

Financial Statements

for the year ended 31 July 2018

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financial highlights

for the year ended 31 July 2018

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	2017/18	2016/17	Change
	£ million	£ million	
Tuition fees and educational contracts	316.6	287.5	10.1%
Funding body grants	59.6	58.4	2.1%
Research grants and contracts	126.5	120.3	5.2%
Other income	123.0	120.3	2.2%
Investment income	1.7	1.6	6.2%
Donations and endowments	4.1	2.9	41.4%
Total income	631.5	591.0	6.9%
Surplus for the financial year	56.0	41.5	34.9%

CONSOLIDATED BALANCE SHEET	2018	2017	
	£ million	£ million	
Fixed assets	695.0	590.7	
Investments	27.3	24.1	
Net current assets	38.1	76.2	
	760.4	691.0	
Long term creditors and provisions	(471.5)	(477.9)	
Total net assets	288.9	213.1	35.6%

	2017/18	2016/17	
	£ million	£ million	
CAPITAL EXPENDITURE IN THE YEAR	142.8	115.9	23.2%
NET CASH INFLOW FROM OPERATING ACTIVITIES	99.3	110.9	(10.5%)

OTHER KEY STATISTICS	2017/18	2016/17	
	Number	Number	
Full Time Students:-			
Home / EU undergraduates	12,448	11,823	5.3%
Home / EU postgraduates	2,526	2,287	10.5%
Overseas undergraduates	2,730	2,660	2.6%
Overseas postgraduates	3,597	3,191	12.7%
Total number of students (full time equivalent)	22,761	21,579	5.5%
Total staff numbers (full time equivalent)	5,932	5,690	4.3%

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Introduction

The University has recently launched its new strategy, “Excellence with Purpose”, with the goal that by 2030, Warwick will be one of the world’s exceptional universities, helping to transform our region, country and world for the collective good. This is a challenging vision to aspire to, especially as the UK grapples with the implementation of Brexit and the higher education sector awaits the outcome of a major Government funding review, but this report is able to demonstrate that the new strategy builds on a robust foundation. In particular, as well as reporting an excellent financial outcome for 2017/18, the report highlights some of the University’s recent successes and achievements from our local region to around the globe.

It was announced in August that the University’s Warwick Manufacturing Group (WMG) had been awarded £100m in Government funding for its work in the High Value Manufacturing (HVM) Catapult. This funding was part of a £780m announcement of which £271m was awarded to the West Midlands. The WMG HVM Catapult focuses on Low Emission Mobility, Connected and Autonomous Vehicles (CAV) and supply chain. It is directly aligned to the Government’s ‘Road to Zero’ vision for the transport sector of zero emissions, zero accidents and zero congestion. This investment epitomises the University’s vision for research as articulated in the new strategy, which states that research at Warwick will be internationally recognised as world class with impact and purpose to change the world – making lives healthier, fairer, safer, more just and resilient, and more enriched. Our aspiration for 2030 is to lead, influence and support positive change in the world and the HVM Catapult illustrates how Warwick can have a positive impact on the world beyond, as well as within, academia.

We are also delighted that Coventry was successful in its bid to be named UK City of Culture in 2021. The University of Warwick is a principal partner and we are looking forward to contributing to and participating in this regional festival. The University is currently investing £37m in a redevelopment and expansion of the Warwick Arts Centre which sits in the heart of campus and it is expected to be a key location for this major cultural event. Work will also commence soon to construct the University’s new £58m Faculty of Arts building which will add further cultural capital to our campus and the region.

The University has also been pleased to be a key partner in support of the City Council’s successful bid for Coventry to win the title of European City of Sport 2019. The University is currently developing a new multi-million pound Sport and Wellness Hub which is due for completion in 2019 and will create one of the best sports facilities at a UK university. It will be open for community use and will raise the bar for sports provision in the city and the surrounding area. With that and other sports developments in the city, this is the perfect time to be European City of Sport.

Further afield, the University has launched two major teaching and research collaborations with universities in Paris and Brussels: Paris Seine is a university consortium of 37,000 students, located both in and near the heart of Paris, whilst Vrije Universiteit Brussel (VUB) is a dynamic modern university of over 15,000 students, with two main campuses in Brussels. Like Warwick, both institutions are strongly internationalist in identity and strategy and equally place great importance on their regional involvement and influence. Together, as a closely collaborating university network, the three universities will work together both to maintain world-class research and teaching, as well as collaborating on shared regional priorities and opportunities.

The opportunities for students that will be afforded by the new partnerships with Paris Seine and VUB will supplement existing, well-established partnerships such as with Monash University in Australia. Our new strategy for education states that Warwick will have an ethos of internationalisation which will enable students to study abroad for part of their course, as well as reaping the benefits of the international student community on our own campus through still deeper intercultural engagement. The strategy also envisages that a Warwick education and

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student experience will be highly sought after and valued by learners and employers, not just in the UK but across the world. We are building on a strong foundation, with Times Higher Education (THE) placing Warwick 4th in their 2018 Europe Teaching Rankings, behind only Oxford, Cambridge and the Sorbonne. Ultimately, Warwick remains an attractive proposition for both home and international students because as Warwick alumni they will face a very bright future. The Government's 2018 Longitudinal Education Outcomes data placed our graduates as 6th in the UK for high earnings five years after graduation, whilst the QS Graduate Employability Rankings placed Warwick in the world's top 100.

It would be remiss to mention European partnerships without touching on Brexit. The continuing uncertainty around the final outcome remains a major risk for UK universities and Warwick is no exception. However, the University will continue to seek out new and innovative solutions to mitigate the risks and the establishment of strategic collaborations with European partners such as Paris Seine and VUB is one such innovation. Despite the potential for Brexit to change perceptions of the UK as a great place to study and work, Warwick continues to remain a highly attractive destination and international student recruitment remains strong, including from the EU. The University also continues to enjoy significant success in international rankings. Warwick climbed 12 places to 79th in the THE world university ranking and was placed 54th in the world in the QS ranking. Warwick was also ranked by THE as the 19th most international university in the world.

The University's success would not be possible without a strong network of friends and supporters, including our alumni. The University reached a major landmark in philanthropic donations last year with £100m having been raised since the campaign began in 2006. Donations have been able to support a wealth of activity including scholarships, student experience, new student facilities, Warwick in Africa and academic research, in particular the Warwick Cancer Research Centre.

One of our major donations, £2m from the Wolfson Foundation, has helped to fund our new, recently-opened, £27m Mathematical Sciences Building. This new facility will enable our excellent Mathematics, Statistics and Computer Science departments to thrive, delivering research and teaching outcomes that can have a profound impact on our society, our communities and our cities. At 6 stories high, this building will provide the capacity the mathematical sciences departments need for their activities for years to come. As well as offering an enhanced student experience and an excellent research environment it will also house staff who work on interdisciplinary initiatives such as the Alan Turing Institute, providing a further boost to the already outstanding international reputation of these departments.

Overall, this has been an excellent year for the University with demonstrable achievements on campus, in our local region, in Europe and around the globe. The excellent financial performance in 2017/18 is a further source of satisfaction because it maintains the University's ability to invest in its strategic objectives. With significant uncertainty hanging over the sector, the importance of a strong financial base cannot be overstated. It will be important to build on this position in the year ahead in order that whatever challenges the future brings, Warwick's ambition to be one of the world's exceptional universities is achieved.

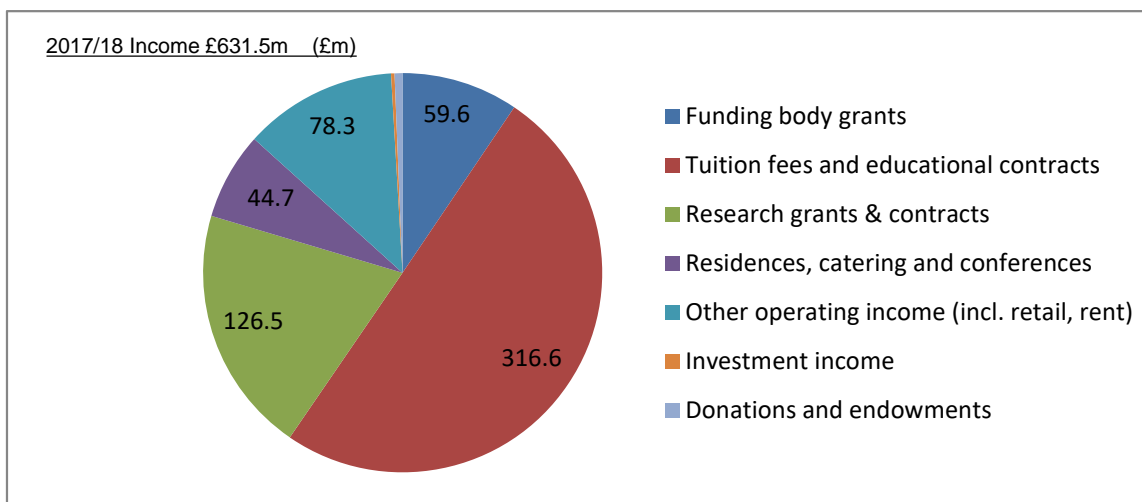
Financial Performance

The University recorded a surplus for the year of £56.0m. This was an exceptional outcome which was above budget and the previous year's surplus of £41.5m. The University targets an average annual surplus in excess of 5% of income in order to generate sufficient cash to maintain and enhance our capital infrastructure. The 2017/18 figure of a surplus figure of 8.9% of income provides reassurance that the University remains on a stable financial footing.

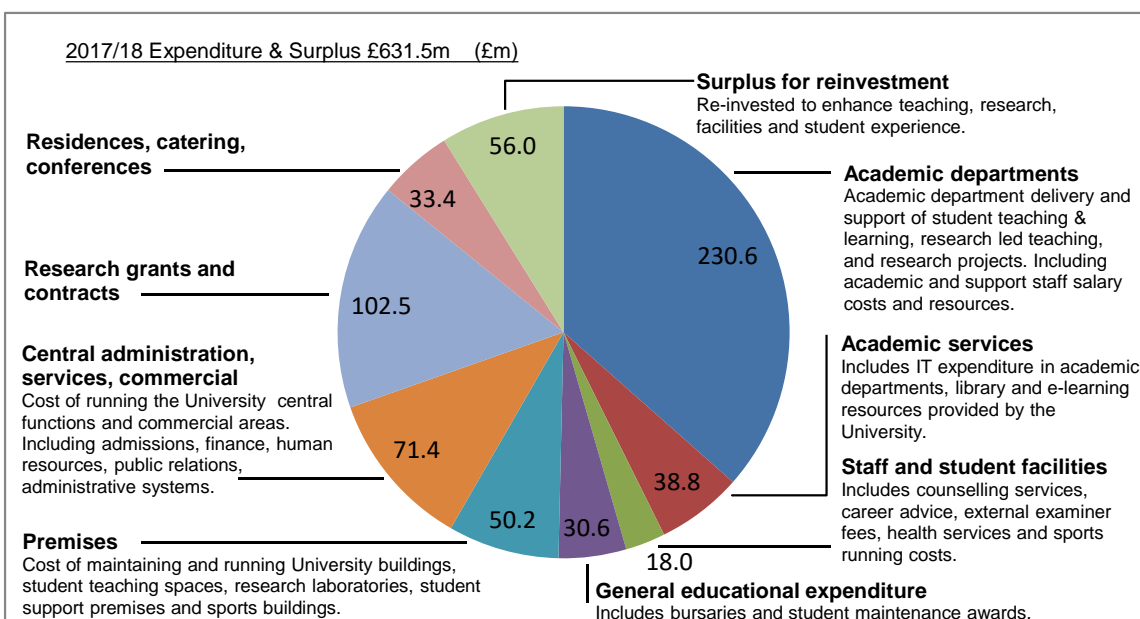
financial review

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The University's total income increased 6.9% from the previous year, from £591.0m to £631.5m. The majority of this increase is in relation to an increase in tuition fee income due to higher numbers of students in 2017/18. Research income also showed an increase of £6.2m in the year to a total value of £126.5m. In particular, WMG saw significant growth in research income, building on its strong industry links and government grant funding. The University continues to generate income from a variety of sources, as illustrated in the following chart. This diversity of income streams from the UK and overseas provides some resilience against potential downturns in particular markets.



The financial statements show an increase in staff costs from £298.0m to £321.1m. After removing the impact of pension scheme adjustments this is an increase from £296.2m to £324.6m. Importantly, staff costs (adjusted for pension movements) as a percentage of expenditure remained broadly constant at 56% (2016/17: 54%). This is largely consistent with expectations and in line with sector norms. The following chart illustrates how the income generated by the University during 2017/18 was spent, with the expenditure being grouped under key activity headings. The surplus, being the excess of income over expenditure, is all re-invested in teaching, research, facilities and student experience.



financial review

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The University's total comprehensive income, which adjusts the reported surplus to take account of actuarial movements on the University's own pension fund and movements in the market value of financial instruments, was £75.8m for 2017/18, compared with £75.6m reported in the prior year. Actuarial gains of £13.5m were reported reflecting economic experience, primarily in respect of salary inflation, and scheme experience. The change in fair value of hedging financial instruments in relation to the University's interest rate swaps also shows another improvement with a credit of £6.3m due to expectations around future interest rates. The amounts noted above included within comprehensive income do not impact cash so while the numbers are significant, they do not affect the ongoing operations of the University in a positive or negative way.

Financial Position

The University's Balance Sheet remains in a strong position. Our non-current assets have increased from £614.8m to £722.3m driven by ongoing investment in our capital programmes. Our total net assets increased from £213.1m to £288.9m.

Trade and other receivables have largely remained constant at £50.8m (2016/17: £47.9m). Creditors falling due in less than one year increased from £160.5m to £178.7m at the year end. This movement was driven by an increase in deferred income relating to student income and an increase in trade payables due to a number of large capital invoices at the year end.

Creditors falling due after more than one year also increased from £389.2m to £397.7m. This increase is primarily due to deferred income (increase from £75.3m to £85.9m) in relation to the National Automotive Innovation Centre (NAIC) capital project which will be released in future years and an increase in deferred capital grants on other projects from £146.3m to £155.1m. Partially offsetting these increases there was a reduction in liability in relation to our interest rate swap derivative balance. The overall increase in creditors should be seen as positive for the University with funding being received in advance of need and should not be seen as a detriment to our working capital position.

Our pension liability relating to the University of Warwick Pension Scheme, discussed in more detail later in this report, reduced during the year due to actuarial gains reflecting economic and scheme experience. The Universities Superannuation Scheme (USS) liability did not move significantly in the year despite significant uncertainty around the ongoing scheme valuation, as no agreement has been reached on future deficit contributions for the scheme. Whilst the movement in the pension schemes does not affect the overall cash position, we are mindful that any future changes to the contribution rates of the pension schemes could have a significant impact on the University's finances.

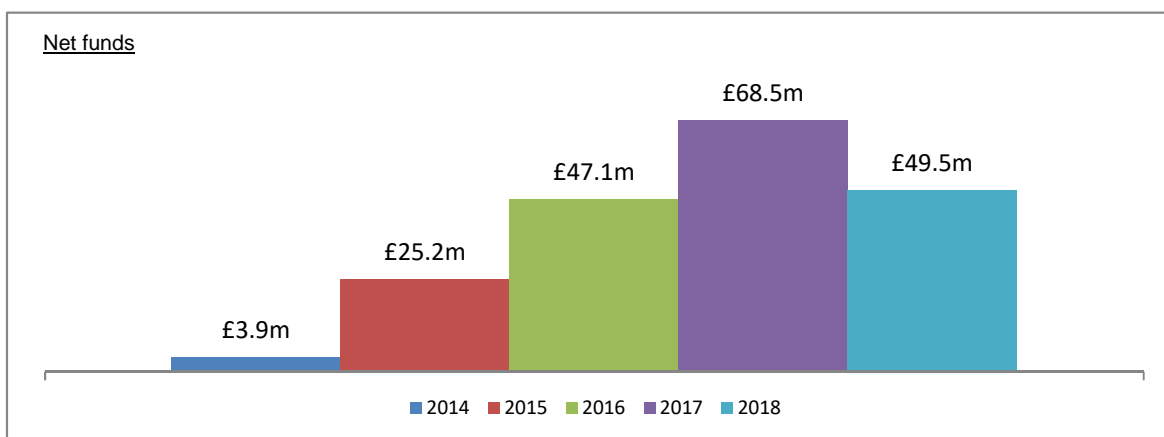
Liquidity and Borrowing

The University has seen the total of its cash and cash equivalents and its current asset investment balance reduce slightly from £187.7m to £165.1m as the University continues to invest in its capital programme.

University borrowings reduced from £119.2m to £115.6m as the University continued to pay off capital on its existing loans. The University had planned to draw down a new loan of £75m during the year but ultimately this took place in August 2018. This latest loan, which supplements two existing long term loan agreements, provides a strong financial foundation to underpin the University's capital development strategy. The loan portfolio is supplemented by cash generated from operating surpluses, grants, partnership funding and donations in ensuring that the University's campus and facilities remain globally competitive.

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Net funds are comprised of the following:

	2014 £ million	2015 £ million	2016 £ million	2017 £ million	2018 £ million
Short term deposits	90.3	69.0	70.0	89.0	38.5
Cash and cash equivalents	45.3	82.9	100.0	98.7	126.6
Unsecured loans	(131.7)	(126.7)	(122.9)	(119.2)	(115.6)
	3.9	25.2	47.1	68.5	49.5

Whilst investing surplus cash in capital projects, the University will always ensure that an appropriate minimum cash level is maintained for working capital purposes. Net cash inflow from operating activities for 2017/18 was £99.3m and the University must continue to generate significant cash balances from its operations to enable it to invest in both its capital infrastructure and other strategic priorities.

The University cash balances are invested across a range of approved financial institutions, principally on a range of short term deposit accounts, up to two years in maximum length and to a maximum value of £55m per financial institution. The University investment policy maintains at its core the principal aim of protecting the charitable assets of the University and, as such, cash balances are currently restricted to UK clearing banks and the largest UK building societies. The University also maintains an investment portfolio, managed by Rathbones (see note 13 of the accounts), principally with a view to holding for the longer term and as an instrument for repaying bullet loan commitments. All cash and investment funds are held in accordance with the University's socially responsible investment policy.

Pensions

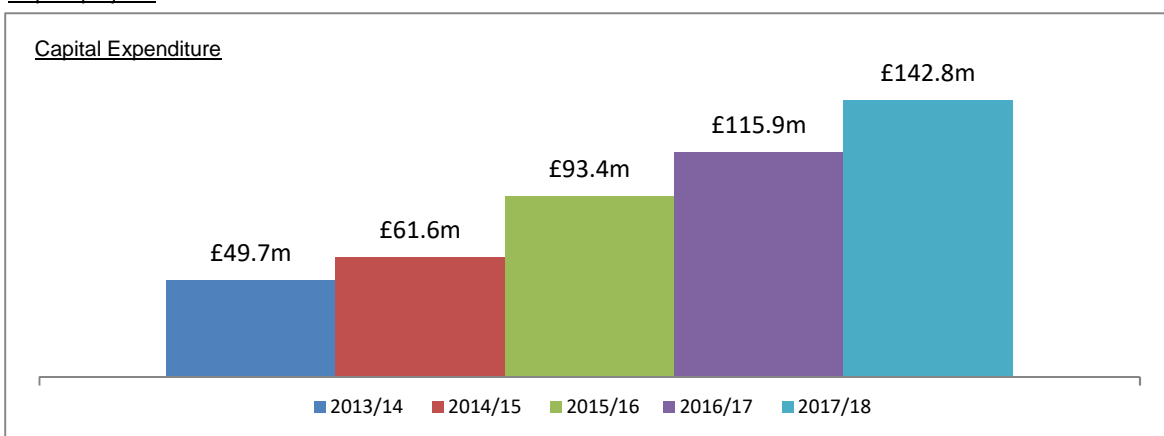
The defined benefit section of the University of Warwick Pension Scheme, has seen its reported deficit decrease from £20.5m to £7.7m during the year. The reduction reflects refinements in the calculation of the defined benefit liability, including latest updates on economic experience, especially in respect of salary inflation, and scheme experience.

The USS pension liability recorded in the balance sheet decreased from £64.8m to £62.9m, driven by the level of deficit contributions the University expects to pay. The 2017 actuarial valuation has not fully concluded. As discussed later in this report, there are some significant risks associated with this and the University may need to make additional contributions into the scheme which may impact on other investment priorities.

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Capital projects



The University has continued to deliver an extensive capital programme during 2017/18 spending £142.8m (2016/17: £115.9m). This is the second consecutive year with spend in excess of £100m and the largest ever spent on capital in a single year. Evidence of the scale of investment in our facilities is clearly visible around campus, ensuring the best possible environment for our staff and students.

Our new £49m Sport and Wellness Hub will open in the Spring, with this Hub being supplemented by a number of “spokes” across campus consisting of new and enhanced facilities. We aim to offer the world-class sporting experience expected of a world-class University. The hub will offer a new sports hall, a flexible-use swimming pool, fitness suites, climbing and bouldering walls, squash courts, flexible studio spaces, a café and outdoor 3G sports pitches and netball courts.

WMG will be opening the NAIC in 2019. This exciting project is now largely complete and work is currently underway on the Advanced Propulsion Research Centre which will be housed within the NAIC. These major facilities, which have been funded by industry partners Jaguar Land Rover and Tata Motors European Technical Centre and by HEFCE (now the Office for Students (OfS)) through its Research Partnership Infrastructure Fund, will further enhance WMG’s position at the forefront of automotive research and innovation.

Other major current projects include the refurbishment and expansion of the Warwick Arts Centre, the completion of which will coincide with Coventry being UK City of Culture in 2021 enabling the Arts Centre to be a significant feature of the celebrations. Construction is also underway on the new Cryfield student residences. At a cost of £62m it will deliver 828 student rooms (plus 10 flats for tutors and wardens) through a mix of town houses, apartments and studio flats. The University also continues to spend significant sums on academic equipment and the refurbishment of teaching and learning spaces. This includes new digital audio visual technologies as well as classroom refreshes.

Risks

The University has a Risk Management Policy which is approved by the Council. The Council, supported by Audit and Risk Committee and other committees, keeps under review the strategic risks facing the University and the programmes which help to manage or mitigate these risks. Amongst the most important are:

- adverse changes in the funding of universities from public sources, including changes to the tuition fee regime;
- failing to recruit and retain a strategically desirable number, quality and diversity of students, particularly international students in a competitive and global market;
- further adverse changes to pension scheme contributions which increase cash outflows from the University;

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- failure to maintain an internationally competitive position in respect of the quality and recognition of both teaching and research;
- failure to recruit and retain internationally recognised scholars in a highly competitive market; and
- compromise of University systems, including loss or exposure of sensitive data.

To mitigate these strategic risks, the University, amongst other things:

- plans prudently with respect to income assumptions, continually reviews the need for efficiency savings and monitors student feedback and surveys to most effectively direct available resources;
- plans conservatively for student demand and focuses on building and developing overseas networks with other organisations, representatives and alumni communities;
- is, alongside investing in the best staff and facilities and pursuing international excellence in all aspects of its operations, continuously growing its academic links and collaborative working relationships with overseas education partners and international businesses;
- engages in regular, frequent review of recognition and reward mechanisms and leadership and development training programmes;
- is acting on the outcomes from the Institutional Teaching and Learning Review to embed sustained excellence in teaching, whilst continuing to implement the strategy to maintain and build on our world class research reputation; and
- continues to invest in significant resources to ensure good systems of control and compliance, including the training of staff in information security and the handling of data.

There are a number of risks above that feel more prominent at this time. First, the Government's Post 18 Review of Education and Funding could have significant implications for the entire higher education landscape.

Secondly, the 2017 USS pension valuation remains unresolved. A well-publicised industrial dispute followed the initial valuation outcome and in the absence of an agreed settlement the USS Trustees have felt obliged to implement previously agreed cost-sharing arrangements between employers and employees to meet the scheme funding requirement implied by the valuation. These arrangements will see employer contributions rise from 18% to 19.5% in April 2019 and continue increasing to 24.9% in April 2020. This would be a significant additional expense to the University and could impact on our strategic plans for investment in staff and students, as well as our capital programme.

It is hoped that the subsequent intervention by the "Joint Expert Panel", appointed on behalf of employers and the University and College Union (UCU) to review the 2017 valuation, might provide a roadmap that the various stakeholders can follow to achieve an acceptable resolution.

Lastly, the risk of an adverse Brexit outcome continues to be a real concern. The University's ability to attract the best staff and students from the EU could be jeopardised. Access to EU funding for research and the ability of the University to participate in funded European research partnerships could also be at risk. The University could also be indirectly exposed to any shocks to the wider UK economy that might result from a No Deal scenario, in particular due to our close working partnerships with the automotive sector. Nevertheless, as noted earlier in this report, the University continues to invest in its European partnerships and remains committed to building strong collaborations with EU-based higher education institutions. We will seek innovative solutions to the changing landscape to ensure that our reputation as one of the world's most international universities is maintained.

financial review

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Future outlook

Providing a reliable commentary on the future outlook is not without its challenges during the most benign of times. Doing so at this current moment is exceptionally difficult. The higher education sector potentially faces a perfect storm of adverse impacts from funding reform, increased pensions costs, industrial disputes, Brexit, political uncertainty in the UK and geo-political risks around the world. The Review of Post 18 Education and Funding is now not expected to report until early 2019 in order that it can take account of the Office for National Statistics' review of accounting for student loans. Its findings could significantly reshape the sector over the coming decade as the Browne review did in 2010. The Review's terms of reference are clear that the recommended outcomes must be consistent with the Government's fiscal policies to reduce the deficit and have debt falling as a percentage of GDP. The financial restraint implied by this requirement increases the expectation of an outcome that tightens the funding available to universities for teaching and learning activities and this will, no doubt, require some necessary adjustment within affected institutions to accommodate any budget shortfall.

On the other hand, UK universities have shown themselves over many decades to be capable of withstanding world events and being able to evolve and adapt to a changing environment. In part this is a reflection of excellent staff and the energy and ideas from each new cohort of students. It also reflects the complex nature of universities and the broad variety of activities they undertake, which can provide an element of hedging against downside risks.

It is important during periods of greater uncertainty to have a well-articulated strategy and sufficient financial headroom both to absorb shocks and to implement essential change in an orderly manner. The launch of the University's new strategy is therefore very timely, providing a clear roadmap through to 2030. Furthermore, these financial statements provide assurance that Warwick has the financial resilience to withstand the increasing headwinds. This does not, of course, imply that the next few years will be easy to navigate, but it does provide reassurance that we can look beyond short term difficulties that arise and face the future with confidence.

Keith Bedell-Pearce CBE, University Treasurer

21 November 2018

public benefit statement

The University of Warwick provides public benefit principally through its pursuit of its core objects, as set out in its Charter: these being: “the advancement of learning and knowledge by teaching and research and the provision of University education.” Members of the University Council, as charity trustees, have complied with their responsibility to have due regard to the Charity Commission’s guidance on public benefit in exercising their powers and duties.

The University strategy has been reviewed and refreshed during the 2017/18 academic year. It was approved by the University Council in July 2018. At a time of considerable change the University has clearly stated that it continues to strive for excellence whilst rejecting intolerance in all that it does. The strategy is underpinned by a core set of values that address our duty to the public interest through the impact of our teaching and research.

In the most recent Research Excellence Framework (REF 2014), Warwick was ranked seventh in the UK, with 87% of the University’s research rated as “world leading” or “internationally excellent”.

The University assures itself on the standards of awards and the quality of taught provision provided. Quality enhancement and the student experience is further assured through its Quinquennial Periodic Review Process, the Institutional Teaching and Learning Review (ITLR). The ITLR undertaken in 2017 reaffirmed the effectiveness of the approach in meeting the University’s requirement to secure the quality and standards of its education provision. Following the 2017 ITLR the University has embarked on a significant programme of work to further enhance educational quality and standards, and to ensure best practice across departments. Examples of this include a review of assessment and a review of personal tutoring.

In 2017 the University was awarded silver status in the Government’s inaugural Teaching Excellence Framework (TEF). This was confirmed by the Office for Students in 2018. Warwick was praised for its high quality teaching, supported through its highly valued culture of research that enables learning and excellent future outcomes for students. There was also acknowledgment of the significant investment made into resources to actively support student learning.

This reflects the high quality of teaching and research that is demonstrated consistently at Warwick. The University was ranked 57th in the world by the QS World University Rankings, 4th in the new Times Higher Education (THE) Europe rankings, 8th in the UK by The Guardian, 1st in the West Midlands by the Times, and continues to be placed in the top 20 most international universities in the world.

As well as over 100 awards for the quality of teaching at Warwick through the Warwick Awards for Teaching Excellence (WATE), 21 Warwick staff had been recognised under the National Teaching Fellowship Scheme (NTFS) by 2017 with a further one awarded in 2018.

The University Council seeks to ensure that Warwick education and knowledge generation are at the forefront of excellence in national and international agendas, and is committed to continuing to work in partnership with the University’s students and staff to maintain and further enhance the distinctiveness of education and research at Warwick.

public benefit statement

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Teaching and Learning

The University of Warwick is committed to providing the highest standard of educational experience for all students, enabling the achievement of outstanding academic and career outcomes. For over fifty years, our mission has been to equip all our students with the knowledge and skills in a global society, to enable them to stretch and work creatively and flexibly within and across disciplinary boundaries, and to achieve their full potential in employability and career progression.

- We prepare our students to contribute to society and in the workplace. Our graduates are in high demand: in 2017 Warwick was ranked as the most targeted university nationally by the UK's leading graduate employers and in 2018 Warwick was placed in the world's top 100 universities for graduate employability. We continue to develop innovative programmes in partnership with local employers (for example in the automotive industry), and we offer flexible and distance learning solutions to facilitate participation in lifelong learning.
- We seek to ensure that, wherever possible, financial circumstances do not become a barrier to studying at Warwick. We offer means tested packages of support for UK undergraduate students. Rent levels are set with reference to affordability, and scholarships are available for international and postgraduate students.
- The University positions widening participation and social inclusion as core to its mission, embodied by our commitment to provide an outstanding educational experience for all students, enabling the achievement of outstanding academic and career outcomes. Our approach to widening participation is fully conceptualised across the whole student lifecycle where we ensure background has no profound impact on the ability to access, succeed in, and progress from higher education. A widening participation report is accessible here:
https://warwick.ac.uk/study/outreach/67570_uow_widening_participation_report_16ppartwork.pdf
- Our Widening Participation Strategy is driven by our vision of becoming a recognised global leader in enhancing social diversity and participation in higher education. Current activities include: Warwick Bright Stars (a primary outreach programme which aims to create a sustainable partnership with local primary schools to raise aspirations and awareness in young pupils of the advantages of studying at university); the UniTracks programme (a national scheme supporting over 700 disadvantaged gifted and talented students aged 14–18 to achieve their potential and enter the most selective higher education courses); Pathways to Law (enabling Year 12-13 pupils and their families each year to receive guidance on the study of law and careers in law); and the Sutton Scholars Programme (a local scheme run in partnership with the Sutton Trust for Year 8 and 9 students with a focus on providing academic challenge and support to highly able students from under-represented backgrounds). The University is a member of the Realising Opportunities Scheme, whereby fifteen leading universities agree to work locally with the 'most able, least likely' Year 12 and 13 pupils to raise aspiration, awareness and achievement. The University runs six residential programmes at Easter and during the summer to support targeted WP students with exam preparation and supporting aspiration and progression to HE and Warwick.
- The University is leading the OfS funded National Collaborative Outreach Programme (NCOP) consortium in partnership with Coventry University, Warwickshire County Council and local FE Colleges. It is a highly targeted programme primarily focused on nine 'hub' schools in Rugby, Nuneaton and Bedworth and North Warwickshire areas.

public benefit statement

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- The University is a partner in the University School Trust (UST) focused on schools in East London, formed through the partners of the St Paul's Way Trust School. UST comprises a unique partnership of like-minded universities, companies, and community organisations, which work with the member schools to ensure the highest possible educational outcomes for students.
- The University is actively engaged in a "Closing the Gap" project with Warwickshire County Council to examine the challenges faced by disadvantaged learners and developing intervention and support that promotes better attainment and progression outcomes from KS2-5.
- The University sponsors two University Technical Colleges (UTC), the WMG Academies for Young Engineers based in Coventry and Solihull, building on its expertise in this area providing for 14-19 year olds through an applied, problem based curriculum. The University has worked in partnership with local employers to develop a bespoke learning experience that is delivering both technical and academic education, and employability skills that will maintain manufacturing knowledge and excellence within the West Midlands region and beyond. The Coventry Academy was rated as 'Good' following its Ofsted 2017 inspection.
- Warwick Business School (WBS) offers a BSc (with Foundation Year) in Accounting and Finance, and a BSc (with Foundation Year) in Management. The Foundation Year aims to equip students with the skills and knowledge they will need for successful progression to year 1 of the existing 3 year BSc degrees in these subjects. The Foundation Year is targeted at students from widening participation groups who have the potential to succeed on the WBS undergraduate programme.
- The University continues to build on the evidence developed through the Postgraduate Support Scheme in prioritising resource to support the progression to postgraduate study for underrepresented groups. In 2017/18 the University committed £500k for 100 postgraduate taught scholarships through the Warwick Taught Masters Scholarship Scheme, which is in addition to any financial support they are eligible for.
- The Warwick Scholars Programme supports students that enrol at Warwick via one of our outreach schemes, UniTracks, Realising Opportunities and Pathways to Law, providing a financial scholarship, additional employability opportunities including internships and overseas volunteering placements. Similar opportunities are presented through schemes like the Lloyds Scholars programme and the Multi Cultural Scholars Programme.
- The University provides opportunities for adults seeking to return to learning or wishing to pursue studies in Higher Education through offerings such as the Foundation and 2+2 degree programmes, the Gateway to HE programme and the part time degree.
- Warwick in Africa is a well-established philanthropically funded programme that continues to innovate supporting learners and their teachers with Maths and English teaching in South Africa, Tanzania and Ghana. In 2017 over 23,000 learners were taught taking the number of learners to benefit from the programme to over 420,000. Nearly £3m has been raised in philanthropic income to support global outreach.
- Warwick in India provides tutorial support to approximately 500 Indian children each year near Delhi in collaboration with the Laksh Foundation.

public benefit statement

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Research

As one of the UK's top ten universities and one of the top 100 in the world, it is our responsibility to bring together our unique strengths of academic excellence, industrial partnerships, creativity and enterprise in order to lead, influence and support positive change in the world. Our aim is to produce transformative, meaningful and lasting solutions to multidisciplinary global challenges, whilst nurturing our talented community of staff, students and partners.

Highlights this year include:

- Warwick has received funding from the Arts and Humanities Research Council as part of a Midlands consortium providing training for the next generation of arts and humanities researchers. Collaboration will be across the region in order to provide an excellent doctoral experience for all students, preparing them for the next stage of their careers.
https://warwick.ac.uk/newsandevents/pressreleases/midlands_universities_partnership/
- The National Battery Manufacturing Development Facility was announced in November 2017. The winning bid was made in conjunction with the Coventry and Warwickshire Local Enterprise Partnership and Coventry City Council. It will be a partnership between academia and industry providing any opportunity to take ideas directly from the laboratory to the market.
<https://warwick.ac.uk/fac/sci/wmq/mediacentre/wmqnews/?newsItem=8a17841a600341e20160083034ce7ede>
- The Centre for Interdisciplinary Methodologies will lead a £1m multi national research project on waterproofing data that aims to engage stakeholders in sustainable flood risk governance for urban resilience. It seeks to re-think how data is produced and used in some of the world's poorest and most at risk areas.
<https://www.norface.net/project/waterproofing-data-engaging-stakeholders-in-sustainable-flood-risk-governance-for-urban-resilience>
- The Enterprise Research Centre (ESC) continued a number of activities including world leading work on Small and Medium Enterprise (SME) innovation, productivity and growth, with a direct impact on stakeholders across the research, policy and business communities in the local area.
<https://www.wbs.ac.uk/research/news/congratulations-to-professor-stephen-roper-and-the-enterprise-research-centre-who-have-secured-funding-for-a-further-three-years>
- The Alan Turing Institute, of which Warwick is a founding partner, is project managing a £2.95m EPSRC programme grant to develop advanced statistical methodology to make scientific sense of the deluge of data from the 21st Century data revolution. It will examine applications in data-centric engineering, defence and security.
<http://gow.epsrc.ac.uk/NGBOViewGrant.aspx?GrantRef=EP/R034710/1>
- The 'Crossing the Mediterranean Sea by Boat' research project came to an end in August 2018. This research mapped and documented the migratory journeys and experiences of over 250 participants, as well as providing an analysis of policy. A collaborative venture between the Universities of Warwick, Malta and the Hellenic Foundation for European and Foreign Policy.
<https://warwick.ac.uk/fac/soc/pais/research/researchcentres/irs/crossingthemed/>
- Clinical trials commenced into inducing early labour in certain circumstances to avoid complications and injury. The Big Baby Trial will examine if early induced labour is preferable to waiting for a natural birth.
<https://warwick.ac.uk/fac/sci/med/research/ctu/trials/bigbaby>

public benefit statement

(continued)

Corporate Social Responsibility

We remain committed to driving social, cultural and economic growth through the quality of our graduates and the real difference they can make to their communities and sectors, as leaders in their own right, and as citizens with a significant part to play in the future economic and global society. We remain committed to working with local and national governments, and to working with other institutions to magnify our economic impact. We'll remain true to the principles of diversity and inclusion. Working closely with our Students Union, as a University community we strive to provide holistic support mechanisms for our staff and students. As an organisation that manages its footprint and impact on the environment, we'll use this as a foundation to embed the broader principles of sustainability.

Regional and Community

- We work in partnership with all of our local councils and a wide range of local business and community organisations to make sure that the University has a real and positive impact on our local area, and that the community at large benefits from our teaching, research, facilities, and other activities. We work very closely with new and emerging regional partners, such as the West Midlands Combined Authority (WMCA) and the West Midlands Growth Company, who will deliver the strategic policy, investment, and infrastructure to underpin the future prosperity of the West Midlands. The University is represented on the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) Board.
- Our most recent study commissioned to identify the economic impact of the University showed that we contributed around £784m Gross Value Added (GVA) to the economy in Coventry and Warwickshire in 2014/15 and supported 14,400 jobs locally. At regional level our impact totalled £1bn GVA and supported some 17,900 jobs across the West Midlands.
- Our researchers are actively engaged with policy development and evidence supporting place-based strategies, including on inward investment, and contributing to key WMCA commissions on, for example, Mental Health, Productivity and Skills. We are also building on our relationships with more established regional organisations such as the West Midlands CBI.
- Warwick supports the Midlands Engine and was a founding institution in Midlands Innovation, with the Universities of Aston, Birmingham, Leicester, Loughborough and Nottingham, to drive further collaborative research, enterprise and innovation in the wider region to create jobs and stimulate economic growth and improved productivity.
- Warwick was a principal partner supporting the Coventry 2021 bid along with Coventry University and the City Council. With Coventry having successfully won the bid to be the City of Culture in 2021 we are collaborating with Coventry University on research in order to inform the bid and maximise the value and impact of the City of Culture in a truly transformational way.
- The University of Warwick Science Park offers office and laboratory space to companies (including startups) in four locations across the West Midlands. It provides a supportive environment with access to research and resources from the University of Warwick and an experienced in-house business support team.

public benefit statement

(continued)

- The University offers an extensive programme of activities with the aim of engaging with students, staff and the local community. In 2018 Warwick won two national awards that demonstrate our commitment to engaging with as many people as possible: the British Universities and Colleges Sport (BUCS) Participation Programme of the Year and BUCS Take A Stand Award for inclusive programmes and tackling discrimination in sport.
- The Warwick Sport facilities, include a new water based Astroturf pitch and a 4G pitch that are used regularly by the local community, schools and clubs. The Climbing Wall and Tennis Centre are heavily used by the local community with large junior programmes that engage hundreds of children.
- Warwick were heavily involved in the bid to become the European City of Sport and will be fully engaged in the programme to celebrate this throughout 2019.
- The University's strong drive on extra-curricular activity is demonstrated through a high level of student engagement in volunteering, as well as involvement in clubs and societies. Students engaged in a range of activities including volunteering at the Arts Centre, being a Warwick Sport Activator and in school outreach projects. Our students give back to the local community, developing skills, experience and attitudes that will enable effective citizenship and social capital. 'Warwick Volunteers' provides support to students who wish to engage in regular volunteering: (<http://warwick.ac.uk/about/community/volunteers>) and there is also a Staff Volunteers Forum. Over 2,200 students registered with Warwick Volunteers in the past twelve months.
- A new Director of Warwick Arts Centre has been appointed. The Arts Centre will continue to be culturally inclusive and creatively ambitious whilst also playing a central role in regeneration as the City of Coventry prepares to be the 2021 City of Culture.
- As part of the University's social responsibility to its local community, the newly formed Community Engagement Team ensures that the University is a Good Citizen in the way it engages and behaves with those communities where it has a major physical, student or staff footprint. The team, working with external and internal partners delivers strategic projects which have a positive impact on the social and environmental wellbeing of our local communities and in particular in addressing disadvantage and exclusion.

The Regional Public Engagement and Community webpages (www.warwick.ac.uk/warwickengages) (www.warwick.ac.uk/global/regional), (www.warwick.ac.uk/community) share and promote the University's regional and community activities. Twice a year we share our latest news via our "CommUnity" newsletter, which is delivered to neighbourhoods in both Coventry and Leamington Spa, and is also circulated to around 500 other partners, organisations and individuals.

Diversity and Inclusion

We promote equality, diversity and inclusion, as evidenced by our continued achievement of the HR Excellence in Research award, our Athena SWAN awards, the Workplace Wellbeing Charter Mark, our status as a Stonewall Diversity Champion and our participation in the Stonewall Equality Index where we have risen 181 places in the past two years. We continue to build on the development and careers of women to ensure even greater equality of experience and opportunity at Warwick. A number of sexual violence initiatives have commenced including the establishment of a Gender Task Force, an LGBTUA+ supporters programme, an overseas travel guide and guidance on the use of gender neutral language.

public benefit statement

(continued)

In addition we are working towards the RACE Equality Charter Mark and Business Disability Standards. The Students' Union ran a 'we get consent' campaign across campus and there is work on going raising awareness of sexual violence.

The University's STEMM departments have Silver and Bronze Athena SWAN Awards, Chemistry, Physics and Warwick Business School have Silver Awards, Bronze Awards are held by Engineering, Life Sciences, Mathematics, Psychology, Statistics, Warwick Medical School and WMG. The Centre for Educational Development, Appraisal and Research (CEDAR), Philosophy and Sociology also have Bronze Awards.

Environmental Sustainability

- The University is firmly committed to sustainability and works in partnership with its staff and students to promote environmental sustainability. The University's Environmental Policy is available at: <https://warwick.ac.uk/about/environment/warwick/policies>
- Students are encouraged to engage with sustainability issues through teaching, research and student society projects, including the provision of optional modules, such as the Global Sustainable Development degree or an MSc in Sustainable Energy Technologies.
- URSS summer internships 2018 provided a number of students the opportunity to carry out research in the energy industry. Students were able to work alongside academics considering the structure and make up of petroleum. They looked at the potential to decrease the reliance on expensive equipment to assess the content of oil samples. Renewable technologies were also a focus of another student researcher on how cultural attitudes and legislature of a country can shape policy and business decisions. Another project built upon work that the student had originally started as a course work project. Their research concentrated on lithium-ion batteries and how they could be optimised, reducing capacity loss. This has resulted in a paper and new modelling activities regarding computer design of materials for energy storage that can be taken forward by academic colleagues.

Responsible Investment

Our investments are managed in line with our Socially Responsible Investment Policy (available at: https://warwick.ac.uk/newsandevents/news/council_enhances_its_socially_responsible_investment_policy1/). The University promotes and monitors compliance with the highest standards of research ethics as embodied in UK regulation and practice. The nature of any funding offered to the University is carefully considered from an ethical perspective.

corporate governance

1. The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. It is therefore exempt from certain requirements of that Act, including the need to register with the Charity Commission. Since 1 June 2010, the Higher Education Funding Council for England (HEFCE) was the “principal regulator” for charity law purposes of those English universities which are exempt charities. The University’s legal status derives from a Royal Charter originally granted in March 1965. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes. Since 1 April 2018 HEFCE has been replaced by the Office for Students (OfS) as the main regulator, however the new regulatory framework does not come fully into force until 1 August 2019. During this transition period regulation is through a combination of powers and duties carried forward from the previous legislation and regulatory requirements.
2. The University conducts 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 guidance to universities that had been provided by the HEFCE and the Committee of University Chairs (CUC) in the Higher Education Code of Governance. The OfS has, in addition, introduced a ‘fit and proper’ test for all members of Council which we have adopted. The University is mindful of its charitable purpose and its strategy aims to encompass its public benefit role.
3. The University Council is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. It has a majority of members from outside the University (described as independent members), from whom the Chair and the University Treasurer are drawn. Also included in its membership are representatives of the staff of the University and the student body. None of the independent members receive any payment, apart from the reimbursement of reasonable expenses, for the work that they do for the University.
4. The Council approves its Code of Practice on Corporate Governance and Statement of Primary Responsibilities annually. A copy of the Code of Practice on Corporate Governance can be obtained from the University’s website. The Responsibilities of the Council are set out on pages 24 and 25 of these accounts.
5. The Council meets at least five times each academic year. The Council is supported by a number of subcommittees, as outlined in its Code of Practice on Corporate Governance. Reports from each committee, as well as from the Senate, inform the work of the Council.

There were 26 members of the Council in 2017/18. During the financial year ending 31 July 2018 (and continuing except where indicated), the following individuals were members of the Council: Sir David Normington (independent member to 31 July 2017 and Chair from 1 August 2017), Keith Bedell-Pearce (Treasurer), Dr Neil Bentley (to 31st July 2018), Anita Bhalla, Professor Daniel Branch, Professor Aileen Clarke (to 31 July 2018), Viki Cooke (Vice-Chair), Professor Stuart Croft (Vice-Chancellor and President), Professor Christine Ennew, Dr John Ferrie, Kamini Gadhok (to 31 July 2018), Noel Gordon, Professor Laura Green (to 31st July 2018), Professor Christopher Hughes, Paul Kehoe, Dr Deborah Keith, Michael Kynaston (to 31st July 2018), Joan MacNaughton (to 31 July 2018), Adrian Penfold, Andrea Pulford, Professor Lesley Roberts, Neil Sachdev, Professor Simon Swain, Professor Pam Thomas, Gail Tucker, Hope Worsdale (to 31st July 2018); for the subsequent period from 1 August 2018 to the approval of these financial statements (and beyond): Catharine French, Liam Jackson and Ben Newsham.

corporate governance

(continued)

7. The University maintains a Register of Interests of members of the Council which may be consulted by arrangement with the Secretary to Council. All members of the Council, and sub-committees, are requested to declare any conflicts of interest in relation to the agenda of each meeting.
8. The Secretary to the Council plays a key role in the operation and conduct of Council business, and provides advice to the Chair of Council on all matters of procedure and in respect of any matters where conflict, potential or real, may occur. All members of the governing body have access to the services of the Council Secretariat.
9. The University Council has delegated the following authority to the Remuneration Committee:
 - (a) The determination of the remuneration of senior members of the University staff whom it is deemed appropriate, including but not exclusive to the Vice-Chancellor and President, the Provost, the Pro-Vice-Chancellors, the Registrar, the Commercial Director, the Group Finance Director and Secretary to Council;
 - (b) The determination of the level of severance pay to be awarded to those members of staff whose salary exceeds £100,000.

The Council appoints members of the Remuneration Committee who have expertise in leadership and/or senior remuneration in other sectors. The constitution of the Remuneration Committee during 2017/18 was as follows: Chair of the Council (Chair), Vice-Chancellor and President (when considering remuneration packages other than their own), Treasurer, three independent members of the Council (Dr N Bentley, Dr John Ferrie, Ms K Gadhok), one independent member external to the Council (vacant). The Vice Chancellor ceased to be a member of the Committee on the 18th October 2017.

The Remuneration Committee meets four times each year. It reports annually to the Council on the work of the Committee, including decisions taken under delegated authority.

The Remuneration Committee exercises its delegated authority on behalf of the Council within an agreed remuneration policy framework. Any matters in relation to remuneration or severance pay that do not fall within the approved remuneration policy framework or the delegated authority of the Committee are referred to the Council for approval. In proposing and applying the framework, the Remuneration Committee had regard to HEFCE's guidance on severance pay and the remuneration of senior staff up until 31st March 2018. From 1st April 2018 the OfS has stated that providers must have regard to the 'Guidance on decisions taken about severance payments in HEIs' published by the CUC.

The framework for University Senior Remuneration 2018 has been approved by the University Council and is published online:

<https://warwick.ac.uk/services/gov/committees/rc/rcframework18>

In addition, the Remuneration Committee approves annually the operating framework within which the Vice-Chancellor shall exercise their authority to determine senior remuneration, and receives an annual report on the work of the University Executive Board (Remuneration).

The constitution and terms of reference of the Remuneration Committee are published online (<http://www2.warwick.ac.uk/services/gov/committees/rc/>).

corporate governance

(continued)

In terms of all recruitment to the University we provide a welcoming and inclusive working and learning environment, recognising and respecting all individuals' differences.

We therefore welcome applications from people who identify with any of the Protected Characteristics, such as race/ethnicity, disability, sexual orientation, or gender identity/expression.

10. The Senate is the academic authority of the University and draws its membership entirely from the staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University. Whilst the Council and the Senate have clearly defined functions and responsibilities, there is active consultation and interaction between the two bodies.
11. The principal academic and administrative officer of the University is the Vice-Chancellor and President who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Memorandum of Assurance and Accountability between the University and former funding body, the HEFCE, the Vice-Chancellor and President is the Accountable Officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons. Since the 1st April 2018 the Vice-Chancellor and President has been the Accountable Officer to the Office for Students and Research England.
12. As Chief Academic and Administrative Officer of the University, the Vice-Chancellor and President exercises considerable influence upon the development and implementation of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Vice-Chancellor and President is supported by the senior executive team.
13. Any enquiries about the constitution and governance of the University should be addressed to the Secretary to Council.
14. Fundraising is undertaken by the Development Office on behalf of the University, with the objective of generating philanthropic income in support of the University strategy "Excellence with Purpose". Funds raised contribute to student experience projects, academic research and the development of the campus infrastructure. The University is committed to fundraising in a transparent and ethical way. To reflect this, the University is registered with the Fundraising Regulator and complies with the General Data Protection Regulation (GDPR). The University Council has established a Policy on Solicitation and Acceptance of Gifts and has delegated authority to the Fundraising Ethics Committee for decisions in relation to this policy. The University employs 23 staff in the Development Office with responsibility for encouraging philanthropic support from alumni, friends, trusts and foundations, and corporations. The University does not employ "Professional Fundraisers" as defined by the Charities (Protection and Social Investment) Act 2016.

statement of internal control

The Council is responsible for maintaining a sound system of internal control that supports the achievement of the aims and objectives of the University, and the efficacy of its policies, whilst safeguarding the public and other funds and assets for which it has responsibility.

A system of control is designed to mitigate risk to a reasonable level rather than to eliminate all risk, and therefore can only provide reasonable and not absolute assurance of effectiveness. Key elements of the system of internal control, which are designed to discharge the responsibilities set out above, include the following:

- Approval of University strategy by the Council, whose membership includes a majority of external members, together with academic and non-academic representation.
- Monitoring the performance of the University through the annual consideration by the Council and other relevant committees of Key Performance Indicators.
- An annual and forward looking operating and capital planning process that combines top-down and bottom-up input, and is subject to challenge and scrutiny via a range of appropriately informed committees.
- Quarterly monitoring of financial performance and updates to forecast out-turns.
- Clearly defined requirements for control of expenditure, including the appointment of staff, investment and borrowings, together with comprehensive Financial Regulations and Procedures.
- An Internal Audit function that undertakes investigative work to identify any areas of weakness in compliance with University policies and procedures, primarily based on an agreed audit plan, but also in response to the identification of emerging risks or in response to actual issues. The Head of Internal Audit also prepares an annual value for money report for consideration by the Audit and Risk Committee.

The Audit and Risk Committee, whose membership is entirely external, plays a key role in providing the Council with objective assurance that its system of internal control is effective. The Audit and Risk Committee provides termly reports to the Council, in addition to providing its formal opinions on the adequacy and effectiveness of Warwick's arrangements for risk management, control and governance, economy, efficiency and effectiveness (value for money), and the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the Office for Students (previously HEFCE) and other bodies in its Annual Report to the Council.

- The Audit and Risk Committee provides challenge on operational, financial and risk matters coming before it and, where appropriate, monitors agreed actions to ensure that changes and recommendations are duly implemented.
- The Audit and Risk Committee receives regular reports from the Head of Internal Audit that provide an overview of internal control matters (in the main as set out in the agreed Internal Audit Plan), including an opinion on the adequacy and effectiveness of the University's systems of internal control, together with recommendations for improvements.
- Additionally, the Audit and Risk Committee considers an annual report from the Head of Internal Audit that provides and evidences an opinion on the adequacy and effectiveness of the University arrangements for economy, efficiency and effectiveness (value for money) as well as risk management, control and

statement of internal control

(continued)

governance, in addition to a report summarising the data management and returns assurance processes.

- The Audit and Risk Committee meets on an annual basis with Internal Audit as well as External Audit without University management being present.
- The Audit and Risk Committee also receives periodic reports on the management of the University's significant risks and on specific areas of internal control.

The Audit and Risk Committee has oversight of the University's risk management strategy and policy on behalf of the Council.

- The University operates a system of risk management designed to identify the significant risks to the achievement of the University's strategy, to evaluate the nature and extent of those risks and to manage them effectively.
- The Council holds ultimate responsibility for ensuring the effective and efficient management of institutional risk. The Council monitors formally the institutional risk profile twice a year and is ultimately responsible for the University's key risks. A broader risk horizon-scanning exercise is conducted on an annual basis.
- The Senate maintains an oversight of all academic risks facing the institution. The Senate undertakes horizon scanning and 'blue skies' activities in relation to academic risk identification.
- The Steering Committee has responsibility for the initial identification and oversight of risks associated with the University Strategy, as well as monitoring key institutional financial and strategic/capital project risks. It has the oversight of resource prioritisation in a risk/opportunity context. The Steering Committee undertakes regular horizon scanning and 'blue skies' activities in relation to strategic risk identification.
- The Academic Resourcing Committee, Administrative and Professional Services Group, and Campus and Commercial Services Group consider departmental risk assessments, maintain oversight of key department risks throughout the year, and escalate those that could have significant institutional impact.
- The Operational Risk Management Group (ORMG) supports the Steering Committee through its responsibility for operational and compliance risk identification, analysis, evaluation and monitoring. The ORMG encourages the adoption of the principles of business continuity and monitors the University's insurance portfolio.
- Heads of Department and individual risk owners are responsible for the consideration and dynamic management of risk within their remit.
- The University recognises the need to identify, understand and manage the risks inherent in the changing operating environment, and in developing strategies in response, and therefore consideration of risk is explicit in the development and implementation of strategy, and is required as part of any business case and as part of the management of institutional projects.

statement of internal control

(continued)

Risk Management Policy

The University has a Risk Management Policy which is approved by the Council. The policy sets out the approach to risk management and is a guide for individuals and committees whose responsibilities include some or all of the elements of risk management or oversight. Full details of the Risk Management Policy are available here:

https://warwick.ac.uk/services/gov/riskmanagement/risk_management_at_warwick_policy_february_2015.pdf

All senior managers and heads of departments are required to implement the Risk Management Policy and ensure colleagues are appropriately equipped to manage risk within their responsibilities.

Risk management operates across all levels of the University, from daily departmental activities and the management of projects, to formal bodies charged with institutional governance, decision-making and institutional strategy-setting. Irrespective of the level at which risk management is operating, the definition of risk used by the University is: 'The threat or possibility that an action or event will adversely affect the achievement of agreed objectives.' The definition of risk management used by the University is: 'The process by which uncertainty is assessed, quantified (where possible), recorded and managed in order to support good, well-informed decision-making at all levels of the institution.'

Risk Management at the University adheres to five guiding principles:

- It should be informed. In order to identify and assess risks to the achievement of objectives, there must be clarity about strategic goals.
- It should be connected and communicated. The University is prepared to tolerate a level of uncertainty that is commensurate with the level of reward on offer, within certain boundaries. Colleagues should be careful not to exceed their authority in taking risk, and should seek support for decisions in such cases.
- It should be embedded in key processes including: Policymaking, Decision making, Project and Programme Management, Operational Management, Strategic Planning and Financial Planning.
- It should be proportionate and balanced. Leaders and managers should take a proportionate and balanced approach to the identification, management and reporting of risk, to ensure sufficient resource is allocated to each element.
- It should provide assurance. The University is required to put in place effective risk management processes, and in order to provide assurance that effective risk management is taking place, senior managers are required to report formally, from time to time, to an appropriate oversight body.

The University has a Risk Management Assurance Architecture and illustrates the coordination of the risk management activities that take place across all parts of the University. It shows how assurance is provided to the senior executive and the Council that the process of identification, management and reporting of risks is taking place effectively at all levels.

The Council is ultimately accountable for ensuring that effective risk management is undertaken by the University. The Council must be kept informed of the University's total risk portfolio when reaching its decisions as well as receiving appropriate reassurance as to the effectiveness of the processes in place to monitor and assess the University's risks. The Council has delegated to the Audit and Risk Committee the responsibility for concluding on the adequacy and effectiveness of the processes in place for the management of risk. In forming its judgement on an annual basis, the Audit and Risk Committee takes into account the work of the Internal Audit function. Internal Audit undertakes an annual assessment of the institution's overall risk management capabilities using tools such as the HM Treasury Risk Management Toolkit and the CIIA Risk Maturity Model, as well as assessing the adequacy and effectiveness of local risk management processes as part of their audits of departments. The Council formally considers the institutional risk register twice a year.

statement of primary responsibilities of the council

of the University of Warwick

This Statement is based on the Model Statement contained in the Higher Education Code of Governance published by the Committee of University Chairs in December 2014, adapted to reflect the powers and responsibilities that the Council of the University of Warwick derives from the University Statutes.

The Council is the governing body of the University and its members are the trustees of the University in relation to the University's status as an exempt charity. Subject to the powers of the Senate as provided for in the University Statutes, it has ultimate responsibility for the affairs of the University. It is responsible for reviewing the work of the University and taking such steps as it thinks proper for the purpose of advancing the interests of the University, maintaining its efficiency, encouraging teaching, the pursuit of learning and the prosecution of research and providing for the recreation and well-being of students.

Consistent with the University's constitution, the primary responsibilities of the University Council are as follows:

1. To enable the University to achieve and develop its mission and primary objectives of learning, teaching and research. The Council is responsible for approving and for keeping under review the University's long-term and strategic plans, including key performance indicators, and for ensuring that these meet the interests of the University's stakeholders and beneficiaries.
2. To appoint the Vice-Chancellor and President as Chief Academic and Administrative Officer of the University and the Office for Students Accountable Officer and to put in place suitable arrangements for monitoring their performance.
3. To delegate authority to the Vice-Chancellor and President for the effective academic, corporate, financial, estate and human resource management of the University.
4. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor and President.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and clear procedures for handling internal grievances and for managing conflicts of interest.
6. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against its plans and approved key performance indicators. Where possible and appropriate, these shall be benchmarked against other comparable institutions.
7. To establish processes to monitor and evaluate the performance and effectiveness of the Council and the University's systems of governance and decision making.
8. To conduct its business in accordance with best practice in higher education corporate governance, with the principles of public life drawn up by the Committee on Standards in Public Life, and with due regard to the Charity Commission's guidance on public benefit.
9. To safeguard the good name and values of the University and to be responsible for the ethical governance of the University.
10. To appoint the Secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

statement of primary responsibilities of the council

of the University of Warwick (continued)

11. To be the employing authority for all staff in the University and to establish a human resources strategy for the University.
12. Subject to the powers of the Senate, to be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the University's annual budget and financial statements and to have overall responsibility for the University's assets, property and physical estate.
13. To be the University's legal authority and to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name. The Council is responsible for determining regulations for the custody and use of the common seal of the University.
14. To receive assurance that adequate provision has been made for the general welfare of students.
15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
16. To be responsible for effective planning, ongoing control, monitoring and review of the University's health and safety management procedures.
17. To approve changes to University Statutes and to ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

independent auditor's report

to the Council of the University of Warwick

opinion

We have audited the financial statements of The University of Warwick ("the University") for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income, the Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 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 Financial Highlights, the Financial Review, the Public Benefit Statement, the Corporate Governance Statement, the Statement of Internal Control and the Indicators of Financial Health. 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.

independent auditor's report

to the Council of the University of Warwick (continued)

Council responsibilities

As explained more fully in their statement set out on page 24, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

report on other legal and regulatory requirements

We are required to report on the following matters under the 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;
- income has been applied in accordance with the University's Statutes;
- 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 the Charters and Statutes of the institution. 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

One Snowhill

Snow Hill Queensway

Birmingham B4 6GH

consolidated statement of comprehensive income

for the year ended 31 July 2018

		Consolidated		University	
	Note	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
Income					
Tuition fees and educational contracts	2	316.6	287.5	316.6	287.5
Funding body grants	3	59.6	58.4	59.6	58.4
Research grants and contracts	4	126.5	120.3	126.5	120.3
Other income	5	123.0	120.3	108.9	105.9
Investment income	6	1.7	1.6	1.5	1.3
Donations and endowments	7	4.1	2.9	4.1	2.8
Total income		631.5	591.0	617.2	576.2
Expenditure					
Staff costs	8	321.1	298.0	304.1	282.7
Other operating expenses		208.4	210.7	211.2	211.6
Depreciation	12	38.4	35.6	37.1	34.5
Interest and other finance costs	10	8.4	8.8	8.4	8.8
Total expenditure		576.3	553.1	560.8	537.6
Surplus before other gains or losses		55.2	37.9	56.4	38.6
(Loss) / gain on disposal of non-current assets	11	(0.8)	1.2	(0.8)	1.2
Gain on investments		1.6	2.4	1.4	2.0
Surplus before tax		56.0	41.5	57.0	41.8
Taxation		0.0	0.0	0.0	0.0
Surplus for the year		56.0	41.5	57.0	41.8
Actuarial gain in respect of pension schemes	20	13.5	19.5	13.5	19.5
Change in fair value of hedging financial instruments	18	6.3	14.6	6.3	14.6
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR		75.8	75.6	76.8	75.9
Represented by:					
Endowment comprehensive income and expenditure for the year		1.1	1.0	1.0	0.5
Unrestricted comprehensive income and expenditure for the year		74.7	74.6	75.8	75.4
Attributable to the University		75.8	75.6	76.8	75.9

All items of income and expenditure relate to continuing activities.

statement of changes in reserves

for the year ended 31 July 2018

Consolidated	Income and expenditure account		Total
	Endowment £ million	Unrestricted £ million	£ million
Balance at 1 August 2016	9.4	128.1	137.5
Surplus from the income and expenditure statement	1.0	40.5	41.5
Other comprehensive income and expenditure	0.0	34.1	34.1
Total comprehensive income and expenditure for the year	1.0	74.6	75.6
Balance at 1 August 2017	10.4	202.7	213.1
Surplus from the income and expenditure statement	1.1	54.9	56.0
Other comprehensive income and expenditure	0.0	19.8	19.8
Total comprehensive income and expenditure for the year	1.1	74.7	75.8
Balance at 31 July 2018	11.5	277.4	288.9

University	Income and expenditure account		Total
	Endowment £ million	Unrestricted £ million	£ million
Balance at 1 August 2016	4.3	94.1	98.4
Surplus from the income and expenditure statement	0.5	41.3	41.8
Other comprehensive income and expenditure	0.0	34.1	34.1
Total comprehensive income and expenditure for the year	0.5	75.4	75.9
Balance at 1 August 2017	4.8	169.5	174.3
Surplus from the income and expenditure statement	1.0	56.0	57.0
Other comprehensive income and expenditure	0.0	19.8	19.8
Total comprehensive income and expenditure for the year	1.0	75.8	76.8
Balance at 31 July 2018	5.8	245.3	251.1

consolidated and university balance sheet

as at 31 July 2018

		Consolidated		University	
	Note	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Non-current assets					
Fixed assets	12	695.0	590.7	679.8	574.4
Investments	13	27.3	24.1	29.1	25.9
		722.3	614.8	708.9	600.3
Current assets					
Stock	14	0.9	1.1	0.8	0.6
Trade and other receivables	15	50.8	47.9	57.2	54.9
Investments	16	38.5	89.0	38.5	89.0
Cash and cash equivalents		126.6	98.7	123.6	95.0
		216.8	236.7	220.1	239.5
Less: Creditors : Amounts falling due within one year	17	(178.7)	(160.5)	(207.4)	(188.8)
Net current assets		38.1	76.2	12.7	50.7
Total assets less current liabilities		760.4	691.0	721.6	651.0
Creditors : Amounts falling due after more than one year	18	(397.7)	(389.2)	(396.7)	(388.0)
Provisions					
Pension provisions	20	(70.6)	(85.3)	(70.6)	(85.3)
Other provisions	21	(3.2)	(3.4)	(3.2)	(3.4)
TOTAL NET ASSETS		288.9	213.1	251.1	174.3
Restricted reserves					
Income and expenditure reserve - endowment reserve	22	11.5	10.4	5.8	4.8
Unrestricted reserves					
Income and expenditure reserve - unrestricted		277.4	202.7	245.3	169.5
TOTAL RESERVES		288.9	213.1	251.1	174.3

The financial statements on pages 28 to 63 were approved by the Council on 21 November 2018, and signed on its behalf by:

Professor Stuart Croft, Vice-Chancellor and President

Keith Bedell-Pearce CBE, University Treasurer

consolidated cash flow statement

for the year ended 31 July 2018

	Note	2017/18 £ million	2016/17 £ million
Cash flow from operating activities			
Surplus for the year		56.0	41.5
Adjustment for non-cash items			
Depreciation	12	38.4	35.6
Gain on investments	13	(1.6)	(2.4)
Decrease / (increase) in stock	14	0.2	(0.1)
Increase in debtors	15	(2.9)	(2.1)
Increase in creditors	17 & 18	25.5	46.9
(Decrease) / increase in pension provision	20	(1.2)	4.3
Decrease in other provisions	13 & 21	(1.0)	(0.4)
Adjustment for investing or financing activities			
Investment income	6	(1.7)	(1.6)
Interest payable	10	6.1	6.2
Endowment income	22	(1.8)	(1.3)
Loss / (gain) on the sale of non-current assets	11	0.8	(1.2)
Capital grant income		(17.5)	(14.5)
Net cash inflow from operating activities		99.3	110.9
Cash flows from investing activities			
Proceeds from sales of fixed assets		0.1	0.0
Capital grants receipts		28.5	30.4
Disposal of non-current asset investments		0.2	1.2
Withdrawal of deposits		50.5	0.0
Investment income	6	1.7	1.6
Payments made to acquire fixed assets	12	(142.8)	(115.9)
New non-current asset investments	13	(1.7)	(1.9)
New current asset investments	16	0.0	(19.0)
		(63.5)	(103.6)
Cash flows from financing activities			
Interest paid	10	(6.1)	(6.2)
Endowment cash received	22	1.8	1.3
Repayments of amounts borrowed	19	(3.6)	(3.7)
		(7.9)	(8.6)
Increase / (decrease) in cash and cash equivalents in the year		27.9	(1.3)
Cash and cash equivalents at beginning of the year		98.7	100.0
Cash and cash equivalents at end of the year		126.6	98.7

notes to the accounts

1. PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

These financial statements have been prepared in accordance with the 2015 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the FRS102. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of derivative financial instruments.

2. Basis of consolidation

The consolidated financial statements include the financial statements of the University, its subsidiary undertakings, the University of Warwick Foundation, and the University's share of associated undertakings. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of Warwick Students' Union and subsidiaries of the Union, as these are separate organisations in which the University has no control or significant influence over policy decisions.

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

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

Government grants including funding council block grant, capital grants and Government research grants are recognised within the Consolidated Statement of Comprehensive Income and Expenditure over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a Government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Other revenue grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Consolidated Statement of Income and Expenditure in line with such conditions being met.

notes to the accounts

(continued)

Non exchange transactions without performance related conditions may include donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income.

Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

Donations with no restrictions are recorded within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions: 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 expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income. 4. 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.

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

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

4. Accounting for retirement benefits

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

notes to the accounts

(continued)

University of Warwick Pension Scheme

The Defined Benefit (DB) section of the University's own scheme, an exempt approved pension scheme, provides retirement benefits (based on final pensionable salary), lump sum and spouse's death-in-service benefits. The scheme is set up under trust and the assets are held in a separate trustee-administered fund. The University's net obligation for the scheme is calculated in accordance with the advice of a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the University, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements. The DB section of the scheme was closed to new recruits on 1 April 2010.

From 1 April 2010 the University introduced a new Defined Contribution (DC) section to its own scheme, for those eligible members who are not members of the DB section. The DC section of the scheme is operated as a separate defined contribution pension scheme. Employer contributions to this section of the scheme are accounted for through the Consolidated Statement of Comprehensive Income at the time that payment to the external provider is accrued as due. A small number of staff remain in other pension schemes.

5. 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 are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

6. 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 are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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.

7. 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.

8. Foreign currency

Transactions denominated in foreign currencies are recorded at the average rate of exchange ruling for each month. Monetary assets and liabilities denominated in foreign currencies are recorded at the closing rate of exchange ruling at the year end. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

notes to the accounts

(continued)

9. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets. Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

No depreciation is charged on assets in the course of construction.

Land and buildings

Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated in equal instalments over their expected useful lives of 50 years, car parks are depreciated over 35 years and laboratory and other major refurbishments over 10 to 20 years. Where buildings are acquired with the aid of government and other specific grants they are capitalised and depreciated as above or over the life of the project if deemed more appropriate. The University has no inherited assets.

Equipment

In the accounts of the University, equipment, including micro-computers and software, costing less than £25,000 per individual item or group of related items are written off in the year of acquisition. Capitalised equipment, other than certain information technology equipment, is stated at cost and depreciated over typical expected useful lives of 5 to 10 years; software licences and certain items of information technology equipment are depreciated over three years. Equipment bought for a specific research or other project is usually depreciated over five years, or the life of the project if more appropriate. All assets are depreciated on a straight line basis, with a full year's depreciation in the year of acquisition.

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

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Borrowing costs

Borrowing costs are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

10. Investments

Non-current investments are held on the Balance Sheet at amortised cost less impairment.

Investments in associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current and fixed asset investments are held at fair value with movements recognised in the Consolidated Statement of Income and Expenditure.

11. Stock

Stocks of raw materials and consumables include departmental stocks in science departments, supplies for the Estates Office and goods for resale in catering, bars and retail outlets and are valued at the lower of cost plus attributable overheads and net realisable value. Stocks of other consumable materials are written off to expenditure as incurred.

notes to the accounts

(continued)

12. 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 in value.

13. 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 an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a 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.

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.

14. 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 Para 1 of schedule 6 to the Finance Act 2010 and 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 subsidiaries and associated undertakings are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

notes to the accounts

(continued)

15. Basic financial instruments

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other payables are recognised initially at transaction price plus attributable transaction costs.

16. Derivatives

Derivatives (interest rate swaps) are held on the Balance Sheet at fair value with movements in fair value recorded in the Consolidated Statement of Income and Expenditure. 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. Any ineffective portion of the hedge is recognised immediately in income or expenditure.

The hedging gain or loss recognised in other comprehensive income is reclassified to income or expenditure when the hedged item is recognised in profit or loss or when the hedging relationship ends.

17. Reserves

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

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

18. Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying accounting policies. Estimates, assumptions and judgements are continually evaluated based on available information and experience. Estimates based on assumptions and judgements could differ significantly from actual results. The areas most affected by the use of estimates and judgements are described below.

Calculation of pension provisions:

- i. The calculation of the liability for the present value of recovery contributions to the USS scheme is made using assumptions about the future salary and numerical growth of members of the USS scheme. The estimates used for these variables are set out in note 27.
- ii. The calculation of the defined benefit pension liability in the UWPS scheme is made using actuarial assumptions, as set out in note 27.

Short-term employment benefits:

The University has provided for the cost of unused holiday leave of its employees at the end of the financial year. This accrual was based on the actual leave carried forward at 31 July of a number of employees sampled across University departments. The results from this sample were extrapolated over the University employee population as a whole to determine the total accrual.

notes to the accounts

(continued)

2. TUITION FEES AND EDUCATIONAL CONTRACTS

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
Accredited course fees from home/EU students	146.7	135.7	146.7	135.7
Accredited course fees from overseas students	149.2	133.0	149.2	133.0
International foundation programme fees	3.7	3.6	3.7	3.6
Non-accredited short course fees	4.0	3.3	4.0	3.3
Research Training Support Grants	12.6	11.3	12.6	11.3
Other fees	0.4	0.6	0.4	0.6
	316.6	287.5	316.6	287.5

3. FUNDING BODY GRANTS

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
Recurrent grants:				
HEFCE / Office for Students teaching grant	13.3	13.4	13.3	13.4
HEFCE / Research England research grant	36.3	35.9	36.3	35.9
Specific grants:				
HE Innovation Fund	4.2	3.2	4.2	3.2
Catalyst Fund	0.2	0.3	0.2	0.3
National Collaborative Outreach	0.3	0.0	0.3	0.0
Other specific grants	0.3	0.3	0.3	0.3
Capital grants released in year:				
Buildings	3.6	3.6	3.6	3.6
Equipment	1.4	1.7	1.4	1.7
	59.6	58.4	59.6	58.4

4. RESEARCH GRANTS AND CONTRACTS

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
Research councils	38.4	39.2	38.4	39.2
Central government, local authorities and public corporations	44.6	36.5	44.6	36.5
UK charitable bodies	9.7	9.3	9.7	9.3
European Union	14.9	16.9	14.9	16.9
UK industry and commerce	8.2	9.9	8.2	9.9
Overseas	9.3	7.6	9.3	7.6
Others	1.4	0.9	1.4	0.9
	126.5	120.3	126.5	120.3

Income from research grants and contracts includes £11.6m in respect of capital grants released in the year (2016/17: £8.3m)

notes to the accounts

(continued)

5. OTHER INCOME

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
Residences, catering and conferences	44.7	44.4	44.7	44.4
Other services rendered	2.6	3.0	2.6	3.0
Other capital grants	0.9	0.8	0.6	0.6
Retail operations	38.8	38.2	16.8	16.1
Post-experience centres	13.0	10.1	0.0	0.0
Other income	23.0	23.8	33.6	32.1
Covenant income	0.0	0.0	10.6	9.7
	123.0	120.3	108.9	105.9

6. INVESTMENT INCOME

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
Restricted permanent endowment investment income (note 22)	0.1	0.2	0.1	0.0
Restricted expendable endowment investment income (note 22)	0.1	0.0	0.0	0.0
Other investment income	1.5	1.4	1.4	1.3
	1.7	1.6	1.5	1.3

7. DONATIONS AND ENDOWMENTS

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
New endowments	1.8	1.3	1.8	1.2
Unrestricted donations	2.3	1.6	2.3	1.6
	4.1	2.9	4.1	2.8

notes to the accounts

(continued)

8. STAFF

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
Staff costs: Salaries and wages	260.6	237.6	245.5	223.8
Social Security costs	25.5	22.9	24.6	22.0
Other pension costs	35.0	37.5	34.0	36.9
	321.1	298.0	304.1	282.7

	Consolidated	
	2017/18 Number	2016/17 Number
The number of full time equivalent staff, by area of activity, can be summarised as:		
Academic staff within academic departments	2,316	2,264
Other staff within academic departments	1,163	1,050
Academic services	407	379
Premises management and maintenance	508	478
Residences and catering	439	443
Other services and activities, including commercial operations	1,099	1,076
	5,932	5,690

The total staff costs of the University include amounts payable to the Vice-Chancellor and President, who is the senior post-holder at the University. The total emoluments paid in the year to the holder of this title were:

Professor Stuart Croft	2017/18 £000	2016/17 £000
Basic salary	299	283
Salary in lieu of pension	39	37
Taxable benefit - accommodation	4	4
Other taxable benefits	1	2
Total emoluments (including benefits-in-kind) before pension contributions	343	326
Pension contributions in respect of the Vice-Chancellor and President	6	6
Total emoluments (including benefits-in-kind)	349	332

Non-taxable benefits are not included above. The University does not charge a rental cost for the Vice-Chancellor and President's accommodation. It is a 2 bed property plus a study – similar properties on the University campus are rented out at a rate of c£950 per month, exclusive of council tax and bills for power and gas, inclusive of water costs. Taxable benefits for accommodation include power and gas costs. Council tax is non-taxable and costs c£125 per month.

notes to the accounts

(continued)

8. STAFF - continued

The Chair of Council conducts an annual review of the performance and contribution of the Vice-Chancellor and President which incorporates observations from members of Council (primarily external) and from student representatives. This is further debated with members of the Remuneration Committee (membership of which excludes the Vice-Chancellor and President). The review is conducted against criteria agreed annually with the Chair of Council, including the development of strategy, of international partnerships, of educational provision and the student experience and the overall positioning of the University locally, regionally and internationally.

In comparison to research intensive universities of a similar size as measured by turnover, the University of Warwick's Vice-Chancellor and President's base salary and total remuneration is positioned at the median. The University is a very significant operation, with total turnover of £631.5 million; the University of Warwick is consistently in the top 10 of all significant league tables published in the UK and is currently 79th in the Times Higher Education World University rankings.

In 2017 the University's Vice-Chancellor and President made a donation of £10,000 to support the University's refugee scholarship programme and stated that it is their intention to make further donations during their time as Vice-Chancellor and President.

The Vice-Chancellor and President has chosen not to undertake any paid work outside of the University.

The relationship between the Vice-Chancellor and President's remuneration, expressed as a multiple of all other employees is set out below, for both basic salary and total remuneration:

	2017/18 Number
Basic salary as a multiple of median basic salary of staff	8.9
Total remuneration as a multiple of median total remuneration of staff	9.1

The Vice-Chancellor and President's total remuneration in the above calculation includes taxable and non-taxable benefits. The calculation of the ratio is affected by the University's decision to normally employ directly its staff in support and ancillary services roles, including in its commercial businesses. This means that many more lower paid staff are included in the calculation than would be the case in institutions which have outsourced these services or have less significant commercial businesses.

The University has excluded "atypical" staff (primarily temporary and agency workers) within the above calculation due to the complexity in the data, in particular due to data availability to allow a full time equivalent (FTE) calculation. This is the first year of reporting the above multiple.

The ratio of the Vice-Chancellor and President's basic salary to the lowest paid person is within the 20:1 ratio suggested by the Hutton Review of Fair Pay in the public sector.

The ratio of the Vice-Chancellor and President's basic salary to the median academic salary is 6.4.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. Key management personnel for the University consist of the following senior officers: Vice-Chancellor and President, Provost, Registrar, Group Finance Director, Strategy Director (until 11 June 2017), Pro-Vice Chancellors, Secretary to Council (from 1 January 2018) and Commercial Director (from 1 August 2018). Compensation paid to key management personnel during the year (including any employer's pension contributions, social security contributions, compensation for loss of office payments, taxable benefits-in-kind and additional salary in lieu of pension contributions for certain staff) is disclosed below:

	2017/18 £000	2016/17 £000
Key management personnel	1,753	1,787

notes to the accounts

(continued)

8. STAFF - continued

Basic salary of other Higher Paid Staff:

	2017/18	2016/17
	FTE	FTE
£360,000 - £364,999	1.0	0.0
£355,000 - £359,999	0.0	1.0
£230,000 - £234,999	1.0	0.0
£225,000 - £229,999	0.0	1.0
£220,000 - £224,999	2.3	1.4
£215,000 - £219,999	0.2	0.8
£210,000 - £214,999	1.0	0.2
£205,000 - £209,999	0.0	1.0
£200,000 - £204,999	1.0	0.0
£195,000 - £199,999	0.2	1.0
£190,000 - £194,999	0.0	0.2
£185,000 - £189,999	2.6	0.8
£180,000 - £184,999	4.1	2.9
£175,000 - £179,999	2.3	4.8
£170,000 - £174,999	3.2	0.7
£165,000 - £169,999	2.2	5.4
£160,000 - £164,999	2.1	2.5
£155,000 - £159,999	3.8	3.5
£150,000 - £154,999	5.1	3.0
£145,000 - £149,999	7.6	8.7
£140,000 - £144,999	6.1	4.0
£135,000 - £139,999	1.9	2.2
£130,000 - £134,999	6.7	6.3
£125,000 - £129,999	7.5	10.9
£120,000 - £124,999	7.1	7.6
£115,000 - £119,999	22.7	13.2
£110,000 - £114,999	24.1	23.6
£105,000 - £109,999	19.9	18.1
£100,000 - £104,999	36.1	26.5

Excluded from the above list are staff who joined or left part-way through a year but who did not exceed the threshold during the financial year. Salary partly funded by another body is also excluded. Salary bands are stated on a full time equivalent basis.

£695k in compensation for loss of office and redundancy was paid to 140 employees at all salary levels, in addition to their emolument entitlement for the year. In 2016/17, 149 employees were paid £943k.

All severance payments including compensation for loss of office in respect of higher paid staff are approved by the University's Remuneration Committee. Amounts for compensation for loss of office and redundancy for all other staff are approved by University management in accordance with delegated authority.

notes to the accounts

(continued)

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Consolidated		University	
	2017/18	2016/17	2017/18	2016/17
	Total	Total	Total	Total
	£ million	£ million	£ million	£ million
Academic departments	230.6	213.1	230.6	213.1
Research grants and contracts	102.5	99.0	102.5	99.0
Total teaching and research	333.1	312.1	333.1	312.1
Academic services	38.8	36.9	38.8	36.9
Central administration and services	26.0	35.1	25.4	34.6
General educational expenditure	30.6	29.1	30.5	29.0
Staff and student facilities	18.0	15.5	18.0	15.5
Premises	50.2	48.3	51.4	49.3
Residences, catering and conferences	33.4	31.9	34.8	31.9
Other services rendered	2.0	2.3	2.0	2.8
Retail operations	27.1	25.5	18.5	15.8
Post-experience centres	10.9	8.6	2.2	1.8
Other activities	6.2	7.8	6.1	7.9
Total per income and expenditure account	576.3	553.1	560.8	537.6

Other operating expenses include:

	2017/18	2016/17
	£000	£000
Auditor's remuneration for the University of Warwick Group (An amount of £45k (2016/17: £44k) relates to the Auditor's remuneration for the University)	90	93
Auditor's remuneration in respect of non-audit services appointed by the University	188	82
Grants to Warwick Students' Union	2,978	2,875

During the year the University made payments totalling £7,000 (rounded to the nearest £1,000) including reimbursement of expenses, on behalf of thirteen independent members of the Council (2016/17: twelve members claimed a combined total of £10,000). This does not represent the total expenses individuals incurred, only what they claimed from the University. Additionally, the University provides members (not by way of expenses on an individual basis) with food and accommodation for the activities they attend on the University's campus. Members of the University's Council are the University's Trustees. The University does not remunerate independent members of the University Council. Reasonable travel and subsistence expenses incurred in attending meetings relating to the work of the Council and associated charitable events in members' official capacity are reimbursed upon request, as supported by appropriate evidence of expenditure. The salaries of members of the staff of the University who serve on the Council do not include any element specific to their trusteeship, but are determined following an agreed process.

notes to the accounts

(continued)

10. INTEREST AND OTHER FINANCE COSTS

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
Loan interest	6.1	6.2	6.1	6.2
Net charge on University of Warwick Pension Scheme	0.5	0.9	0.5	0.9
Administration costs paid from scheme assets	0.6	0.6	0.6	0.6
Net charge on USS pension scheme	1.2	1.1	1.2	1.1
	8.4	8.8	8.4	8.8

The administration costs are in relation to the University of Warwick Pension Scheme (UWPS).

11. DISPOSAL OF NON-CURRENT ASSETS

	Consolidated		University	
	2017/18 £ million	2016/17 £ million	2017/18 £ million	2016/17 £ million
(Loss) / gain on disposal of non-current investments	(0.7)	1.2	(0.7)	1.2
Loss on disposal of fixed assets	(0.1)	0.0	(0.1)	0.0
	(0.8)	1.2	(0.8)	1.2

notes to the accounts

(continued)

12. FIXED ASSETS

CONSOLIDATED

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2017	962.6	606.0	209.5	147.1
Additions at cost	142.8	1.9	16.5	124.4
Asset transfers	0.0	42.0	4.7	(46.7)
Write offs and disposals at cost	(1.0)	0.0	(1.0)	0.0
At 31 July 2018	1,104.4	649.9	229.7	224.8
Depreciation				
At 1 August 2017	371.9	203.7	168.2	0.0
Charge for the year	38.4	20.7	17.7	0.0
Eliminated on write offs and disposals	(0.9)	0.0	(0.9)	0.0
At 31 July 2018	409.4	224.4	185.0	0.0
Net Book Value at 31 July 2018	695.0	425.5	44.7	224.8
Net Book Value at 31 July 2017	590.7	402.3	41.3	147.1

UNIVERSITY

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2017	928.0	573.3	207.6	147.1
Additions at cost	142.6	1.7	16.5	124.4
Asset transfers	0.0	42.0	4.7	(46.7)
Write offs and disposals at cost	(1.0)	0.0	(1.0)	0.0
At 31 July 2018	1,069.6	617.0	227.8	224.8
Depreciation				
At 1 August 2017	353.6	187.4	166.2	0.0
Charge for the year	37.1	19.4	17.7	0.0
Eliminated on write offs and disposals	(0.9)	0.0	(0.9)	0.0
At 31 July 2018	389.8	206.8	183.0	0.0
Net book value at 31 July 2018	679.8	410.2	44.8	224.8
Net book value at 31 July 2017	574.4	385.9	41.4	147.1

notes to the accounts

(continued)

13. NON-CURRENT INVESTMENTS

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Balance at 1 August	24.1	19.7	25.9	21.1
Net additions in the year	0.8	1.9	1.0	2.7
Increase in market value	1.6	2.4	1.4	2.0
Decrease in provision for diminution in value	0.8	0.1	0.8	0.1
Balance at 31 July	27.3	24.1	29.1	25.9
Represented by:				
Group undertakings	0.0	0.0	6.8	6.7
Associated undertakings	1.1	1.7	0.0	0.7
Other equity investments	0.6	0.8	0.5	0.6
Cash held within managed funds	1.5	0.6	1.3	0.6
Bonds held within managed funds	0.6	0.6	0.2	0.2
Equity investments held within managed funds	23.5	21.1	19.5	17.1
Alternative investments held within managed funds	1.3	1.4	1.2	1.2
	28.6	26.2	29.5	27.1
Provision for diminution in value	(1.3)	(2.1)	(0.4)	(1.2)
	27.3	24.1	29.1	25.9

Associated undertakings include:

University of Warwick Science Park Associates

On 1 February 2012, the University acquired full ownership of the University of Warwick Science Park Limited and its associated undertakings including the University of Warwick Science Park Business Innovation Centre Limited (UWSP BIC) and University of Warwick Science Park Innovation Centre Limited (UWSP IC). From the date of acquisition, the Science Park was treated as a group investment at cost within the University's figures and is accounted for as a fully consolidated subsidiary within the group accounts (see note 25). UWSP BIC and UWSP IC are not consolidated into the results of the University nor the University of Warwick Science Park Limited on the grounds of materiality.

Other Equity Investments include:

CVCP Properties plc

50,766 ordinary shares of £1 each

The Mercia Fund 1

This is a limited partnership between the Universities of Birmingham and Warwick and the General Partner, Mercia Fund Management Limited. Warwick's investment comprises of an initial capital contribution of £100 and a grant of £199,900. The Universities each hold one Class 'B' share of £1 (there are 2 Class 'B' shares in issue) in Mercia Fund Management Limited. All the Class 'A' shares are held by Mercia Fund Management Limited. Since initial set up, the University has invested a further £200k into Mercia Fund 1.

notes to the accounts

(continued)

13. NON-CURRENT INVESTMENTS - continued

Investment in spin-out companies

The University holds a range of shareholdings in a number of spin-out companies, set up to maximise the return on intellectual property that is the result of the University's previous research activities. The University currently holds investments in 37 active spin-out companies, all of which are incorporated in Great Britain and registered in England. In total these spin-out companies employ almost 140 staff, mainly within the West Midlands.

Further details of the University's investment in spin-out companies can be found at

<http://www2.warwick.ac.uk/services/ventures/spinout-companies/spin-out-companies-a-z-list/>.

The University provides for investment in spin-out companies immediately upon acquisition and, whilst shareholdings vary in range, up to 50.0%, all spin-out investments are carried within the University's consolidated group accounts at nil value, given the uncertain nature of any valuation or return. The results of these companies are not being consolidated in the accounts on the basis of materiality. This will be reviewed on an annual basis.

14. STOCK

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Consumables and goods for resale	0.9	1.1	0.8	0.6

15. TRADE AND OTHER RECEIVABLES

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Amounts falling due within one year:				
Other trade receivables	20.7	19.3	17.3	16.7
VAT and other taxes	1.3	0.8	1.3	0.8
Prepayments and accrued income	28.8	27.8	28.0	27.0
Amounts owed by group undertakings	0.0	0.0	10.6	10.4
	50.8	47.9	57.2	54.9

16. CURRENT INVESTMENTS

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Short term deposits	38.5	89.0	38.5	89.0

Short term deposits are held with banks and building societies operating in the London market and licensed by the Prudential Regulation Authority, with more than three months maturity on placement.

notes to the accounts

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17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Unsecured loans (note 19)	3.6	3.6	3.6	3.6
Deferred income	87.6	78.9	85.3	77.0
Deferred capital grants	15.1	12.8	14.9	12.7
Trade payables	22.9	14.6	22.5	14.3
Social security and other taxation payable	8.5	7.5	7.3	6.6
Accruals	41.0	43.1	39.0	41.9
Amounts owed to group undertakings	0.0	0.0	34.8	32.7
	178.7	160.5	207.4	188.8

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Derivatives	43.7	50.0	43.7	50.0
Unsecured loans (note 19)	112.0	115.6	112.0	115.6
Deferred income	85.9	75.3	85.9	75.3
Deferred capital grants	155.1	146.3	154.1	145.1
Other payables	1.0	2.0	1.0	2.0
	397.7	389.2	396.7	388.0

The University holds derivative instruments (interest rate swaps) on its borrowings to convert its floating rate debt to fixed rate in order to hedge against the interest-rate risk arising. The fair value of the derivative instruments (hedging instrument) at 31 July 2018 was £43.7m (2016/17: £50.0m). The change in fair value of the hedging instrument during the financial year of £6.3m favourable (2016/17: £14.6m favourable) is shown within the Consolidated Statement of Comprehensive Income.

19. ANALYSIS OF UNSECURED LOANS

Amounts owing on unsecured loans as at 31 July 2018 fall due as follows:

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Due within one year or on demand (note 17)	3.6	3.6	3.6	3.6
Due between one and two years (note 18)	3.6	3.6	3.6	3.6
Due between two and five years (note 18)	10.7	10.7	10.7	10.7
Due in five years or more (note 18)	97.7	101.3	97.7	101.3
	115.6	119.2	115.6	119.2

notes to the accounts

(continued)

19. ANALYSIS OF UNSECURED LOANS - continued

The University takes professional advice on the hedging of interest rates on its borrowing, with a view to reducing the risk of unexpected finance costs. The University has entered into long term interest swap agreements which result in effectively fixed rate borrowing over the life of the loans as shown below.

Bank loan arrangements for the University as at 31 July 2018:

	Total original facility £ million	Outstanding 31 July 2018 £ million	Effective Fixed rate
Drawn facilities - all variable rate			
Amortising loan, drawn July 2007, repayable July 2037	40.0	25.0	5.37%
Bullet loan, drawn July 2008, repayable July 2037	10.0	10.0	4.82%
Bullet loan, drawn July 2009, repayable July 2037	5.0	5.0	4.92%
Bullet loan, drawn October 2010, repayable July 2037	15.0	15.0	4.92%
Bullet loan, drawn October 2010, repayable July 2037	10.0	10.0	4.84%
Amortising loan, drawn March 2012, March 2013 and December 2013, repayable December 2040	60.0	50.0	5.19%
	140.0	115.0	

The University has a negative pledge arrangement in respect of the bank loan facilities.

During the financial year the University also had the following borrowing arrangements in place:

1. A £0.4m loan from the Lawn Tennis Association, amortising over 13 years from September 2008, at a 0% rate of interest, specifically for the purpose of building an indoor tennis centre. £0.1m remains outstanding as at 31 July 2018.
2. A £0.5m loan received from HEFCE, as part of HEFCE's partnership with Salix Finance Ltd, specifically for the purpose of funding energy efficiency and low carbon technology. The loan is at a 0% rate of interest and is repayable in greater than five years, being the period during which compliant projects have already been planned.
3. In August 2018 the University concluded a Loan Facility Agreement for £75m and the loan was drawn down in August 2018. The loan has a 20 year term.

notes to the accounts

(continued)

20. PENSION PROVISIONS

	Consolidated	University
	£ million	£ million
Obligation to fund deficit on USS Pension (Note 27)		
At 1 August 2017	64.8	64.8
Unwinding of discount factor	1.2	1.2
Deficit contributions paid	(3.9)	(3.9)
New provisions in year	0.8	0.8
At 31 July 2018	62.9	62.9
Defined benefit obligations (Note 27)		
At 1 August 2017	20.5	20.5
Net service cost contributions	(0.4)	(0.4)
Net return on assets	0.5	0.5
Administrative expenses	0.6	0.6
Actuarial gain	(13.5)	(13.5)
At 31 July 2018	7.7	7.7
Total of above pension provisions carried forward at 31 July 2018	70.6	70.6

21. OTHER PROVISIONS

	Consolidated	University
	£ million	£ million
Early leavers and retirements provision		
At 1 August 2017	0.1	0.1
Utilised in year	(0.1)	(0.1)
At 31 July 2018	0.0	0.0
Life Sciences restructuring provision		
At 1 August 2017	3.3	3.3
Utilised in year	(0.1)	(0.1)
At 31 July 2018	3.2	3.2
Total of above provisions carried forward at 31 July 2018	3.2	3.2

notes to the accounts

(continued)

22. ENDOWMENTS

CONSOLIDATED

As at 1 August

	Restricted Permanent £ million	Restricted Expendable £ million	2018 Total £ million	2017 Total £ million
Capital	4.8	4.9	9.7	8.9
Accumulated income	0.6	0.1	0.7	0.5
	5.4	5.0	10.4	9.4

New endowments	0.4	1.4	1.8	1.3
Investment income	0.1	0.1	0.2	0.2
Expenditure	(0.1)	(1.1)	(1.2)	(1.0)
Increase in market value of investments	0.2	0.1	0.3	0.5

As at 31 July

6.0	5.5	11.5	10.4
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Represented by:

	Restricted Permanent £ million	Restricted Expendable £ million	2018 Total £ million	2017 Total £ million
Capital	5.4	5.4	10.8	9.7
Accumulated income	0.6	0.1	0.7	0.7
Total	6.0	5.5	11.5	10.4

Analysis of endowment funds by type and purpose

Chairs and lectureships	2.0	1.0	3.0	3.0
Scholarships and bursaries	2.2	2.0	4.2	3.5
Prize funds	1.6	0.2	1.8	1.5
General	0.2	1.9	2.1	2.0
Research support	0.0	0.4	0.4	0.4
Total	6.0	5.5	11.5	10.4

Analysis by asset

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Current and non-current asset investments	7.0	6.0	2.3	1.6
Cash and cash equivalents	4.5	4.4	3.5	3.2

Total endowment asset investments

11.5	10.4	5.8	4.8
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notes to the accounts

(continued)

22. ENDOWMENTS - continued

UNIVERSITY

As at 1 August

	Restricted Permanent £ million	Restricted Expendable £ million	2018 Total £ million	2017 Total £ million
Capital	2.0	2.7	4.7	4.2
Accumulated Income	0.1	0.0	0.1	0.1
	2.1	2.7	4.8	4.3
New endowments	0.4	1.4	1.8	1.3
Investment income	0.1	0.0	0.1	0.0
Expenditure	0.0	(1.0)	(1.0)	(0.9)
Increase in market value of investments	0.1	0.0	0.1	0.1
As at 31 July	2.7	3.1	5.8	4.8

Represented by:

	Restricted Permanent £ million	Restricted Expendable £ million	2018 Total £ million	2017 Total £ million
Capital	2.5	3.1	5.6	4.7
Accumulated income	0.2	0.0	0.2	0.1
Total	2.7	3.1	5.8	4.8

23. CAPITAL COMMITMENTS

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Commitments contracted at 31 July	112.5	124.8	112.5	124.8

24. LEASE OBLIGATIONS

	Consolidated		University	
	2018 £ million	2017 £ million	2018 £ million	2017 £ million
Operating lease commitments in respect of buildings and equipment on leases:				
Within one year	12.5	11.1	12.5	11.0
Between one and five years	19.5	16.2	19.4	16.2
Over five years	30.2	21.9	30.2	21.9
	62.2	49.2	62.1	49.1

notes to the accounts

(continued)

25. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES

The University owns 100% of the issued share capital of the following companies which are registered in England and operating in the UK, unless dormant as stated:

	<u>No. of £1 Ordinary Shares</u>
Warwick University Training Limited	600,004
Warwick University Services Limited	125,000
Warwick University Enterprises Limited	20,000
Warwick Learning Limited	2,200
University of Warwick Science Park Limited	27,997
Warwick Ventures Limited (Dormant)	10
Research-TV Limited (Dormant)	3
Warwick Conferences Limited (Dormant)	2
The University of Warwick Press Limited (Dormant)	2
Jobs for the Academic Community Limited (Dormant)	1
World First Racing Limited (Dormant)	100
Warwick Ventures Company Limited (to 12 October 2018: WMG-Tech Limited) (Dormant)	1
Warwick Innovation Network Limited (Dormant)	1
Warwick Event Solutions Limited (Dormant)	1
UWSP Connect Limited (Dormant)	1
HRI Limited (Dormant)	3
UPS Pension Trustee Limited (Dormant)	1
Horticulture Research International (Dormant)	Limited by guarantee

The University owns 100% of the issued share capital of the following company which is registered in Australia and operating in Australia:

	<u>No. of \$1(Aus) Ordinary Shares</u>
Warwick University Enterprises (Australia) Pty Ltd	1,380,000

University of Warwick Foundation

In addition, the consolidated accounts include the accounts of The University of Warwick Foundation, an exempt Charity. The Foundation is a linked charity as defined under paragraph 28 of the Charities Act 2011 and, as such more information is disclosed in respect of the Foundation at note 26 of these accounts.

Warwick Ventures Limited

On 9 April 2017, Warwick Ventures Limited ceased trading and transferred its activities to the University of Warwick. With effect from 1 August 2017 the company is dormant.

WMG Academy for Young Engineers (WMG Academy)

WMG Academy was formed on 6 February 2012 and is a private company, limited by guarantee and also an exempt charity where the University is one of three members. The University does not consider the entity to be an associate due to lack of substantial control and therefore is not included in the consolidated results. It operates two University Technical Colleges specialising in engineering.

Other Associated Bodies

Due to the nature of its activities, the University is a member of, or holds other minor interests in, a number of other joint ventures and companies involved in academic related activities. The individual detail of these other holdings is not disclosed, nor consolidated into the accounts of the University, purely on the grounds of materiality.

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26. CONNECTED CHARITABLE INSTITUTIONS

The University is required to disclose details of connected charitable institutions, in order to allow for appropriate review by the Office for Students, which acts as principal regulator of the University of Warwick and its connected institutions, on behalf of the Charity Commission.

University of Warwick Foundation

It is the University's view that the University of Warwick Foundation is a connected institution to the University as defined under paragraph 28 of the Charities Act 2011 and, accordingly, further details are disclosed below.

The University of Warwick Foundation is an exempt charity, by virtue of Schedule 3 of the Charities Act 2011; the purposes of the Foundation are to:

- (a) hold endowments and other donations received for the development of the University of Warwick; and
- (b) provide funding for the development of buildings at the University of Warwick.

The activities of the Foundation, a financial summary of which is shown below, are consolidated into the University's group accounts, as described in note 25.

Consolidated results	2017/18 £ million		2016/17 £ million	
Net assets				
As at 1 August	34.7		34.7	
Income	0.7		0.7	
Expenditure	(1.2)		(1.1)	
Gain on investments	0.2		0.4	
As at 31 July	34.4		34.7	

Endowment Funds	Restricted Permanent £ million	Restricted Expendable £ million	2017/18 Total £ million	2016/17 Total £ million
As at 1 August	3.3	2.3	5.6	5.1
Income	0.0	0.1	0.1	0.2
Expenditure	(0.1)	(0.1)	(0.2)	(0.1)
Gain on investments	0.1	0.1	0.2	0.4
As at 31 July	3.3	2.4	5.7	5.6

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27. PENSION SCHEMES

Universities Superannuation Scheme (USS)

The total net income to the profit and loss account is £1.9m (2016/17: net cost £2.8m) as shown in note 20.

The University participates in the USS. With effect from 1 October 2016, the scheme changed from a defined benefit only scheme to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. At 31 March 2018 USS had over 198,000 active members (2017: 190,000+) and the University had 4,289 active members participating in the scheme as at 31 July 2018 (2017: 4,043).

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 University 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.

Latest actuarial valuation date for which information is available	31 March 2014
Valuation method	Projected Unit
Value of scheme assets	£41.6bn
Value of technical provisions	£46.9bn
Net pension deficit	£5.3bn
Funding level from accrued benefits	89.0%

The above figures will be revised once the 2017 Scheme Valuation is complete.

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

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

The main demographic assumption used relates to the mortality assumptions. Mortality is assumed to be in line with the Continuous Mortality Investigation's (CMI) tables: for pre-retirement, 71% of AMC00 (duration 0) is used for males, and 112% of AFC00 (duration 0) for females. For post retirement, 96.5% of S1NMA "light" is used for males and 101.3% of RFV00 for females. Use of these mortality tables reasonably reflects the actual USS experience. To allow for future improvements in mortality rates, the CMI 2016 projections with a smoothing parameter of 8.5 and long term improvement rates of 1.8% pa for males and 1.6% pa for females were also adopted. The current life expectancies on retirement at age 65 are:

Males (females) currently aged 65:	24.5 (26.0) years
Males (females) currently aged 45:	26.5 (27.8) years

notes to the accounts

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27. PENSION SCHEMES - continued

The existing position is as follows:

	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%

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the 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. Details of this provision, which has been discounted at a rate of 2.16% as at 31 July 2018, are included in note 20 to the financial statements. The University has provided £62.9m in the current year (2016/17: £64.8m).

The University's liability calculation assumes a salary inflation rate growing to 4.7%, an annual increase in staff FTE in line with the University five-year plan and 0.5% beyond and a discount rate of 2.16%. A change in the assumption for salary inflation by +/- 0.5% would increase the obligation to fund the USS deficit by +/- £2.2m. Similarly changes to the assumptions to the increase in staff FTE numbers by +/-0.5% would impact the provision by +/- £2.3m as at 31 July 2018.

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.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £62.9 million (assuming the same discount rate of 2.16%) were employer deficit repair contributions and duration to increase:

Employer deficit repair contributions			
	2.1%	3.1%	6.0%
Duration	£ million	£ million	£ million
Base	62.9	91.7	174.9
+3 years	81.7	119.4	228.5
+6 years	102.2	149.6	287.1

notes to the accounts

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27. PENSION SCHEMES - continued

University of Warwick Pension Scheme (UWPS)

As of 1 April 2010 the University introduced changes to the benefit structure for existing members of UWPS and introduced a new Defined Contribution Section (DCS) to the scheme for new hires from this date. The University closed the Defined Benefit Section (DBS) of the scheme to new hires from 1 April 2010, but continues to operate this DBS in the UK for eligible members at the point of closure and the following disclosure relates to this ongoing DBS. Under FRS 102, the current service costs arising from employee service for the current period (less contributions paid into the scheme), expected interest costs on the scheme liabilities and the expected rate of return on scheme assets are charged and credited to the Consolidated Statement of Comprehensive Income and Expenditure of the University. Other changes in the forecast scheme liability recorded on the Balance Sheet, as a result of changes in assumptions, are also recorded in the Consolidated Statement of Comprehensive Income and Expenditure. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. This valuation has been updated to 31 July 2018 by a qualified independent actuary, for calculating FRS 102 accounting entries. The main results and assumptions of the most recently available full valuation figures of the UWPS are as follows:

Latest actuarial valuation date	31 March 2016
Valuation method	Projected Unit
Value of notional assets	£177.1m
Funding level from accrued benefits	87%
Discount rates per annum	- short term 3.65%
	- long term 2.15%
Salary scale increases per annum	1.90%
Pension increases per annum (subject to limited price indexation)	3.00%

All assumptions have been derived with reference to the full gilt yield curve and implied inflation curve, from the Willis Towers Watson Investment Model. Detailed in the above table are the single equivalent financial assumptions. These represent the equivalent single assumptions which taken in isolation would produce the same liability figure as that derived from using the full curves for each respective financial assumption.

As at 31 July 2018 there were 504 members of staff actively contributing to the DBS of the scheme (2017: 555), with a further 1,468 staff being active members of the DCS (2017: 1,434).

Following the scheme's March 2016 actuarial valuation, the University will maintain an overall flat contribution rate of £3.29m into the DBS of the scheme, inclusive of deficit recovery contributions. With effect from 1 April 2017, the University's £3.29m DBS contribution is made up 20.4% ordinary annual contributions and the balance in deficit recovery contributions.

The DCS of the scheme is treated and accounted for as a normal and separate defined contribution scheme. The University's contributions to the Heritage section, are between 4% and 10% of pensionable salary, dependent upon the level of employee contributions chosen by the scheme member. The University's contributions to the Enterprise section are based on the statutory minimum basis. Contributions to both sections are recognised through expenditure in the Consolidated Statement of Comprehensive Income as paid over to the external scheme provider.

The major assumptions used by the actuary (in nominal terms) for the latest updates of the DBS of the scheme were:

	2018	2017	2016	2015	2014
Rate of increase in salaries	2.15%	3.15%	2.70%	3.25%	3.30%
Discount rate	2.55%	2.60%	2.55%	3.80%	4.30%
Inflation assumption (RPI)	3.15%	3.15%	2.70%	3.25%	3.30%
Inflation assumption (CPI) *	2.15%	2.15%	1.70%	2.25%	2.30%

* CPI used for revaluation of deferred pensions where appropriate.

notes to the accounts

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27. PENSION SCHEMES - continued

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on risk free investments (government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested (including equities, property, liability driven investments (LDI), infrastructure, commodities and reinsurance) and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2018 Years	2017 Years	2016 Years	2015 Years	2014 Years
Male member aged 45	23.3	23.2	23.2	23.1	23.0
Female member aged 45	27.0	27.0	27.0	26.9	26.8
Male member aged 65	21.1	21.1	21.0	20.9	20.8
Female member aged 65	24.7	24.6	24.7	24.6	24.5

The assets in the Scheme were:

	2018 £ million	2017 £ million	2016 £ million	2015 £ million	2014 £ million
Value of assets					
- Equities	47.8	59.0	53.4	53.3	41.0
- Other growth assets	77.6	69.7	79.8	55.0	42.5
- Bonds and other	85.2	75.5	66.8	58.7	63.0
Total market value of assets	210.6	204.2	200.0	167.0	146.5
Value of liabilities	(218.3)	(224.7)	(238.5)	(190.2)	(168.4)
Net pension deficit	(7.7)	(20.5)	(38.5)	(23.2)	(21.9)

Analysis of movement in the market value of scheme assets

	2017/18 £ million	2016/17 £ million
Fair value of plan assets at beginning of the year	204.2	200.0
Expected rate of return on scheme assets *	5.3	5.1
Actuarial gains	3.2	1.6
Contribution paid by the employer	3.8	3.5
Contributions by scheme participants	0.0	0.1
Benefits paid	(5.3)	(5.5)
Administrative expenses paid from plan assets	(0.6)	(0.6)
Fair value of plan assets at end of the year	210.6	204.2

* Non-investment expenses incurred in the year have been offset within the expected returns of assets

notes to the accounts

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27. PENSION SCHEMES - continued

Analysis of movement in the present value of scheme liabilities

	2017/18 £ million	2016/17 £ million
Benefit obligation at beginning of the year	224.7	238.5
Current service costs	3.4	3.5
Interest cost	5.8	6.0
Contributions by scheme participants	0.0	0.1
Actuarial gain	(10.3)	(17.9)
Benefits paid	(5.3)	(5.5)
Benefit obligation at end of the year	218.3	224.7

Analysis of amount recognised in Other Comprehensive Income

	2017/18 £ million	2016/17 £ million
Actual gain on scheme assets	8.5	6.7
Expected return on assets	(5.3)	(5.1)
Experience of gains and losses on liabilities	2.6	24.2
Changes in assumptions	7.7	(6.3)
Net actuarial gain recognised in Other Comprehensive Income	13.5	19.5

Summary of movement in net liability during the year

	2017/18 £ million	2016/17 £ million
Current service cost	(3.4)	(3.5)
Contributions	3.8	3.5
Net return on assets	(0.5)	(0.9)
Administrative expenses	(0.6)	(0.6)
Net charge	(0.7)	(1.5)
Actuarial gain recognised in Other Comprehensive Income	13.5	19.5
Deficit in scheme at 1 August	(20.5)	(38.5)
Deficit in scheme at 31 July	(7.7)	(20.5)

History of experience of gains and losses

	2017/18 £ million	2016/17 £ million	2015/16 £ million	2014/15 £ million
Actual return less expected return on scheme assets	3.2	1.6	28.3	16.3
% of scheme assets:	1.5%	0.8%	14.2%	9.8%
Experience of gains and losses on liabilities	2.6	24.2	0.0	0.0
% of scheme liabilities:	1.2%	10.8%	0.0%	0.0%
Changes in assumptions	7.7	(6.3)	(42.8)	(17.2)
Total amount recognised in Total Comprehensive Income	13.5	19.5	(14.5)	(0.9)
% of scheme liabilities:	6.2%	8.7%	(6.1%)	(0.5%)

notes to the accounts

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27. PENSION SCHEMES - continued

Excluding salary sacrifice contributions on behalf of employees, the University's contribution and movement on provisioning in respect of costs to the various schemes for its own staff were:

	2017/18 £ million	2016/17 £ million
Universities Superannuation Scheme (USS)	32.7	30.5
University of Warwick Pension Scheme (UWPS) Defined Benefit Section	3.4	3.0
University of Warwick Pension Scheme (UWPS) Defined Contribution Section	1.7	1.7
Other schemes	0.7	0.6
	<hr/> 38.5	35.8
(Decrease) / increase in pension provision for staff costs	(3.5)	1.7
	<hr/> 35.0	37.5
Pension cost for year (note 8)	<hr/> <hr/> 35.0	<hr/> <hr/> 37.5

Due to the low value of contributions and small number of participants in defined benefit schemes other than the Universities Superannuation Scheme (USS) and the University's own scheme (UWPS), as shown above, no disclosures have been made on the grounds of materiality.

Guaranteed Minimum Pension benefits equalisation

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. The University is working with the Trustee of The University of Warwick Pension Scheme to understand the extent to which the judgment crystallises additional liabilities for the scheme. The extent to which the judgment will increase the liabilities in The University of Warwick Pension Scheme is not possible to identify at this point, though broad industry estimates suggest that that cost may lie between 1% and 3% of the total pension liability. For the University's other significant defined benefit scheme, the USS, the provision included within the financial statements at note 20 will only be impacted to the extent the change in benefits increases cash financing.

notes to the accounts

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28. RELATED PARTIES

Members of Council

Due to the nature of the University's operations and the composition of the University's Council (being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. Total expenses paid direct to members of the University's Council, who are also the University's Trustees, are shown in note 9.

WMG Academy is a private company, limited by guarantee and also an exempt charity where the University is one of the members. It operates two University Technical Colleges specialising in engineering. During the year ended July 2018, invoices were raised from the University to the WMG Academy for the value of £17k (2016/17: £104k). There was a balance of £1k outstanding at the year-end (2016/17: £10k).

The President of the Union of Students and another student elected by the Union of Students are members of the University's Council. During the year ended July 2018, payments were made to the Warwick Students' Union for the value of £3.0m (2016/17: £2.9m), invoices were raised from the University for the value of £0.5m (2016/17: £0.4m). There was a balance of £40k (2016/17: £108k) outstanding in debtors at the year end.

Spin-out companies

The University made no direct investments in spin-out companies during the year that totalled more than £50k.

The University supplies facilities, goods and services to a number of its spin-out companies, within which the University holds varying levels of share interest (see note 13). All of these goods and services are provided on an arm's length basis and the total value of sales to such individual companies, in excess of £100k for the reported financial year, is summarised below:

	2017/18 £ million	2016/17 £ million
Interface Polymers Limited	0.1	0.1
Sarissa Biomedical Limited	0.1	0.0
Stoli Catalysts Limited	0.2	0.0

notes to the accounts

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29. CONTINGENT LIABILITIES

Clawback on freehold land:-

On 31 March 2004 the University acquired the freehold land and buildings at Wellesbourne, on which Warwick Horticulture Research International was based, from The Secretary of State for Environment, Food and Rural Affairs. Under the terms of the agreement with the Department for Environment, Food and Rural Affairs (DEFRA), if any part of the acquired land and buildings are disposed of, or are the subject of grant or planning consent, within an agreed clawback period, then the University will be liable to pay 50% of the increase in value of the property over the higher of current existing use value or the value at acquisition, to DEFRA.

The terms of the remaining contingent clawback and the increase in value recognised since acquisition, relative to the valuation at acquisition, can be summarised as follows:

	Valuation on acquisition	recognised to date	Clawback period expires
Wellesbourne land and property	£20.4m	£nil	31 March 2019

National Automotive Innovation Centre:-

The construction of the National Automotive Innovation Centre was due for completion by 3 July 2017 and remains incomplete at the end of the financial year. The contractor has indicated to the University that they believe they are owed funds over and above the agreed contract value because of delays, change requests and other circumstances which they allege were the responsibility of the University.

Based on independent expert advice, the University strongly refutes this claim and accordingly has made no provision for any additional payment to the contractor in the financial statements.

30. HERITAGE ASSETS

The University of Warwick is in possession of an art collection which is on view to staff, students and visitors who have access to the various buildings where the work is exhibited.

The collection displays a variety of media including paintings, prints, textiles and ceramics and there are also a number of sculptures exhibited in external locations across campus. The combined value of heritage assets is not considered to be material and is of too uncertain value to warrant separate disclosure within the financial statements.

notes to the accounts

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31. CONSOLIDATED FOUR YEAR RESULTS

	2017/18 £ million	2016/17 £ million	2015/16 £ million	2014/15 £ million
Income				
Tuition fees and educational contracts	316.6	287.5	275.2	240.1
Funding body grants	59.6	58.4	57.9	59.1
Research grants and contracts	126.5	120.3	117.1	100.9
Other income	123.0	120.3	117.0	108.9
Investment income	1.7	1.6	1.6	1.6
Donations and endowments	4.1	2.9	4.8	2.6
Total income	631.5	591.0	573.6	513.2
Expenditure				
Staff costs	321.1	298.0	280.0	292.3
Other operating expenses	208.4	210.7	195.2	195.8
Depreciation	38.4	35.6	32.4	29.7
Interest and other finance costs	8.4	8.8	10.1	8.8
Total expenditure	576.3	553.1	517.7	526.6
Surplus / (deficit) before other gains or losses	55.2	37.9	55.9	(13.4)
(Loss) / gain on disposal of non-current assets	(0.8)	1.2	(0.9)	(0.3)
Gain on investments	1.6	2.4	1.1	0.9
Taxation	0.0	0.0	(1.9)	0.0
Actuarial gain / (loss) in respect of pension schemes	13.5	19.5	(14.5)	(0.9)
Change in fair value of hedging financial instruments	6.3	14.6	(21.2)	(13.0)
Total comprehensive income and expenditure for the year	75.8	75.6	18.5	(26.7)
Assets				
Fixed Assets	695.0	590.7	510.5	450.3
Investments	27.3	24.1	19.7	16.3
Current assets	216.8	236.7	216.8	191.9
Liabilities				
Creditors : Amounts falling due within one year	178.7	160.5	146.5	156.6
Creditors : Amounts falling due after more than one year	397.7	389.2	358.8	299.6
Other provisions	3.2	3.4	3.7	3.9
Net assets, excluding pension provisions	359.5	298.4	238.0	198.4
Pension provisions	(70.6)	(85.3)	(100.5)	(79.4)
Net assets	288.9	213.1	137.5	119.0
Capital expenditure				
Land and buildings	126.3	99.2	79.5	47.3
Fixtures, Fittings and Equipment	16.5	16.7	13.9	14.3
	142.8	115.9	93.4	61.6

indicators of financial health

	2017/18	2016/17	2015/16	2014/15
(a) Net cash flow as % of total income	15.7	18.8	16.2	12.6
(b) External borrowing as % of total income	18.3	20.2	21.4	24.7
(c) Total assets ÷ total liabilities	1.4	1.3	1.2	1.2
(d) Net liquidity / (total expenditure – depreciation) (days)	112	132	128	112
(e) Surplus / (deficit) as % of total income	8.7	6.4	9.7	(2.6)
(f) Unrestricted reserves as % of total income	43.9	34.3	22.3	21.5

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