions or developments in the wider political, economic, or legal environment.

A range of indicators are used to assess counterparties' creditworthiness, not just credit ratings. Among other indicators that are taken into account are:

- Credit default swaps and spreads;
- Likelihood and strength of parental support;
- Government guarantees and support;
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

**Liquidity / Refinancing Risk**

A comprehensive cash flow management system is operated to ensure that cash is available as needed. Cash investments are made with reference to the outlook for the UK bank rate and money market rates. Short-term deposits are made with suitable counterparties, and it has become more frequent under current market conditions that call accounts are used.

Limits on the proportion of fixed rate borrowing due to mature during specified periods are set. A revolving credit facility of £50m is retained which can be drawn to mitigate the effects of any unexpected cash movements.

**Market Risk**

The University seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

## NOTE 22 FINANCIAL INSTRUMENTS (Continued)

### Interest Rate Risk

The University has some exposure to risk in terms of interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the University. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the surplus or deficit will rise;
- Investments at variable rates – the interest income credited to the surplus or deficit will rise.

The University previously 'hedged' its interest rate risk on variable bank loans using interest rate swaps to provide stability against interest rate fluctuations. During the year the University terminated all of its interest rates swaps and repaid its variable rate loans. This was financed by a fixed rate private placement.

University	2018 £'000	2017 £'000
Fair value of swap liability at 1 August	45,884	59,380
(Decrease)/Increase in fair value	-	(13,496)
Swap breakage	(45,884)	-
Fair value of swap liability at 31 July	-	<u>45,884</u>

As a joint venture, the full liability under the hedging for FX+ Ltd is held within Investment in Joint Ventures (note 16).

The University has an undrawn £50m (2017: £25m) revolving credit facility which has a variable interest rate.

As far as investments are concerned, the University seeks to optimise returns commensurate with its objectives of security and liquidity. With the UK Bank Rate increasing from 0.25% to 0.50% during November 2017, short term money market rates remained at very low levels, having a significant impact on investment income. Some call accounts offered yields in excess of those on offer for time deposits up to twelve months, which meant that it was beneficial to use these facilities, not just for liquidity and yield, but in mitigating counterparty and interest rate risk.

### Foreign Exchange Risk

Bank accounts are held denominated in Sterling, Euros and Dollars. Invoices are paid in a variety of currencies and therefore there is some exposure to fluctuations in exchange rates. By holding Euro and Dollar denominated accounts exchange rate risk can be minimised. Payments made in Euros or Dollars are converted at the point of raising the invoice for accounting purposes and any realised or unrealised gains recorded at year end.

**NOTE 23 PERMANENT ENDOWMENT RESERVES**

<b>Group and University</b>	<b>Restricted permanent endowment</b>	<b>Unrestricted permanent endowment</b>	<b>2018 Total £'000</b>	2017 Total £'000
	£'000	£'000		
<b>Balances at 1 August:</b>				
Original gift	8,700	1,795	10,495	9,090
Unapplied total return	15,240	249	15,489	13,604
	<b>23,940</b>	<b>2,044</b>	<b>25,984</b>	<b>22,694</b>
New endowments	180	55	235	1,405
Investment income	579	49	628	307
Expenditure	(925)	-	(925)	(715)
Increase / (Decrease) in market value of investments	541	39	580	2,293
<b>Total permanent endowment comprehensive income for the year</b>	<b>375</b>	<b>143</b>	<b>518</b>	<b>3,290</b>
Balances at 31 July	<b>24,315</b>	<b>2,187</b>	<b>26,502</b>	<b>25,984</b>
<b>Represented by</b>				
Original gift	8,880	1,850	10,730	10,495
Unapplied total return	115,43	337	15,772	15,489
	<b>24,315</b>	<b>2,187</b>	<b>26,502</b>	<b>25,984</b>
<b>Analysis by asset</b>			<b>£'000</b>	<b>£'000</b>
Investment portfolio			26,381	25,772
Cash and cash equivalents			121	212
			<b>26,502</b>	<b>25,984</b>
<b>Analysis by type of purpose</b>				
Institute for Arab and Islamic Studies			19,211	19,152
Exeter Forever Fund			2,187	2,044
Devon Research Scholarships			856	602
Special Collections			769	735
Entrance Scholarships			510	491
Other permanent funds			2,969	2,960
			<b>26,502</b>	<b>25,984</b>

**Fund Descriptions**

- The Institute for Arab and Islamic Studies (IAIS) Fund provides financial support for academic chairs within the Institute.
- The Exeter Forever Fund is a permanent unrestricted endowment. All legacies donated to the University (except those with specific restrictions) are allocated to the Exeter Forever Fund.
- The University hold funds for research scholarships for specific awards for residents of Devon and Cornwall.

- The Special Collections fund is held to fund future additions to the Heritage Asset investments.
- The University holds funds for Entrance Scholarships for new entrants residing in Cornwall or Devon who also meet the specific requirements of the individual awards.
- The remaining permanent funds comprise 80 separate funds that are used for scholarships, prizes and general educational support.

## NOTE 24 EXPENDABLE ENDOWMENT RESERVES

Group and University	2018 Total £'000	2017 Total £'000
<b>Balances at 1 August:</b>		
Original gift	10,793	9,124
Accumulated income	404	715
	<b>11,197</b>	<b>9,839</b>
New endowments	1,813	2,237
Investment income	206	116
Expenditure	(2,151)	(1,392)
Increase/(Decrease) in market value of investments	661	397
	<b>529</b>	<b>1,358</b>
<b>Total expendable endowment comprehensive income for the year</b>	<b>11,726</b>	<b>11,197</b>
Balances at 31 July		
<b>Represented by</b>	11,317	10,793
Original Gift	409	404
Accumulated income	<b>11,726</b>	<b>11,197</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis by asset</b>	10,291	9,254
Investment Portfolio	1,435	1,943
Cash and cash equivalents	<b>11,726</b>	<b>11,197</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis by type of purpose</b>	1,651	1,615
HRH Prince Al-Waleed Al Saud Awards	661	857
Gillings Family Foundation	615	821
Vandervell	541	447
Annual Fund – Scholarships & Student Hardship	411	356
Halpin Scholarship	7,847	7,101
Other expendable endowments	<b>11,726</b>	<b>11,197</b>

### Fund Descriptions

- The HRH Prince Al-Waleed Al Saud scholarships are for IAIS students who are citizens of countries outside the Arab world. The scholarships are intended to support IAIS students in their University of Exeter assessments, by contributing to the cost of visiting Arab countries to undertake a recognised Arabic language course, or undertake research for a dissertation.
- The Gillings Family Foundation donated £1 million towards the Medical School's pioneering work in genetic disorders.
- The Vandervell fund holds non-restricted grants awarded from the Vandervell Foundation, primarily for medical research.

- Annual Fund is the University's annual appeal which seeks the philanthropic support of its alumni and friends to invest in the University and its students. Individual awards are up to £5,000 each. Projects must demonstrate that they will enhance the student experience across the wider student community, benefitting current and future generations of students.
- The Halpin Scholarship is funding for PhD research students who are investigating methods of preventing rice-blast disease.
- The remaining expendable funds comprise 285 separate funds which were donated for a specified purpose, with no restriction to retain as capital, all of which are restricted. The University does not hold expendable unrestricted endowments.

**NOTE 25 UNRESTRICTED RESERVE****Income and expenditure reserve**

	<b>Group</b>		<b>University</b>	
	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017
	£'000	£'000	£'000	£'000
Balances at 1 August	<b>450,686</b>	<b>421,210</b>	<b>452,412</b>	<b>423,075</b>
Surplus/(deficit) from the income and expenditure statement	2,725	13,550	1,704	14,681
Other comprehensive income	24,607	15,561	23,748	14,656
Transfers between revaluation and income and expenditure reserve	260	365	-	-
<b>Total comprehensive income for the year</b>	<b>27,592</b>	<b>29,476</b>	<b>25,452</b>	<b>29,337</b>
<b>Balances at 31 July</b>	<b>478,278</b>	<b>450,686</b>	<b>477,864</b>	<b>452,412</b>

**NOTE 26 REVALUATION RESERVE****Revaluation reserve  
Group**

	<b>Freehold land and buildings</b>	<b>Fixed asset investment</b>	<b>2018 Total</b>	2017 Total
	£'000	£'000	£'000	£'000
<b>Balances at 1 August</b>	<b>14,233</b>	<b>7,159</b>	<b>21,392</b>	<b>21,392</b>
Revaluation in year		(25)	<b>(25)</b>	<b>2</b>
Transfers from revaluation to general reserve				
Depreciation on re-valued assets	(260)	-	<b>(260)</b>	<b>(365)</b>
<b>Total reserve movement for the year</b>	<b>(260)</b>	<b>(25)</b>	<b>(285)</b>	<b>(363)</b>
<b>Balances at 31 July</b>	<b>14,173</b>	<b>7,134</b>	<b>21,107</b>	<b>21,392</b>

**Revaluation reserve  
University**

	<b>Freehold land and buildings</b>	<b>Fixed asset investment</b>	<b>2018 Total</b>	2017 Total
	£'000	£'000	£'000	£'000
Balances at 1 August	-	7,159	<b>7,159</b>	<b>7,157</b>
Revaluation in year	-	(25)	<b>(25)</b>	<b>2</b>
Transfers from revaluation to general reserve				
Depreciation on re-valued assets	-			
<b>Total reserve movement for the year</b>	<b>-</b>	<b>(25)</b>	<b>(25)</b>	<b>2</b>
<b>Balances at 31 July</b>	<b>-</b>	<b>7,134</b>	<b>7,134</b>	<b>7,159</b>

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## NOTE 27 CAPITAL COMMITMENTS

<b>Group and University</b>	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Commitments contracted at 31 July	14,204	9,821
Authorised but not contracted at 31 July	41,275	15,648
<b>Total</b>	<b>55,479</b>	<b>25,469</b>

Capital commitments will be funded by a mixture of grants, loans, donations and internal working capital.

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## NOTE 28 FINANCIAL COMMITMENTS

<b>Operating Leases</b>	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Expiring within one year	381	26
Expiring between two and five years	555	916
Total	<b>936</b>	<b>942</b>

<b>Guarantees</b>	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Exeter Science Park Ltd	<b>2,400</b>	2,400

The Heart of the South West Local Enterprise Partnership (LEP) has provided a loan facility to Exeter Science Park for their development. The University, jointly with Devon County Council, has provided a loan guarantee facility for up to 50% of the debt outstanding on the loan expiration date. This potential liability is estimated at £2,400k payable on 31 October 2023. The £2,400k provided for is based on the likelihood of interim loan repayments by Exeter Science Park Ltd to the Heart of the South West LEP, according to their Business Plans, discounted to present value.

### Other Liabilities

In addition to the liabilities recognised in these financial statements, the University also has financial guarantees and commitments with third parties which are not quantified as the likelihood of them being realised is remote.

The two key commitments in place as at 31 July 2018 are:

- The University acts as guarantor, jointly with Falmouth University, on the FX+ Ltd bank loans.
- The University underwrites the rental income charged to INTO University of Exeter LLP for the use of academic buildings.

**NOTE 29 PENSION SCHEMES**

Different categories of staff were eligible to join one of five different schemes:

- Universities' Superannuation Scheme (USS)
- University of Exeter Retirement Benefits Scheme (ERBS)
- University of Exeter Retirement Savings Scheme (ERSS)
- National Employer Savings Trust Pension Scheme (NEST)
- National Health Service Pension Scheme (NHSPS)

On the 30 November 2016 the University of Exeter Retirement Benefits Scheme (ERBS) was closed to future accrual and the University of Exeter Retirement Savings Scheme was opened in place of it. ERSS is a defined contribution scheme which is open to all staff on grades B-D.

The USS and ERBS are both defined-benefit schemes the assets of which are held in separate trustee administered funds.

Costs for the schemes, included within the staff costs (note 7) were:

<b>Pension Contributions</b>	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
USS	23,497	21,587
ERSS	2,346	1,254
ERBS	1,845	3,224
Other pension schemes	582	499
<b>Total</b>	<b>28,270</b>	<b>26,564</b>

**(i) Universities Superannuation Scheme**

The Universities Superannuation Scheme (USS) is a multi-employer defined benefit scheme, the assets of which are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

In accordance with FRS 102, this is accounted for as a defined contribution scheme as it is not possible for the University to separately identify its share of the underlying assets and liabilities on a consistent and reasonable basis.

**Scheme Assets, Liabilities and Funding Level**

The total pension cost charged to the profit and loss account in the year to 31 July 2018 is £23.5m (2017: £21.6m). This includes £2.0m (2017: £1.9m) of outstanding contributions at the balance sheet date. At 31 July 2018 the University had 3,258 active members participating in the scheme (2017: 2,995).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section 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. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018

	<b>2018</b>	<b>2017</b>
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.02%	2.41%

## NOTE 29 PENSION SCHEMES (Continued)

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.02%	2.41%

The standard mortality tables used in the calculations were updated for 2017/18. These are:

Pre-retirement - 71% of AMC00 for males and 112% of AFC00 for females  
Post retirement - 96.5% of SAPS SINMA "light" for males and 101.3% of RFV00 for females

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2016 projections with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females were also adopted.

The current life expectations on retirement at age 65 are:

	2018	2017
Males currently aged 65 years	24.5	24.4
Females currently aged 65 years	26.0	26.6
Males currently aged 45 years	26.5	26.5
Females currently aged 45 years	27.8	29

### Scheme Assets and Liabilities

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

### Key Sources of Estimation Uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Determining the liability for future contributions requires an estimation of the present value of future cash flows which depends on the percentage of contributions which will be attributed to deficit elimination along with future salary inflation and the identification of a suitable discount rate.

### Recovery Plan

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain.

The value of this provision for the University's USS deficit liability as at 31 July 2018 was £41.7m (2017: £40.6m).

	2017	2017
Discount Rate	2.16%	1.85%
Salary Inflation	3%	2.5% - 2.7%
Staff Changes	0% - 5.9%	0% - 7.0%



**NOTE 29 PENSION SCHEMES (Continued)**

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

**(ii) University of Exeter Retirement Benefit Scheme (ERBS)**

The University operated a final salary defined benefit pension scheme that non-academic employees of the University could participate in, called the University of Exeter Retirement Benefit Scheme. The Scheme is externally funded and is contracted out of the S2P of pension provision. The Exeter Retirement Benefits Scheme closed to future accrual with effect from November 2016. A replacement defined contribution scheme, the University of Exeter Retirement Savings Scheme (ERSS) was effective from 1 December 2016.

The last formal triennial actuarial valuation of the ERBS scheme was performed as at 5 April 2015 by a professionally qualified actuary. This valuation continued to show that the funds held by the Scheme were insufficient to meet anticipated future commitments. The University has set a revised target of 14 years and four months from April 2015, to eliminate this deficit and increased employers' contributions temporarily to 22.5% (from 19%) from 1 August 2013 in order to fund the projected shortfall. This rate reduced to 20% from 1 December 2016.

The financial assumptions used to calculate scheme liabilities under FRS 102 as at 31 July are:

	<b>2018</b>	<b>2017</b>
Discount rate	2.7%	2.6%
Inflation assumption (RPI)	3.3%	3.6%
Inflation assumption (CPI)	2.3%	2.6%
Pension payment increase for ERBS members – pre 01/08/10	2.3%	2.6%
Pension payment increase for ERBS members – post 01/08/10	2.0%	2.2%

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used (in years from date of retirement):

	<b>2018</b>	<b>2017</b>
Males currently aged 65 years	22.2	22.3
Females currently aged 65 years	23.9	24.0
Males currently aged 45 years	23.2	23.3
Females currently aged 45 years	25.1	25.2

## NOTE 29 PENSION SCHEMES (Continued)

### Scheme assets and expected rate of return for ERBS

The assets in the scheme and the expected rates of return together with the reconciliation of funded status to the balance sheet were as follows:

		<b>2018</b>		<b>2017</b>
		£'000		£'000
Equities	40.1%	53,783	41.2%	52,824
Corporate Bonds	8.7%	11,684	9.1%	11,631
Government Bonds	49.9%	67,036	49.4%	63,342
Cash / Other	1.3%	1,688	0.3%	412
Total		<b>134,191</b>		<b>128,209</b>
Present value of scheme liabilities		<b>(137,403)</b>		<b>(155,873)</b>
Pension liability		<b>(3,212)</b>		<b>(27,664)</b>

### Actual return on Scheme Assets

	<b>Year Ended</b>		Year Ended
	<b>31 July 2018</b>		31 July 2017
	£'000		£'000
Actuarial gain on assets	23,748		7,262
Interest income	3,292		2,971
	<b>27,040</b>		<b>10,233</b>

### Analysis of the amount charged to the Statement of Comprehensive Income

	<b>Year Ended</b>		Year Ended
	<b>31 July 2018</b>		31 July 2017
	£'000		£'000
Current service cost	-		1,519
Past service costs	-		-
Scheme expenses	440		552
Interest income on assets	(3,292)		(2,971)
Interest cost on defined benefit obligations	3,993		3,856
Curtailement (gain)/loss	-		(6,884)
<b>Total (credit) / charge to Statement of Comprehensive Income</b>	<b>(1,141)</b>		<b>(3,958)</b>

**NOTE 29 PENSION SCHEMES (Continued)****Analysis of movements**

	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017
	£'000	£'000
<b>Movement in the scheme deficit</b>		
<b>Opening deficit</b>	<b>(27,664)</b>	<b>(36,006)</b>
Current service cost	-	(1,519)
Contributions paid	1,845	3,224
Scheme expenses	(440)	(522)
Interest income on assets	3,292	2,971
Interest cost on defined benefit obligations	(3,993)	(3,856)
Curtailement gain/(loss)	-	6,884
Actuarial gain/(loss)	23,748	1,160
<b>Deficit on scheme at the end of the year</b>	<b>(3,212)</b>	<b>(27,664)</b>

	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017
	£'000	£'000
<b>Movement in the fair value of scheme assets</b>		
<b>Opening fair value of assets</b>	<b>128,209</b>	<b>119,706</b>
Interest income	3,292	2,971
Actuarial gain on assets	5,894	7,262
Employers' contributions	1,845	3,224
Members' contributions	-	86
Scheme expenses	(440)	(522)
Actual benefit payments	(4,609)	(4,518)
<b>Fair value of assets at the end of the year</b>	<b>134,191</b>	<b>128,209</b>

ERBS assets do not include any of the University's own financial instruments, or any property occupied by the University.

	<b>Year Ended 31 July 2018</b>	Year Ended 31 July 2017
	£'000	£'000
<b>Movement in the present value of ERBS Defined Benefit Obligations</b>		
<b>Opening Defined Benefit Obligations</b>	<b>155,873</b>	<b>155,712</b>
Current service cost	-	1,519
Interest cost	3,993	3,856
Member's contributions	-	86
Actuarial losses	(17,854)	6,102
Actual benefit payments	(4,609)	(4,518)
Curtailement gain	-	(6,884)
<b>Closing Defined Benefit Obligations</b>	<b>137,403</b>	<b>155,873</b>

**(iii) Post Balance Sheet Events**

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

We are working with the trustees of our ERBS scheme to understand the extent to which the judgment crystallises additional liabilities for our pension scheme. The extent to which the judgment will increase the liabilities in the ERBS scheme is not possible to identify at this point. For the University's other defined benefit scheme, the USS, the provision included within the financial statements as detailed in this note, will only be impacted to the extent the change in benefits increases cash financing.

### NOTE 30 PROVISIONS FOR LIABILITIES

	<b>Obligation to fund deficit on USS pension</b>	<b>Defined Benefit Obligations on ERBS pension</b>	<b>Total pensions provision</b>	<b>Other provisions</b>	<b>Total provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2017	40,630	27,664	<b>68,297</b>	2,400	<b>70,694</b>
Utilised in year	(2,008)	(704)	<b>(2,712)</b>	-	<b>(2,712)</b>
Actuarial Gains	-	(23,748)	<b>(23,748)</b>	-	<b>(23,748)</b>
Additions in 2017/18	3,108	-	<b>3,108</b>	-	<b>3,108</b>
<b>At 31 July 2018</b>	<b>41,731</b>	<b>3,212</b>	<b>44,943</b>	<b>2,400</b>	<b>47,343</b>

#### Pension provisions

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance.

Management has assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

For further details on the defined benefit obligation on the ERBS pension scheme see note 29.

#### Other Provisions

£2.4m of the other provision is in relation to the guarantee held over Exeter Science Park. See note 28 for more details.

### NOTE 31 RELATED PARTY TRANSACTIONS

The University has taken advantage of the exemption not to disclose transactions with subsidiaries that are wholly owned. Included in the table below are transactions with related parties of the University not covered by the exemption.

This will include members of Council, as detailed at the front of the accounts. 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 normal procurement procedures, which require individuals to declare any interest.

#### Year ended 31 July 2018

	<b>Recognised Income</b>	<b>Recognised Expenditure</b>	<b>Balance due to/(from) the University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Biotechnology and Biological Sciences Research Council	4,212	-	-
Camborne School of Mines Trust	317	-	-
Dartington Hall Trust	-	8	-
Exeter Mathematics School	-	-	-
Falmouth Exeter Plus	68	6,822	(240)
INTO University of Exeter	1,440	548	169
Universities Central Admissions Service (UCAS)	5	-	-
University of Exeter Students' Guild	105	1,806	25
Willis Limited	60	-	15
FXU	10	-	-

Year ended 31 July 2017	Recognised Income £'000	Recognised Expenditure £'000	Balance due to/(from) the University £'000
Biotechnology and Biological Sciences Research Council	3,661	-	-
Camborne School of Mines Trust	20	-	-
Dartington Hall Trust	-	10	-
Exeter Mathematics School	15	-	-
Falmouth Exeter Plus	-	7,483	-
INTO University of Exeter	1,524	538	74
One Health Ventures Limited	99	-	-
Universities Central Admissions Service (UCAS)	4	203	(7)
University of Exeter Students' Guild	356	1,835	18
Willis Limited	73	1	15

- The Biotechnology and Biological Sciences Research Councils is a funding agency for academic research and training. One Council Member was a Grant Panel Chair.
- The Camborne School of Mines Trust funds research and teaching. The school merged with the University of Exeter in 1993. One Council member is a Trustee.
- Dartington Hall Trust is an Estate which specialises in Education and Heritage. One council member is related to Chair of the Dartington Halls Trust.
- The Exeter Mathematics School is a state funded 6th form college, jointly sponsored by the University of Exeter and Exeter College.
- One Health Ventures Limited is a research and development company. The University has significant control over the entity.
- UCAS is a sector shared service, providing an undergraduate application and admission service. One Council member is Chair of the Board and its Remuneration and Nominations Committee.
- The annually elected Student President of the Student Guild is a Council Member.
- Willis Group Holdings plc is a multinational risk advisor, insurance brokerage and reinsurance brokerage company. One Council member is an Employee.

#### **FX+**

For further information on FX+ see note 16 on Joint Ventures.

The University and Falmouth University have jointly and equally guaranteed four loan facilities to FX+:

- A loan from Lloyds TSB Bank plc of £18.6m for 30 years at a fixed rate of 5.215% which was drawn down in September 2004.
- A loan from Lloyds TSB Bank plc for £10m for a term of 30 years at a fixed rate of 5.065% which was drawn down in December 2006.
- A loan from Barclays Bank Plc of £20.5m for new residences. The loan is repayable over 30 years, at a fixed rate of 2.5%, and was drawn down in July 2010.
- A loan of £8m for new residences, £4m from the European Investment Bank (EIB) at a fixed rate of 2.4% and £4m from Lloyds TSB Bank at a fixed rate of 3.8%. The loan is repayable over 16 years. The EIB loan was drawn down in May 2012 and the Lloyds loan was drawn down in various stages from June 2012 – Oct 2013.
- The total FX+ debt as at 31 July 2018 is £47.8m (2017: £50.0m). The University has guaranteed 50% of this balance, totalling £23.9m.

### NOTE 31 RELATED PARTY TRANSACTIONS (Continued)

The FX+ Group has capital commitments as follows:

	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Commitments contracted at 31 July	512	445
Authorised but not contracted at 31 July	8,255	10,375
	<b>8,767</b>	<b>10,820</b>

Amounts authorised are in respect of various construction and other capital projects at Penryn Campus less commitments to date.

Transactions between the University and FX+ were as follows:

	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Income derived from the FX+ Group	68	1
Expenditure incurred with the FX+ Group	6,822	6,664

Payments by FX+ on behalf of the University' represents amounts paid to contractors for the University's share of the design and construction of the further development of the Penryn Campus.

The balances owing between the University and FX+ at the year end were as follows:

	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Amount owing from the University to the FX+ Group	240	917

### INTO University of Exeter LLP / Exeter ISC Limited

For further information on INTO see note 18 on Joint Ventures.

Transactions between the University and INTO University of Exeter LLP in the normal course of business were as follows:

	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Income derived from INTO	1,440	1,263
Expenditure incurred with INTO	548	529

The balances owing between the University and INTO University of Exeter LLP at the year end were as follows:

	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Amount due to the University from INTO	169	290

**NOTE 32 NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL) INITIAL TEACHER TRAINING BURSARIES**

NCTL training bursaries are available solely for students; the University acts only as paying agent. The training bursaries are therefore excluded from the Income and Expenditure Account.

	<b>Year Ended 31 July 2018 £'000</b>	Year Ended 31 July 2017 £'000
Balance at 1 August	123	147
NCTL Grants	3,356	3,249
	<u>3,479</u>	<u>3,396</u>
Disbursed to students	(3,338)	(3,273)
<b>Balance at 31 July</b>	<b><u>141</u></b>	<b><u>123</u></b>

These pages do not form part of the Statutory Financial Statements

The five year summary accounts have been restated to adopt the principles of FRS 102, so that the year on year figures are consistent and comparable. The 2014/15 to 2016/17 accounts reflect the audited figures in the relevant financial statements. The restatement of 2013/14 has not been audited. The figures are indicative and are included for information only

<b>INCOME AND EXPENDITURE</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>					
Tuition fees and education contracts	232,065	219,237	203,549	181,580	150,623
Funding body grants	45,795	44,019	46,261	41,238	46,438
Research grants and contracts	76,073	70,241	61,853	69,926	60,512
Other income	57,584	58,543	56,620	63,209	63,697
Investment income	1,450	1,161	1,233	1,731	3,350
Donations and endowments	2,522	3,855	1,600	2,474	1,294
<b>Total income</b>	<b>415,489</b>	<b>397,056</b>	<b>371,116</b>	<b>360,158</b>	<b>325,914</b>
<b>Expenditure</b>					
Direct staff costs	222,863	206,346	185,537	177,766	168,416
Movement on pension provision	(285)	45	(1,267)	16,575	1,656
Fundamental restructuring costs	-	-	-	7,452	-
Other operating expenses	139,969	131,837	124,949	110,162	109,163
Depreciation	41,594	41,350	37,869	36,115	35,050
Interest and other finance costs	10,110	10,093	11,091	10,383	9,312
<b>Total expenditure</b>	<b>414,251</b>	<b>389,671</b>	<b>358,179</b>	<b>358,453</b>	<b>323,597</b>
<b>Surplus/(Deficit) before other gains losses and share of joint ventures</b>	<b>1,238</b>	<b>7,385</b>	<b>12,937</b>	<b>1,705</b>	<b>2,317</b>
(Loss)/Gain on investments	1,404	2,821	(63)	1,875	2,970
Share of operating surplus/(deficit) in joint venture	1,092	1,117	1,650	1,122	499
Curtailment Gain on Defined Benefit Pension Scheme	-	6,884	-	-	-
<b>Surplus/(Deficit) before tax</b>	<b>3,734</b>	<b>18,207</b>	<b>14,524</b>	<b>4,702</b>	<b>5,786</b>
Taxation	-	-	(14)	(1,743)	-
<b>Surplus/(Deficit) for the year</b>	<b>3,734</b>	<b>18,207</b>	<b>14,510</b>	<b>2,959</b>	<b>5,786</b>
<b>EBITDA for HE</b>	<b>48,756</b>	<b>53,509</b>	<b>53,471</b>	<b>55,912</b>	<b>41,192</b>
<b>University EBITDA</b>	<b>42,356</b>	<b>42,265</b>	<b>43,683</b>	<b>37,492</b>	<b>28,784</b>



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<b>BALANCE SHEET</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Tangible and intangible assets	711,669	698,376	696,693	687,469	666,461
Heritage assets	7,244	7,244	7,244	7,171	7,171
Investments	41,998	44,952	42,039	41,895	39,550
Investment in joint venture	14,374	12,823	13,050	13,584	13,579
Net current assets	50,660	63,257	62,270	62,082	68,629
Creditors: due after one year	(240,972)	(246,689)	(268,456)	(255,092)	(245,827)
	<b>584,973</b>	<b>579,963</b>	<b>552,840</b>	<b>557,109</b>	<b>549,563</b>
Pension liability and other provisions	(47,343)	(70,674)	(77,319)	(72,484)	(46,180)
<b>Total net assets</b>	<b>537,630</b>	<b>509,289</b>	<b>475,521</b>	<b>484,625</b>	<b>503,383</b>
Represented by:					
Endowment reserve	38,228	37,213	32,533	33,197	30,265
Income and expenditure reserve	478,295	450,684	421,233	429,338	450,775
Revaluation reserve	21,107	21,392	21,755	22,090	22,343
<b>Total reserves</b>	<b>537,630</b>	<b>509,289</b>	<b>475,521</b>	<b>484,625</b>	<b>503,383</b>

	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>
<b>Finance Strategy KPIs</b>					
Earnings (EBITDA) as a % of Total Income	10.2%	10.6%	11.8%	10.4%	8.8%
Staff Cost ratio (Staff costs per note 7 excluding movement in pension provisions)	53.3%	52.0%	49.9%	49.4%	51.6%

University EBITDA is defined in the business review for the relevant year, and reflect the results per the financial statements adjusted for material non-repeat items.







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