



UNIVERSITY  
*of York*

# ANNUAL REPORT AND FINANCIAL STATEMENTS **2017**





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# Chair's foreword

I have been fortunate to be Chair of Council at the University over the last nine years. It has been a period of exciting and very positive progress for the University, as one of the premier research and teaching institutions in the UK, with an increasing presence as a global contributor.

During this time, the University has almost doubled in size in terms of estate, staff and student numbers, and has strong and developing alumni relationships which are increasingly providing support and assistance to our University community. The University has shown positive progress across each of the areas of research, teaching, student satisfaction, employability and finance, on which the modern university is measured. There are firm strategic initiatives in place for further improvement in future years. Progression in league tables has been more erratic as the component measures change and other institutions – notably in Asia – improve too. In 2012 York became a member of the Russell Group of research-intensive UK universities – a fine recognition for outstanding research across the University. In addition, a number of departments have been recognised in the most recent Research Excellence Framework as being in the top five research positions nationally.

These achievements are excellent for a University established just over 50 years

ago and have only been made possible by sustained and high-quality commitment from staff and colleagues across the University. I would like to add my thanks to those of the University Council to all our staff for their hard work and enthusiasm in delivering this outstanding success.

Today, the University is a vital contributor to the City of York region economically, culturally and socially. It contributes strongly to regional and national higher education initiatives. It has developed a strong international presence and effective links to other leading universities worldwide. Research income is at a record high and student numbers continue to grow. The University is proud that 40 per cent of its academic staff and 25 per cent of its students are from outside the UK. All of these factors contribute strongly to making York a global player in research and education, enhance the University's reputation for collaboration and breadth of experience and position it well for the future.

However, the external environment for the higher education sector is very challenging. Sadly, at this period in UK politics, the substantial contribution of

UK universities to their local regions and the contribution that overseas colleagues and students make educationally, culturally and financially to the country, are overshadowed by narrow political arguments over fees, pay, visas and Brexit. Higher education is a vital national component of the knowledge economy and it is crucial for future national economic success that it receives support rather than attacks from national political parties. This will be particularly true as negotiations to leave the EU develop – our EU staff, students and linkages are crucial to further University development. It is important that all who are connected to the University – staff, students, alumni and friends – take every opportunity to make this point to their political representatives and contacts.

Finally, I would like to offer my thanks to fellow Council members – both staff and lay – for their hard work and enthusiasm for the success of the University, and to wish the Vice-Chancellor and my successor as Chair, Gerard Lemos, continued success in the future.

**Sir Christopher O'Donnell**  
**Chair of Council 2008 to 2017**

# Introduction

The University of York is a world-leading institution and a member of the UK's prestigious Russell Group. Our focus on teaching and research excellence has secured us a first-class reputation around the globe. Home to over 16,000 students from 150 countries, we provide an environment in which enquiring minds, inspiring lecturers and world-class researchers thrive.

We are delighted to have had yet another successful year, and it gives me great pleasure to share with you some of the developments of which we are most proud.

Turnover this year is £346m, which is up by 6 per cent on last year. We also see our highest research income on record this year: a remarkable £66m. In 2017, we were ranked 28th in the league table of the world's most international universities\* and we are in the world top 50 for Arts and Humanities and in the world top 100 for Social Sciences and Life Sciences.\*

These achievements are the result of our commitment to delivering an internationally relevant education, our belief in the power of global collaboration to advance knowledge, and the inspirational and life-changing research that continues to prosper at York.

This year has also seen the completion of a number of advanced learning and teaching buildings on campus, as well as investment in premier sporting facilities. These include the £2m York Sport Arena, a £16m Biology Building and the £14m Spring Lane Building.

The Piazza Learning Centre, which will include a 350-seat auditorium, a restaurant and flexible learning spaces, is due to open in 2018. The Centre will become home to the University's International Pathway College (IPC).

The continued investment in our campus has not only enhanced the student experience but has also strengthened our position as a research-led university, and has made us more attractive for high-profile events, partnerships and collaboration.

This year, we hosted British astronaut Tim Peake and more than 400 students as part of the UK Space Agency's Schools Conferences; we welcomed Prime Minister Theresa May and Leader of the

Opposition Jeremy Corbyn for a BBC Question Time special; we were chosen as one of ten British Rowing centres in the UK for the development of the World Class Start Olympic pathway programme; the York Festival of Ideas, led by the University, worked with more than 80 city and national partners, and delivered nearly 200, mostly free, events to more than 32,000 people over 13 days.

Alongside the investment in facilities for our students, we have continued to support our students' career aspirations and ambitions, helping to meet the needs of employers. Within six months of graduation, 95 per cent of York undergraduates enter work or further study.\*\*

York Futures is the latest addition to our employability portfolio. This distinctive personal development programme has been created and is delivered in partnership with top graduate employers. It provides a series of activities to focus students' preparation for employment and further study.

We continue to work with city and regional partners, including the City of York Council, the Local Enterprise Partnerships and our colleagues in the N8 and White Rose university consortia to contribute to the economic, social and cultural development of the city and the region.

All our achievements over the last year are set against a backdrop of uncertainty in the higher education sector, from the implications of Brexit to immigration policy and tuition fees. However, I am delighted that we remain a financially sound and sustainable institution and that we are in a good position to tackle the further challenges and opportunities that lie ahead. We will work hard to ensure we remain a thoroughly international

institution, committed to achieving the highest standards and attracting the very best students and staff.

I would like to take this opportunity to pay tribute to the departing Chair of Council, Sir Christopher O'Donnell. As Chair of Council since 2008, Chris has played a major part in our successes and financial stability over the last nine years and our position today is a credit to his tenure. His outstanding business knowledge and guidance, ability to provide clarity on complex issues, and his personal warmth and philanthropy, have benefited the University immensely. We are incredibly grateful to Chris, and his wife Mia, for all their support, and wish them well in their future endeavours.

Respected author, social policy researcher and York graduate, Gerard Lemos, was nominated to be Chris's successor. We are very pleased to welcome him to the Council and look forward to delivering our strategic ambitions together.

Finally, I must pay tribute to our University community – staff, students, alumni and friends – who make the University what it is today. Their hard work, creativity and ability to push the boundaries of knowledge help us maintain our position as a world-class institution.

**Professor Koen Lamberts**  
**Vice-Chancellor**

\* Source: *Times Higher Education* World University Rankings 2017

\*\* Source: Higher Education Statistics Agency, Destination of Leavers from Higher Education survey 2015/2016. UK/EU/Overseas students

# The University's year: a strategic review

The University's Strategy sets out an overarching and ambitious plan to enhance our capacity to deliver pioneering research, innovative teaching and a student experience that facilitates independent learning and critical thinking so our graduates can compete in a global jobs market.

After three years of intensive effort, this year marks a turning point: the University is close to reaching the level of financial strength that will enable a step change in our ability to invest further in our academic mission. Additional financial resources have been generated by the University by managing expenditure in a period of considerable uncertainty. The University's Executive Board is, however, conscious that this position has been achieved at the same time that national political consensus around the government's funding mechanism, designed to enable it to meet its aspiration of 50 per cent of young people going to university, appears to have collapsed. The consequent and current uncertainty about the sustainability of the tuition fee model, combined with additional uncertainty about the UK's plans to exit the EU, means that the University, and the UK HE sector, have a range of complex issues to resolve.

This uncertainty will be taken into account as we make key decisions on how to invest resources in buildings and in other opportunities that are intended to serve our academics and students in the years to come.

## UK Higher Education landscape

The HE landscape has been particularly changeable this year, with the landmark event being the passage of the Higher Education and Research Act through Parliament. The Act sets out material future changes to the HE sector; albeit this year the focus of comment has been on the Teaching Excellence Framework. Another change brought about by the Act, and of potentially more significance, is the creation of a regulator (the Office for Students – OfS) and a new funder (UK

Research and Innovation – UKRI). For the first time, the HE sector does not have a single funder overseeing all university activities. The University is committed to supporting both new bodies. In particular, we will seek to assist both entities in reflecting the symbiotic interrelationship between excellent research and excellent teaching. The OfS has indicated that it intends to create a framework, enabling universities to provide both high academic standards and employability for students. The University is delivering on these objectives and welcomes the additional focus that the OfS brings to this endeavour. The University applauds the mission of UKRI to ensure that the UK maintains its position of world-leading research and innovation. The UK is renowned globally for the world-class strength and independence of its HE sector and delivers on the aspirations of both these new bodies.

Finally, the Act removes much of the previous regulation preventing new providers from offering degrees while introducing no 'public good' requirements on them. This has the potential to introduce a global risk to the reputation of the UK HE sector and a long-term risk to science and technology programmes and publicly funded research under the current funding regime. The Act suggested the prospect of increasing the current tuition fee cap in England in line with inflation, although this now appears a remote prospect. The University will work constructively with both the OfS and UKRI and will assist them in strengthening the excellence found in English universities.

The increase of the interest rate on student loans to 6.1 per cent, based on

3 per cent above the rate of inflation in March 2017, was less well noted at the time of its introduction but came to heightened prominence over the summer. This, together with the raising of the tuition fee cap to £9,250 and the fixing of the earnings threshold, led to university tuition fees becoming a key issue during the general election campaign in June 2017. The consequence has been the ending of the political consensus around the longer term viability of the tuition fee regime and, in the short term, the announcement by the Prime Minister that tuition fees will not in the near future rise in line with inflation. No political party has yet suggested an alternative to the current regime or articulated what their policy priorities would be for such a new funding regime. The University is comfortable with either a market- or cost-based HE tuition funding process, as long as it fully funds the cost of delivering the type of transformative learning experience the University currently provides to its students.

Although the EU referendum took place back in June 2016, the ramifications of implementing an orderly exit continue to have consequences. Although there is still much uncertainty on the precise nature of how the exit will be implemented, it appears that the government is sympathetic to the need to maintain active research collaborations with EU-based universities. With respect to this, and the future status of EU staff and students, the University has actively monitored and managed this risk throughout the year. The University continues to work in collaboration with mission groups to highlight the immeasurable contribution made by our EU colleagues. We would appreciate more emphasis being placed by the government in welcoming and retaining these highly qualified and motivated individuals in the UK.

The release by the Home Office in August 2017 of official data, indicating that 97 per cent of overseas students left the UK on time, provides significant evidence to disprove conclusively the idea that hundreds of thousands overstayed their visas. Although no change in UK policy on overseas students has been announced at the time of writing, it is hoped that this will instigate a major



change in the attitude of the Home Office towards overseas students. We remain optimistic that the government will see the enormous value – intellectually, economically and culturally – that international students bring to the UK and that this will be appropriately recognised in policy changes.

Another element of importance continues to be the Universities Superannuation Scheme. The triennial valuation of the Scheme was due on 31 March 2017. Given the low gilt rates, this has led, under the current Scheme rules, to a high valuation of its liabilities. This has in turn resulted in the deficit of the Scheme increasing from the last valuation in 2014, despite the agreed 2014 changes in the employee benefit structure and the implementation of a recovery plan. The Trustees, the Pensions Regulator, Universities UK and the Universities and College Union continue to work towards a resolution for the 2017 valuation which should be concluded in the 2017/18 academic year.

### University Strategy

The 2014 to 2020 University Strategy is making substantial progress and is now reaching the final stage of its delivery. Since the Strategy's approval by Council, we have successfully implemented the following elements:

- formation and consolidation of three Faculties;
- setting individual research expectations for all academic staff;
- rolling introduction of a new distinctive York Pedagogy – Learning by Design;
- development of an International Pathway College;
- establishment of seven research themes, each with dedicated champions;
- investment in an expanded marketing team and the introduction of a customer relationship management system to support the student journey;
- creation of a unitary planning and resource management system;
- increased investment in alumni relations, philanthropy partnerships and knowledge exchange.

The University is also approaching the launch of a new partnership to deliver online programmes in the UK and overseas. This element of the Strategy will involve the University retaining full academic control, with a partner to market the University's online programmes.

The final stage of the Strategy implementation is the delivery of a funded plan to redevelop the western part of the Heslington campus. This plan will be finalised and rolled out during 2018 and will focus on enhancing the teaching, research and learning environments. Over the last three years, the University has strengthened its operating performance and balance sheet position to enable it to deliver on this substantial venture. The primary route for delivering this estates renewal project will be through using internally generated cash resources.

Given the imminent early delivery of the 2014 to 2020 University Strategy, and the successful implementation of key fundamentals to enable us to build for future success, we are now starting to consider the next phase of strategic development.

### Managing risk and uncertainty

The University regularly monitors the changing external environment and identifies risks that could adversely impact the delivery of the University's objectives or affect the welfare of staff, students or other visitors to our campuses. Risk mitigation actions are identified to manage and reduce the probability of risks impacting and to degrade their potency should they crystallise. Key strategic level risks currently being actively monitored by the University include those set out below.

- The EU referendum result in June 2016. The decision of the UK to leave the EU impacts on EU students wishing to attend the University, the level of EU research funding and the freedom of our EU staff to work for the University. During the year the University has actively sought to manage these risks but is still unable to fully assess the impact on the University of the UK's departure from the EU. The plans for both the UK and the EU in the public domain are not yet at a sufficiently detailed level to

allow the University to undertake a full assessment. This has not stopped the University from seeking to gauge the impact and undertaking measures to mitigate this. The University plans include different scenarios modelling a range of financial consequences of withdrawing from the EU. Managed and strategic growth in student numbers is being sought through additional recruitment channels and research income is being grown through non-EU funders. Concern remains in relation to the future status of our EU staff and we strongly urge the government to take further measures to reassure them of their value to the UK.

- The tragic fire at Grenfell Tower in June 2017 led to a thorough review of all buildings with any form of cladding owned or used by the University. The review demonstrated that, within the current UK building regulations, the University is compliant with the fire regulations; in addition, the specific circumstances at Grenfell did not apply to the University buildings or its fire management and evacuation arrangements. The University is retaining a watching brief on this matter as the UK building and fire regulations may be amended as a result. If any changes are proposed, the University will review its current arrangements to identify areas for change or improvement.
- The University is constantly monitoring the condition of its estate to ensure that it is fit for purpose and consistent with the University's strategic plans. Over the past ten years, the University has extensively re-modelled its portfolio of buildings to facilitate new disciplines and to allow others to grow and thrive. In particular, the University is now focused on addressing the older buildings in its stock which date from the period shortly after its creation in 1963. Over the last year, the University has conducted a full review of its estate, with a view to confirming a framework within which older buildings can be refurbished or replaced, and against which future

developments can be measured and approved. A final approved estates framework is to be considered by the University's Council: it is targeted at identifying the process to improve, refurbish, rebuild and expand the University's estate over time. The Council will also consider a funding model which will set out the funding mechanisms and the financial risk management protocols to ensure that estate renewal is conducted in a sustainable manner.

- The Higher Education and Research Act concluded its passage through Parliament during the year. This has introduced some potentially large changes to the way the HE sector operates in England. They need to be seen in the light of the removal of student number controls in September 2015 (which has led to much more significant competition for students between universities in the UK), the EU referendum in 2016 and the current level of control of overseas student migration. These changes, combined with the fact that the University is reaching the conclusion to the previous Strategy earlier than planned, have led to the decision to commence a new strategic plan early. The University is currently well placed to benefit from some of the changes and has the resources to adapt to other changes which may potentially become a challenge in the longer term. It is also clear that material opportunities exist for those universities capable of adapting flexibly to new circumstances. The early achievement of the previous Strategy is evidence of the capacity of the University to mobilise its resources to achieve its strategic goals.
- The University is continually monitoring its financial position, against both its budget and its longer term plans. The University's financial performance in the year was very pleasing, with reducing debt, growing cash balances and a high level of surplus generation. The performance improvement is targeted to assist in the delivery of the impending estates framework implementation. Two

financial risks exist at the year-end which require especial vigilance: the first risk is pensions and the second is the tuition fee policy of the government for home and EU students. In relation to the first risk, the Universities Superannuation Scheme (USS) is undergoing its triennial valuation in 2017. The result of this is not yet known but it is clear that the trustees of the USS face some particular challenges in relation to the scheme's very large deficit. The second risk, with tuition fees, is more complex, as it is being driven by a political set of agendas that are not consistent between the two major political parties. The University will seek to work with all political parties and HE sector mission groups to assist them in achieving their objectives, while also ensuring that appropriate levels of funding for students can be sustained. The principal complexity in this arena is the lack of clarity in the UK parties' political goals and the suspected lack of consistency of these goals.

### Prospects

The early delivery of the University Strategy, and the strengthening of the University's financial position, places the University in a strong situation to plan for its future strategic growth. The University is now benefiting from a fully operational International Pathway College, an emerging online study presence, faculties which increase our capacity and adaptability, a flexible dynamic planning and budgeting process and research theme champions driving the University's research development. The process for the new Strategy will consider the changing external environment which the University will need to address. With the enhancements made in the last three years, the growing student numbers and its increasing financial strength, the University is well equipped to seize future opportunities.

### Robust cash generation capacity

The University Group ended the year with cash resources of £61m. The University continues to invest its cash in fixed assets

to support teaching, research and other activities. The budget and four-year plan from 2017/18 shows a strengthening position and forward cash forecasts demonstrate adequate available financial resources. No material uncertainties that cast doubt on the ability of the University to continue as a going concern have been identified by Council.

### Conclusion

The University's financial performance was again strong in the year and ahead of its plans to enhance financial sustainability. This will allow the University to press ahead with its strategy to improve the estate in line with the new framework. The University has largely implemented the current University Strategy and is now planning to develop a new Strategy which will continue our commitment to enhance the student experience and maintain excellent teaching and research standards. The Strategy will also address the new emerging landscape for the UK outside the EU, a potentially changed tuition fee regime, possibly more empirically-based visa and immigration controls for staff and students, and the potential impact of the Higher Education and Research Act.

The University urges those with authority to bring clarity to the issues of uncertainty highlighted in this Strategic Review and to introduce a more welcoming climate for our EU colleagues.

By delivering the fundamentals of our existing University Strategy ahead of time, the University is now in an excellent position to advance its global reputation in respect of research and teaching, and to deliver a dynamic and flexible student experience.

Education enables societies to work together, to build together and to live harmoniously and peacefully together. Education protects us from extremism, intolerance and prejudice. Education makes us better people. We believe passionately in the necessity to contribute to those values and we will continue to ensure we have the financial strength to do so.

**Professor Koen Lamberts**  
**Vice-Chancellor**



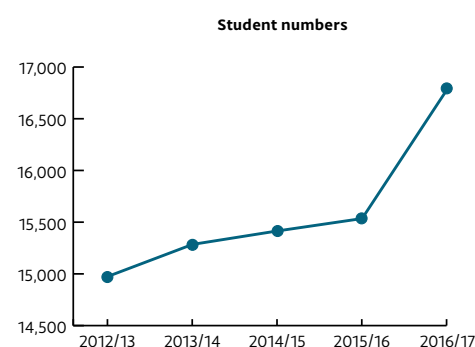
# Key performance indicators

The University's key operating performance indicators are shown below. Information about the extensive range of teaching and research activities can be found at [york.ac.uk](http://york.ac.uk).

## Student numbers

	2012/13	2013/14	2014/15	2015/16	2016/17
Overseas	2,670	2,815	2,835	2,600	2,770
EU	1,160	1,105	1,030	950	1,020
Home	11,145	11,365	11,550	11,985	12,990
Total (FTE)	14,975	15,285	15,415	15,535	16,780

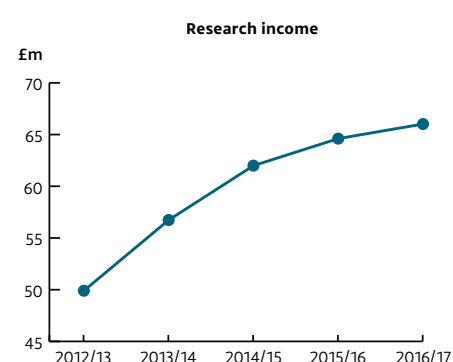
As planned, there has been a significant increase in 2016/17 student numbers compared to the steady growth experienced in previous years. This growth is within the home undergraduate and home postgraduate full-time student numbers, and across all three faculties, with the highest percentage increase in Social Sciences.



## Research income

	2012/13	2013/14	2014/15	2015/16	2016/17
Research income (£000)	49,903	56,736	61,994	64,607	66,016

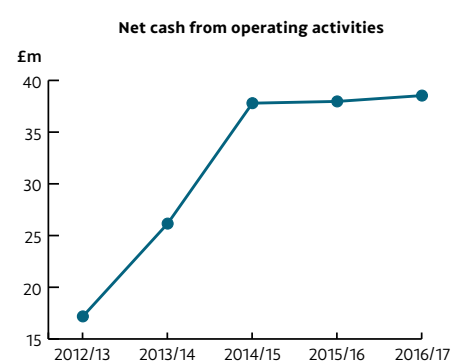
Research income continues to grow due to a good success rate in converting research applications, following the adoption of the new seven research themes. Some 80 per cent of research grants and contracts is from within the UK, and nearly 50 per cent of research income is from the UK research councils.



## Net cash from operating activities

	2012/13	2013/14	2014/15	2015/16	2016/17
Net cash from operating activities (£000)	17,183	26,154	37,798	37,968	38,416

The University has generated average cash of £38m from its operating activities over the last three years, which is 11 per cent of income. A proportion is reinvested in teaching, research, and the student experience, and the balance is held in cash to improve liquidity days and for future capital investment.



# Financial review

The group has had a good financial year with income increasing to £346m and a record surplus of £21m being achieved. The balance sheet has strengthened with cash balances increasing by £23m to £61m at 31 July 2017.

## Overview

These financial statements have been prepared on a consolidated basis and include the University of York, its subsidiary undertakings and a share of the results of its joint ventures. The subsidiaries and joint venture operations include letting accommodation to students and for conferences, provision of utilities services to the University, York Sports Village and the International Pathway College.

The results for the 2016/17 financial year show an improved surplus of £21m compared to a surplus of £4m for the previous financial year and include a £2m profit on the sale of York EMC Ltd, a subsidiary company.

## Statement of comprehensive income and expenditure

Total income in 2016/17 was £346m, an increase since last year of 6 per cent, with the growth arising across all areas of the University's activities.

Tuition fee income increased to £166m, driven by an increase in student numbers of 1,245 (FTE) of which 1,005 (FTE) related to UK students. Overseas students increased by 170 (FTE) against a backdrop of increased global competition and continued tight visa regulations. The competitive environment for student recruitment, with the revised student number controls, brings new challenges, uncertainties and opportunities. The funding mix for the University remains the same as last year, with tuition fees accounting for 48 per cent of the University's total income.

Research income increased by 3 per cent, which reflects the continuation of growth in the value of awards made to the University. While research income has grown, the mix from sponsors has remained fairly constant: 81 per cent of research income was from UK funders,

and UK research councils account for 46 per cent of total research income.

Other income of £69m is £7m (10 per cent) higher than last year. It includes income from accommodation, catering, studentships and specific and capital grants. Income from the accommodation and catering units has increased in line with the rise in student numbers and a decrease in the number of unoccupied nights. Capital grants can vary from year to year and total £1m this year compared to £2m last year.

Staff costs remain the University's main item of expenditure, accounting for 55 per cent of total income (2015/16 – 57 per cent). Total staff costs have increased this year in line with the growth in student numbers and research grant activity. Upward pressures continue to be exerted upon staff costs, such as in relation to National Insurance changes, the Apprenticeship Levy and pensions.

Other operating expenses include expenditure on student accommodation, bursaries, premises costs and library services. Other operating expenses have grown by 7 per cent from £101m last year to £107m in this financial year; although this expenditure has remained constant at 31 per cent when expressed as a percentage of total income.

Interest costs include an adjustment to revalue the interest rate swaps to market value at 31 July 2017. During 2016/17 the revaluation was a credit of £3m; however the 2015/16 impact was a cost of £3m, hence interest payable is £4m this financial year and £10m last financial year.

The University's share of the joint ventures operating surplus is included in the group results; it has increased from £1m in 2015/16 to £5m in this financial year following revaluation of the investment properties owned by the joint ventures.

## Balance sheet

Fixed assets have decreased from £530m to £521m as depreciation was greater than additions. The University fully reviewed its estate in the year and a long-term estates strategy is now close to being approved. Spend on existing and replacement buildings is expected to gather pace in future years. Capital expenditure for the year was £24m and includes the purchase of a leasehold building on York Science Park, on Biology Phase 2, which extends the laboratory facilities available to the Department of Biology, and on the Spring Lane Building which provides an excellent facility for teaching and learning.

The relatively low capital expenditure, proceeds from the sale of a subsidiary and refinancing of a joint venture company have increased cash balances by £23m to a more comfortable £61m. As a result, the University has net current assets of £12m at the year-end which is the first year in recent history that the balance sheet has shown net current assets rather than net current liabilities.

The balance sheet includes provisions for the USS Pension Scheme and the University of York Pension Fund, which have reduced by £14m to £57m. The majority of the reduction is attributable to the actuarial gain on the University of York Pension Fund due to a gain in value of the scheme's assets.

Overall, net assets have increased due to a combination of increased trading surpluses, reduced pension provisions, reduced fixed assets expenditure and movements in working capital.

## Cash flow

The University has continued its financial focus in generating operating cash flows, with an average of £38m per annum generated in the last three years. During this financial year, cash of £26m was spent on capital investment in our estate



The Department of Biology has completed Phase 2 of its redevelopment, supported by a £5 million HEFCE STEM 2014 award, which saw the construction of a new three-storey, purpose-built teaching and laboratory facility. It brings together all laboratory teaching and associated technical support as well as the Department's student administration, and provides project workspace for students on the new integrated Masters programmes

and infrastructure, offset by capital grant receipts of £9m.

Throughout the year, the University operated with a cash surplus and the closing liquidity position was sufficient to cover 74 days (2015/16 – 46 days). A revolving credit facility, put in place to support volatility of in-year cash flows attributable to the profile of income received from the Student Loan Company, was not utilised. Continued high levels of cash generation will be required in future years to support increased investment in the University of York estate and infrastructure.

## Financial instruments

### Price and interest rate risk

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. Listed investments are exposed to price risk but this exposure is within the University's risk appetite. Bank deposits are subject to variable interest rates and the University is exposed to financial risk on these assets. The University does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the University. The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit ratings which have been assigned by international credit rating agencies. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Finance and Policy Committee. Trade receivables consist of a large number of customers, spread across diverse sectors, populations and geographical areas and this range of customers.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University Council. The University manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of certain financial assets and liabilities.

**Jeremy Lindley**  
Finance Director

## UNIVERSITY KEY FACTS

- Total students (FTE): 16,780
- Total staff (FTE): 4,230
- Income: £346m
- Research income: £66m
- The University holds 12 Athena SWAN awards for commitment to gender equality in higher education
- 135th in the QS World University Rankings 2018
- 28th in the league table of the world's most international universities in the *Times Higher Education* World University Rankings for 2017 and 31st in the world for Arts and Humanities, 79th for Life Sciences and 77th for Social Sciences
- Ranked 16th in *The Times and The Sunday Times Good University Guide 2018*, 17th in the *Guardian University Guide 2018* and 20th overall in the *Complete University Guide 2018*
- In the National Student Survey (NSS) 2017, overall student satisfaction is 88 per cent
- 95 per cent of our undergraduates are in employment or further study six months after graduating (*Higher Education Statistics Agency, Destination of Leavers from Higher Education survey 2015/2016. UK/EU/Overseas graduates*)
- 96 per cent of our research students reported being in work and/or further study six months after completing their PhD (*Higher Education Statistics Agency, Destination of Leavers from Higher Education Survey 2015/2016. UK/EU graduates*)





## Members of Council

### Pictured

1. Caroline Thomson
2. Sir Christopher O'Donnell  
(Chair of Council, Pro-Chancellor)
3. Professor Koen Lamberts  
(Vice-Chancellor and President)
4. Bob Hide
5. Professor Deborah Smith  
(Pro-Vice-Chancellor for Research)
6. Chris Thompson (Deputy Treasurer)
7. Jo Horsburgh  
(Registrar and Secretary)
8. Julia Unwin (Pro-Chancellor)
9. Jenny McAleese (Pro-Chancellor)
10. Alex Urquhart (SU President)
11. Sally Wadsworth
12. Mike Galloway
13. Gerard Lemos (Chair Elect)
14. Professor Quentin Summerfield
15. Jeremy Lindley (Finance Director)
16. Charles Cecil
17. Professor Saul Tendler  
(Deputy Vice-Chancellor and Provost)



18. Denise Jagger
19. Professor Ambrose Field
20. John Lister
21. David Dickson (Treasurer)

### Not pictured

- Dr Rasha Ibrahim (President of the Graduate Students' Association)
- Dr Beatrice Szczepek Reed

### Retired 31 July 2016

- Deian Tecwyn (Pro-Chancellor)
- Ben Leatham  
(Students' Union President)
- Maureen Loffill

## Corporate governance

The University is an independent corporation with charitable status established by Royal Charter. Its objectives, powers and framework of governance are defined in the Charter and supporting Statutes. The University is committed to best practice in all aspects of corporate governance and has formally adopted the core values and principles set out in the Higher Education Code of Governance (the Code) as issued by the Committee of University Chairs (CUC) in December 2014.

The University's governing body, the Council, is responsible for the administration of the revenue and property of the University, and, in accordance with the Charter, has 'general control over the University and its affairs, purposes and functions'. The Council also has overarching responsibility for the University's system of internal control and for reviewing its effectiveness. Having adopted the voluntary CUC Governance Code when it was first issued in November 2004, the Council has undertaken a self-assessment against the more recent Code and remains satisfied that the governance of the University is consistent with its provisions, in particular the 'seven primary elements of governance' it identifies.

The Council's annually updated schedule of business is closely linked to its formal 'Statement of Primary Responsibilities', which remains as follows:

1. To approve the mission, strategic vision, long-term academic and business plans and key performance indicators of the University.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be benchmarked against other comparable institutions.
3. To delegate authority to the Vice-Chancellor as head of the University and to establish and keep under regular review the policies, procedures and limits within which such authority is exercised.

4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, with a formal review at least once every five years.
6. To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the reputation and values of the University.
8. To appoint the Vice-Chancellor (in consultation with the Senate), put in place suitable arrangements for monitoring his/her performance and set appropriate remuneration (through the Remuneration Committee).
9. To appoint a Secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
10. To be the accountable financial and business authority of the University, to ensure that proper accounts are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
11. 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.

12. To receive assurance that adequate provision has been made for the general wellbeing of students.
13. To ensure that any property, legacy, endowment, bequest or gift made to the University is used to support its work.
14. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

In operational terms, the Council meets four times a year (five times from 2017/18) with an additional strategic meeting at the start of each academic year. It has several sub-committees, including a Nominations Committee (re-titled as Appointments Committee from 2017/18, Chair: Chair of Council), a Remuneration Committee (Chair: Chair of Council), a Finance and Policy Committee (Chair: the University Treasurer) and an Audit Committee (Chair: an independent lay person). All of these committees are formally constituted with specific terms of reference and appropriate external membership.

The Appointments Committee considers nominations for lay member vacancies on the Council and its sub-committees, while the Remuneration Committee determines the remuneration of the most senior staff, including the Vice-Chancellor. The Finance and Policy Committee monitors in-year financial performance against budget and considers questions of resource allocation, including capital expenditure priorities.

The Audit Committee, which is comprised of lay people not directly concerned with the financial management of the University, meets four times each year. At a joint annual meeting with the Finance and Policy Committee it reviews the Annual Report and Financial Statements. As part of this process it considers the University's response to the external auditors' annual management letter. As advised by the internal audit service, the Committee also reviews the effectiveness of the system of internal



control, including risk management, and ensures that arrangements are in place to promote value for money. The Audit Committee considers the reports of the internal auditors on specific activities and processes, discussing these with the relevant University officers and monitoring the implementation of recommendations. The Committee makes an annual report to the Council which is submitted to HEFCE in accordance with its Audit Code of Practice (an annex to the main Memorandum of Assurance and Accountability). During 2016/17 the Audit and Finance and Policy Committees also held a joint additional meeting to consider in greater detail the University's current risk profile, future financing options in the context of the emerging Estates Strategy and revised metrics for monitoring University performance.

The Council is supported in the fulfilment of its statutory responsibilities by several other sub-committees covering the areas of equality and diversity, health and safety, and ethics.

With regard to risk management, the Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks; that it has been in place for the year ended 31 July 2017 and up to the date of approval of the Annual Report and Financial Statements; and that it accords with the internal control guidance provided by HEFCE. The Council is assured that the identification and management of risk is an ongoing process linked to the achievement of institutional objectives. In addition to its receipt of reports from the Audit Committee, the Council itself considers the summary Corporate Risk Register, noting that the full register is routinely considered and updated by the University Executive Board (UEB, the main executive decision-making body, chaired by the Vice-Chancellor) and the Operations Group (a sub-group of UEB comprising the Heads of Professional Support services, chaired by the Registrar and Secretary). The Council recognises that the application of risk management practices cannot eliminate all risk exposure, especially during a time of such enormous change and uncertainty in the higher education (HE) sector. It is

acknowledged that ongoing government changes to the HE landscape through the recent Higher Education and Research Act (HERA, April 2017) create a more uncertain environment in which all universities are striving to improve their competitive performance, and that there are inherent risks in this for all institutions. However, the Council is of the view that the University management has a clear understanding of these risks and is taking appropriate mitigating actions where possible.

As well as continuing to monitor the emerging implications of Brexit, the Council has received reports on the key features of HERA, including in respect of the new regulator (the Office for Students), the Teaching Excellence Framework (TEF), responsibility for academic quality and standards, and powers to monitor the financial sustainability of HE providers. Close attention to these external developments will continue to form part of the corporate governance agenda during 2017/18.

With regard to formal approvals, the Council has signed off the new accountability return to HEFCE on the quality of the student academic experience and the reliability of degree standards, as well as the annual report to HEFCE on activities related to the government's Prevent Strategy (associated with the Counter Terrorism and Security Act 2015). Other formal approvals included the sale of a University subsidiary company (York EMC Ltd), procurement of new student residences (under a Design Build Finance and Operate model), refinancing of the loan in the joint venture entity owning Goodricke College and submission of a major research bid (£10m) to the Lloyd's Register Foundation. Important investment decisions were also made in respect of re-purposing the Smith and Nephew building on the Science Park and the Cryo-Electron Microscope facilities. New University-level strategies were also approved in the areas of international activity and equality, diversity and inclusion.

During 2016/17, in addition to its routine consideration of key institutional performance indicators, the budget for

the following year and the medium-term financial plan, the Council received executive reports from members of UEB and annual reports from sub-committees dealing with audit and health and safety. It also received the final report of the Senate Effectiveness Review Group (undertaken in accordance with a recommendation by the Council in its own effectiveness review the previous year), as well as reports on the following specific topics:

- TEF and the institutional pedagogy;
- marketing and branding;
- development of the York Graduate Research School;
- schools sponsorship;
- student recruitment;
- institutional fundraising campaign;
- online learning;
- future arrangements for certain campus buildings.

Preliminary consideration has also been given from a governance perspective to the master-planning process for campus redevelopment and the associated development of interlinked finance and estate strategies. This work is timely in the context of HEFCE's most recent Annual Provider Review which raised a concern in respect of the relatively poor condition of the University estate. The finance and estate strategies will be a key area of focus of vital importance to the University in the coming years.

At its last meeting of 2016/17, the Council was pleased to elect Mr Gerard Lemos as its next Chair for three years in the first instance, in succession to Sir Christopher O'Donnell. The Council expressed its appreciation and thanks to Sir Christopher for his judicious and effective chairing of the Council and for his considerable contribution to the development of the University over the last nine years.

*Right:* Within six months of graduating, 95% of our graduates are employed or in further study. York Futures Scholarships play an important role in encouraging and enabling students to engage with the innovative York Futures Programme which is a key driver of York's Employability Strategy. This unique programme supports students to take charge of their own career journey and to develop the skills that employers seek. This year 143 students received the Scholarship to better help them take part

# Philanthropy

The generosity of our growing donor community, which includes charitable trusts, foundations, individuals, companies and legacy gifts, continues to fuel our success; thus helping to attract the best talent to York and to advance our research.

We continued to invest in innovative ways to raise funds for our projects, such as our crowdfunding site YuStart, which enables students to raise funds for their own projects and the Bank of Mum and Dad direct mail appeal in support of our expanding York Futures Scholarship programme. As a result, in 2016/17 more donors than ever decided to make a gift to one of our priority projects.

A significant proportion of the University's philanthropic support was made by companies and charitable foundations. This included new pledges from the Wolfson Foundation for

Wolfson Postgraduate Scholarships in the Humanities and the creation of a new Advanced Structure and Imaging Facility. In addition, the University and Lloyd's Register Foundation announced the intention to found a major new international programme, funded with a £10 million grant, to enhance the safety of robotics and autonomous systems. Collectively, these gifts are leveraging significant funding from research councils and industry.

Membership of the Heslington Circle, which recognises those who have made provision in their will to support future redevelopment of the University, also continued to grow. These pledges provide an invaluable source of income to ensure the future prosperity of our University.

The culture of philanthropy is also being nurtured in our students; not only

do they give their support to innovative student projects, such as YuStart, but the Class of 2017 raised funds for the Equal Access Scholarship programme which provides support to asylum-seeking students to access a York education. Their appeal, 'One Education', raised £10,779 and inspired 300 gifts. Thanks to this, and other philanthropy, five asylum-seeking scholars will be supported to study at York during 2017/18. It costs £10,660 to provide one year of a scholarship.

We are thankful to our supporters that we have managed to achieve this while managing the impact of growing regulation and UK public scrutiny concerning the ethics of public fundraising methods. During the year ahead we will continue to develop new responsible ways to attract supporters.



# Statement of Council's accounting responsibilities

The Council is responsible for preparing the Annual Report and the Financial Statements in accordance with the requirements of the Higher Education Funding Council for England's ('HEFCE') Memorandum of Assurance and Accountability and applicable law and regulations.

The Council is required to prepare group and parent University Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the Financial Statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The Council is required to prepare Financial Statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University Financial Statements, the Council is required to:

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

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its Financial Statements comply with relevant legislation and other relevant accounting standards. The Council is responsible for 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, and has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the University's resources and expenditure.

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

## PUBLIC BENEFIT STATEMENT

The University has had regard to the Charity Commission's guidance on public benefit, as required by HEFCE's Memorandum of Assurance and Accountability and the Charities Act 2011. The University provides public benefit principally through the teaching of undergraduate and postgraduate students and through the advancement of knowledge by research.

The primary beneficiaries are the students who are directly engaged in learning at the University. Students are offered places solely on the basis of academic merit. The University attracts large numbers of students from non-traditional backgrounds.

Other beneficiaries include: companies, public bodies and charities which employ York graduates; members of the local community who make use of University facilities, participate in continuing education courses and attend lectures, concerts and other events; and the wider public, which benefits from the University's world-leading contribution to research in the sciences, social sciences and humanities. The University also makes a significant contribution to the economy through knowledge transfer and by stimulating inward investment and business activity.

The University is committed to supporting students financially on the basis of need. It provides an extensive range of bursaries and scholarships, as well as a financial hardship fund for students.



# Independent auditor's report to the Council of the University of York

## Report on the audit of the financial statements

We have audited the Financial Statements of the University of York ('the University') for the year ended 31 July 2017 which comprise the Consolidated statement of comprehensive income and expenditure, Consolidated and University statement of changes in reserves, Consolidated and University balance sheets, 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 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016/17 Financial Statements.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the Financial Reporting

Council ('FRC') Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

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

## Other information

The Council is responsible for the other information, which comprises the Strategic Review and the Financial Review and Corporate Governance Statement. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

## Council responsibilities

As explained more fully in their statement set out on page 14, 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;
- 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 [frc.org.uk/auditorsresponsibilities](http://frc.org.uk/auditorsresponsibilities).

## Report on other legal and regulatory requirements

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

- In our opinion, in all material respects:
- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and

- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

This report is made solely to the Council, in accordance with the Charters and Statutes of the University. 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.

**Clare Partridge**  
**for and on behalf of KPMG LLP,**  
**Statutory Auditor**  
Chartered Accountants  
1 Sovereign Square  
Sovereign Street  
Leeds, LS1 4DA  
14 November 2017

*Notes:*

*(a) The maintenance and integrity of the University of York website is the responsibility of the University; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

*(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*



The first stage of a three-phase refurbishment of Central Hall was completed with revisions to the electrical distribution and the ventilation throughout the building, as well as the replacement of the glazing and doors at concourse and auditorium levels



# Statement of principal accounting policies

## 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of derivative financial instruments). The University has taken advantage of the exemption in FRS 102 not to present a statement of cash flows for the University.

## 2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017. 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 the income and expenditure of the Students' Union and the Graduate Students' Association as the University does not exert control or dominant influence over policy decisions. Associated companies and joint ventures are accounted for using the equity method.

## 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.

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

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.

Grant funding, including funding council block grants, research grants from government sources and grants (including research grants) from non-government sources, is recognised as income 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 recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments with donor-imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions, at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments are recorded in income in the year in which they arise and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

Four main types of donations and endowments may be identified within reserves:

- Restricted donations: the donor has specified that the donation must be used for a particular objective.
- 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.
- Restricted expendable endowments: the

donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the University has the power to use the capital.

- Restricted permanent endowments: the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## 4. Capital grants

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

## 5. Accounting for retirement benefits

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of York Pension Fund (UoYPF) and the People's Pension Scheme. Both USS and UoYPF are defined benefit schemes and are externally funded. The People's Pension Scheme is a defined contribution scheme.

### Defined contribution scheme

A defined contribution scheme is a post-employment benefit scheme under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### Defined benefit schemes

Defined benefit schemes are post-employment benefit schemes other than defined contribution schemes. Under defined benefit schemes, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit schemes net of scheme assets. This net defined benefit liability is measured as

the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

## 6. Employment benefits

Short-term employment benefits such as salaries and compensated absences (ie holiday pay) 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.

## 7. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## 8. 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.

## 9. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at

the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in surplus or deficit.

## 10. Fixed assets

Fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

### Land and buildings

Land and buildings (except for investment properties) are measured using the cost/deemed cost model. 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.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives (maximum 50 years).

Temporary buildings are depreciated over 10 years on a straight-line basis. Leasehold land and buildings are depreciated over the life of the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

### Equipment

Equipment, including computers and software, costing less than £20,000 per individual item is recognised as expenditure. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

▪ Equipment	2–10 years
▪ Mechanical and electrical installations	15–40 years
▪ Vehicles	3–20 years

### Heritage assets

Works of art and other valuable artefacts have been capitalised and recognised at the cost or value of the acquisition, where

such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

## 11. Investment properties

Investment properties are land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the surplus or deficit. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

## 12. Investments

Non-current asset investments are held on the balance sheet at amortised cost less impairment. Investments in subsidiaries are carried at cost less impairment in the University's balance sheet. Current asset investments are held at fair value with movements recognised in the surplus or deficit.

## 13. Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

## 14. 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.

## 15. 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.

## 16. Accounting for joint operations, jointly controlled assets and jointly controlled operations

The University accounts for its share of joint ventures using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets in the consolidated statement of comprehensive income and expenditure.

## 17. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and, accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478–488 of the Corporation Tax Act 2010 (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 (VAT). 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 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.

## 18. Derivatives

Derivatives, including interest rate swaps, are held on the balance sheet at fair value with movements in fair value recorded in the surplus or deficit.

## 19. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

## 20. Accounting currency

The University is based in the United Kingdom. The financial statements are prepared in GBP, the currency of the United Kingdom. The amounts have been rounded to the nearest thousand pounds.

## 21. Financial instruments

The University has chosen to apply the provisions of sections 11 and 12 of FRS 102 in full. Financial assets and financial liabilities are recognised in the University's balance sheet when the University becomes a party to the contractual provisions of the instrument. A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Most of the University's financial assets and liabilities meet the criteria for basic financial instruments prescribed within FRS 102. The University has interest rate swaps which are classified under FRS 102 as other financial instruments. Basic financial instruments are measured as follows:

### Investments

Investments within the scope of Section 11 of FRS 102 (therefore excluding investments in subsidiaries, associates and joint ventures) are recognised

initially at fair value which is normally the transaction price. Subsequently, they are measured at fair value if the investment is publicly traded or their fair value can otherwise be measured reliably with the changes in fair value recognised in the statement of comprehensive income. All other investments are measured at cost less impairment.

### Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

### Loans

Loans are basic financial instruments that are initially recorded at the transaction price, net of transaction costs. Subsequently, they are measured at the transaction price net of transaction costs.

Other financial instruments are measured as follows:

### Interest rate swaps

There is an active market in interest rate swaps and therefore they are measured in open market value.

## 22. Accounting estimates and judgements

Key estimates and judgements included in these accounts are stated below:

- a. The estimate of the assets and liabilities of the University of York Pension Fund has been prepared by professional independent actuaries. Changes in the discount rate used to estimate the liabilities have a significant impact on the provisions held in the balance sheet.
- b. The estimate of the Group's provision for the deficit in the Universities Superannuation Scheme has been calculated in accordance with the methodology recommended by the British Universities Finance Directors Group. The discount rate used for the estimate of the USS provision significantly changes the amount that would be provided.
- c. The valuation of the investment properties at 31 July 2017 was carried out by professionally qualified valuers, Jones Lang LaSalle.

# Consolidated statement of comprehensive income and expenditure

FOR THE YEAR ENDED 31 JULY 2017

	Note	Consolidated		University	
		Year ended 31 July 2017 £000	Year ended 31 July 2016 £000	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
<b>Income</b>					
Tuition fees and education contracts	1	<b>166,112</b>	155,578	<b>166,112</b>	155,514
Funding body grants	2	<b>40,933</b>	40,167	<b>40,933</b>	40,167
Research grants and contracts	3	<b>66,016</b>	64,607	<b>66,016</b>	64,607
Other income	4	<b>69,593</b>	62,664	<b>54,538</b>	45,706
Investment income	5	<b>427</b>	627	<b>634</b>	1,881
Donations and endowments	6	<b>3,200</b>	2,688	<b>3,200</b>	2,688
<b>Total income</b>		<b>346,281</b>	326,331	<b>331,433</b>	310,563
<b>Expenditure</b>					
Staff costs	7	<b>191,208</b>	185,096	<b>181,716</b>	175,858
Other operating expenses		<b>107,335</b>	100,526	<b>105,602</b>	97,918
Depreciation	11	<b>30,472</b>	28,663	<b>27,457</b>	25,717
Interest and other finance costs	8	<b>3,510</b>	9,550	<b>3,532</b>	9,570
<b>Total expenditure</b>	9	<b>332,525</b>	323,835	<b>318,307</b>	309,063
<b>Surplus before other gains/(losses) and share of operating surplus of joint ventures</b>		<b>13,756</b>	2,496	<b>13,126</b>	1,500
Gain on disposal of fixed assets		<b>385</b>	191	<b>385</b>	191
Profit on sale of subsidiary	12	<b>1,760</b>	-	<b>3,957</b>	-
Gain on investments		<b>295</b>	130	<b>295</b>	130
(Loss)/Gain on investment property	11	<b>(495)</b>	-	<b>160</b>	-
Share of operating surplus in joint ventures	13	<b>4,974</b>	1,139	-	-
Surplus before tax		<b>20,675</b>	3,956	<b>17,923</b>	1,821
Taxation	10	<b>7</b>	(39)	-	-
<b>Surplus for the year</b>		<b>20,682</b>	3,917	<b>17,923</b>	1,821
Actuarial gain/(loss) in respect of pension schemes	25	<b>16,391</b>	(14,346)	<b>16,391</b>	(14,346)
<b>Total comprehensive income/(expenditure) for the year</b>		<b>37,073</b>	(10,429)	<b>34,314</b>	(12,525)
<b>Represented by</b>					
Endowment comprehensive income for the year		<b>581</b>	(352)	<b>581</b>	(352)
Restricted donations comprehensive income for the year		<b>2,059</b>	1,837	<b>2,059</b>	1,837
Restricted grants comprehensive income for the year		<b>(5,009)</b>	(184)	<b>(5,009)</b>	(184)
Unrestricted comprehensive income for the year		<b>39,349</b>	(11,712)	<b>36,683</b>	(13,826)
Attributable to the University		<b>36,980</b>	(10,411)	<b>34,314</b>	(12,525)
Attributable to the non-controlling interest		<b>93</b>	(18)	-	-
<b>Total</b>		<b>37,073</b>	(10,429)	<b>34,314</b>	(12,525)
<b>Surplus for the year attributable to</b>					
University		<b>20,589</b>	3,935	<b>17,923</b>	1,821
Non-controlling interest		<b>93</b>	(18)	-	-
<b>Total surplus for the year</b>		<b>20,682</b>	3,917	<b>17,923</b>	1,821

All items of income and expenditure relate to continuing activities.

# Consolidated and University statement of changes in reserves

FOR THE YEAR ENDED 31 JULY 2017

Consolidated	Income and expenditure account				Total excluding non-controlling interest	Non-controlling interest	Total
	Endowments	Restricted donations	Restricted capital grants	Unrestricted			
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 August 2015</b>	<b>7,493</b>	<b>2,761</b>	<b>6,986</b>	<b>316,587</b>	<b>333,827</b>	<b>589</b>	<b>334,416</b>
Surplus/(deficit) from the income and expenditure statement	(352)	1,837	180	2,270	3,935	(18)	3,917
Actuarial (loss) in respect of pension schemes	-	-	-	(14,346)	(14,346)	-	(14,346)
Release of restricted funds spent in year	-	-	(364)	364	-	-	-
Total comprehensive income/(expenditure) for the year	(352)	1,837	(184)	(11,712)	(10,411)	(18)	(10,429)
<b>Balance at 1 August 2016</b>	<b>7,141</b>	<b>4,598</b>	<b>6,802</b>	<b>304,875</b>	<b>323,416</b>	<b>571</b>	<b>323,987</b>
Surplus from the income and expenditure statement	581	2,059	-	17,949	20,589	93	20,682
Actuarial gain in respect of pension schemes	-	-	-	16,391	16,391	-	16,391
Release of restricted funds spent in year	-	-	(5,009)	5,009	-	-	-
Total comprehensive income for the year	581	2,059	(5,009)	39,349	36,980	93	37,073
<b>Balance at 31 July 2017</b>	<b>7,722</b>	<b>6,657</b>	<b>1,793</b>	<b>344,224</b>	<b>360,396</b>	<b>664</b>	<b>361,060</b>

University	Income and expenditure account				Total excluding non-controlling interest	Non-controlling interest	Total
	Endowments	Restricted donations	Restricted capital grants	Unrestricted			
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 August 2015</b>	<b>7,493</b>	<b>2,761</b>	<b>6,986</b>	<b>300,743</b>	<b>317,983</b>	-	<b>317,983</b>
Surplus/(deficit) from the income and expenditure statement	(352)	1,837	180	156	1,821	-	1,821
Actuarial (loss) in respect of pension schemes	-	-	-	(14,346)	(14,346)	-	(14,346)
Release of restricted funds spent in year	-	-	(364)	364	-	-	-
Total comprehensive income/(expenditure) for the year	(352)	1,837	(184)	(13,826)	(12,525)	-	(12,525)
<b>Balance at 1 August 2016</b>	<b>7,141</b>	<b>4,598</b>	<b>6,802</b>	<b>286,917</b>	<b>305,458</b>	-	<b>305,458</b>
Surplus from the income and expenditure statement	581	2,059	2	15,281	17,923	-	17,923
Actuarial gain in respect of pension schemes	-	-	-	16,391	16,391	-	16,391
Release of restricted funds spent in year	-	-	(5,011)	5,011	-	-	-
Total comprehensive income for the year	581	2,059	(5,009)	36,683	34,314	-	34,314
<b>Balance at 31 July 2017</b>	<b>7,722</b>	<b>6,657</b>	<b>1,793</b>	<b>323,600</b>	<b>339,772</b>	-	<b>339,772</b>



# Consolidated and University balance sheets

AS AT 31 JULY 2017

	Note	Consolidated		University	
		31 July 2017 £000	31 July 2016 £000	31 July 2017 £000	31 July 2016 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Fixed assets	11	<b>520,859</b>	530,108	<b>468,297</b>	473,339
Heritage assets	11	<b>1,278</b>	1,278	<b>1,278</b>	1,278
Investments	12	<b>6,993</b>	6,050	<b>35,382</b>	36,247
Investments in joint ventures	13	<b>14,038</b>	13,064	<b>7,975</b>	11,975
		<b>543,168</b>	550,500	<b>512,932</b>	522,839
<b>Current assets</b>					
Stock		<b>514</b>	586	<b>229</b>	248
Trade and other receivables	14	<b>48,945</b>	48,219	<b>56,611</b>	55,863
Cash and cash equivalents	20	<b>61,191</b>	37,936	<b>59,707</b>	35,826
		<b>110,650</b>	86,741	<b>116,547</b>	91,937
Less: Creditors: amounts falling due within one year	15	<b>(98,467)</b>	(97,741)	<b>(95,485)</b>	(94,079)
Net current assets/(liabilities)		<b>12,183</b>	(11,000)	<b>21,062</b>	(2,142)
<b>Total assets less current liabilities</b>		<b>555,351</b>	539,500	<b>533,994</b>	520,697
Creditors: amounts falling due after more than one year	16	<b>(136,867)</b>	(143,892)	<b>(136,867)</b>	(143,892)
<b>Provisions</b>					
Pension provisions	17	<b>(57,424)</b>	(71,433)	<b>(57,355)</b>	(71,347)
Other provisions	17	<b>-</b>	(188)	<b>-</b>	-
<b>Total net assets</b>		<b>361,060</b>	323,987	<b>339,772</b>	305,458
<b>Reserves</b>					
<b>Restricted reserves</b>					
Income and expenditure reserve – endowments	18	<b>7,722</b>	7,141	<b>7,722</b>	7,141
Income and expenditure reserve – restricted donations	19	<b>6,657</b>	4,598	<b>6,657</b>	4,598
Income and expenditure reserve – restricted capital grants	19	<b>1,793</b>	6,802	<b>1,793</b>	6,802
<b>Unrestricted reserves</b>					
Income and expenditure reserve – unrestricted		<b>344,224</b>	304,875	<b>323,600</b>	286,917
		<b>360,396</b>	323,416	<b>339,772</b>	305,458
Non-controlling interest		<b>664</b>	571	<b>-</b>	-
<b>Total reserves</b>		<b>361,060</b>	323,987	<b>339,772</b>	305,458

The financial statements were approved by the Council on 8 November 2017 and were signed on its behalf by:

Professor Koen Lamberts, Vice-Chancellor

David Dickson, Treasurer

Jeremy Lindley, Finance Director

# Consolidated cash flow statement

FOR THE YEAR ENDED 31 JULY 2017

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
<b>Cash flow from operating activities</b>		
Surplus for the year	<b>20,682</b>	3,917
<b>Adjustment for non-cash items</b>		
Depreciation	<b>30,472</b>	28,663
(Gain) on investments	<b>(295)</b>	(130)
Revaluation of investment properties	<b>495</b>	-
(Increase) in stock	<b>(23)</b>	(28)
(Increase) in debtors	<b>(1,733)</b>	(6,222)
Increase in creditors	<b>2,873</b>	10,922
Increase in pension provision	<b>2,381</b>	3,794
Increase in other provisions	<b>-</b>	39
Share of operating (surplus) in joint venture	<b>(4,974)</b>	(1,139)
(Receipt) of donated shares	<b>(648)</b>	-
	<b>28,548</b>	35,899
<b>Adjustment for investing or financing activities</b>		
Investment income	<b>(427)</b>	(1,274)
Interest payable	<b>3,510</b>	8,469
Donations and endowments	<b>(3,200)</b>	(2,688)
Profit on the sale of fixed assets	<b>(385)</b>	(191)
Profit on the sale of subsidiary	<b>(1,760)</b>	-
Capital grant income	<b>(8,552)</b>	(6,164)
	<b>(10,814)</b>	(1,848)
<b>Net cash inflow from operating activities</b>	<b>38,416</b>	37,968
<b>Cash flows from investing activities</b>		
Proceeds from sales of fixed assets	<b>375</b>	191
Capital grants receipts	<b>8,368</b>	8,843
Disposal of non-current asset investments	<b>30</b>	1,758
Sale of subsidiary undertaking	<b>4,639</b>	-
Receipts from joint ventures	<b>4,000</b>	1,000
Investment income	<b>408</b>	1,459
Payments made to acquire fixed assets	<b>(25,993)</b>	(41,745)
<b>Total investing activities</b>	<b>(8,173)</b>	(28,494)
<b>Cash flows from financing activities</b>		
Interest paid	<b>(5,328)</b>	(5,799)
Endowment cash received	<b>3,200</b>	2,688
Repayments of amounts borrowed	<b>(4,860)</b>	(4,191)
<b>Total financing activities</b>	<b>(6,988)</b>	(7,302)
<b>Increase in cash and cash equivalents in the year</b>	<b>23,255</b>	2,172
Cash and cash equivalents at beginning of the year	<b>37,936</b>	35,764
Cash and cash equivalents at end of the year	<b>61,191</b>	37,936
<b>Increase in cash balances</b>	<b>23,255</b>	2,172

# Notes to the accounts

FOR THE YEAR ENDED 31 JULY 2017

## 1. Tuition fees and education contracts

	Consolidated		University	
	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Full-time home and EU students	<b>101,800</b>	93,280	<b>101,800</b>	93,280
Full-time international students	<b>40,330</b>	38,996	<b>40,330</b>	38,996
Part-time students	<b>2,739</b>	2,247	<b>2,739</b>	2,247
Other teaching contract course fees	<b>6,970</b>	7,170	<b>6,970</b>	7,106
Research training support grant	<b>9,883</b>	9,458	<b>9,883</b>	9,458
Short courses and other fees	<b>4,390</b>	4,427	<b>4,390</b>	4,427
	<b>166,112</b>	155,578	<b>166,112</b>	155,514

## 2. Funding body grants

	Consolidated		University	
	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Higher Education Funding Council for England				
- Recurrent grant – teaching	<b>8,979</b>	8,940	<b>8,979</b>	8,940
- Recurrent grant – research	<b>23,055</b>	22,713	<b>23,055</b>	22,713
- Specific grants	<b>8,899</b>	8,514	<b>8,899</b>	8,514
	<b>40,933</b>	40,167	<b>40,933</b>	40,167

## 3. Research grants and contracts

	Consolidated		University	
	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
UK research councils	<b>30,482</b>	30,937	<b>30,482</b>	30,937
UK-based charities	<b>8,222</b>	7,155	<b>8,222</b>	7,155
UK government bodies, local authorities, health and hospital authorities	<b>12,924</b>	11,853	<b>12,924</b>	11,853
UK industry and commerce	<b>1,440</b>	1,093	<b>1,440</b>	1,093
EU government bodies and similar organisations	<b>10,666</b>	11,306	<b>10,666</b>	11,306
Overseas bodies	<b>2,282</b>	2,263	<b>2,282</b>	2,263
	<b>66,016</b>	64,607	<b>66,016</b>	64,607

## 4. Other income

	Consolidated		University	
	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Residences, catering and conferences	<b>34,767</b>	29,874	<b>34,767</b>	29,874
Other services rendered	<b>2,292</b>	2,137	<b>2,292</b>	2,137
Other capital grants	<b>1,097</b>	1,920	<b>2</b>	-
Other income	<b>31,437</b>	28,733	<b>17,477</b>	13,695
	<b>69,593</b>	62,664	<b>54,538</b>	45,706

Included within the University's 2016 annual report was £6.4m of income and £6.4m of expenditure for the year ending 31 July 2016 in relation to residential arrangements. A detailed review of the accounting treatment of this income/expenditure has revealed that these amounts should not have been included in these headings. Appropriate adjustments have been made to reduce the comparative figures: other income has been reduced by £6.4m, and other operating costs have been reduced by £6.4m. Hence there is no net impact on the surplus for the year ended 31 July 2016.

## 5. Investment income

	Notes	Consolidated		University	
		Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2017	Year ended 31 July 2016
		£000	£000	£000	£000
Investment income on endowments	18	<b>433</b>	302	<b>433</b>	302
Investment income on restricted reserves	19	<b>66</b>	54	<b>66</b>	54
Other investment income		<b>667</b>	918	<b>874</b>	2,172
Net return on pension scheme					
- benefit interest costs	25	<b>(4,272)</b>	(5,687)	<b>(4,272)</b>	(5,687)
- expected return on scheme assets	25	<b>3,533</b>	5,040	<b>3,533</b>	5,040
		<b>427</b>	627	<b>634</b>	1,881

## 6. Donations and endowments

	Notes	Consolidated		University	
		Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2017	Year ended 31 July 2016
		£000	£000	£000	£000
New endowments	18	-	43	-	43
Donations with restrictions	19	<b>3,140</b>	2,553	<b>3,140</b>	2,553
Unrestricted donations		<b>60</b>	92	<b>60</b>	92
		<b>3,200</b>	2,688	<b>3,200</b>	2,688

## 7. Staff costs

	Notes	Consolidated		University	
		Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2017	Year ended 31 July 2016
		£000	£000	£000	£000
Salaries		<b>152,775</b>	147,994	<b>144,849</b>	139,986
Social security costs		<b>14,758</b>	12,253	<b>13,882</b>	11,676
Pension costs		<b>22,725</b>	20,746	<b>22,015</b>	20,060
Early retirement and severance costs		<b>327</b>	2,336	<b>327</b>	2,336
Movement in USS provision	17	<b>(1,880)</b>	97	<b>(1,860)</b>	130
UoYPF current service cost	25	<b>6,851</b>	6,100	<b>6,851</b>	6,100
UoYPF employer contributions	25	<b>(4,348)</b>	(4,430)	<b>(4,348)</b>	(4,430)
		<b>191,208</b>	185,096	<b>181,716</b>	175,858

### Remuneration of the Vice-Chancellor, Professor K Lamberts

	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Salary	<b>248,333</b>	238,333
Benefits in kind	<b>945</b>	3,882
	<b>249,278</b>	242,215
Pension contributions to USS	<b>44,700</b>	39,733
	<b>293,978</b>	281,948

# Notes to the accounts (continued)

FOR THE YEAR ENDED 31 JULY 2017

<b>Salaries of other higher paid staff</b> Excluding employer's pension contributions, employer's national insurance and compensation for loss of office	Year ended 31 July 2017	Year ended 31 July 2016
	Number	Number
£100,000 to £109,999	15	23
£110,000 to £119,999	16	8
£120,000 to £129,999	7	5
£130,000 to £139,999	5	4
£140,000 to £149,999	2	1
£150,000 to £159,999	1	3
£160,000 to £169,999	2	1
£180,000 to £189,999	1	-
	<b>49</b>	45

<b>Average staff numbers (FTE) by major category</b>	Year ended 31 July 2017	Year ended 31 July 2016
	Number	Number
Academic	1,711	1,593
Support	2,519	2,575
	<b>4,230</b>	4,168

<b>Key management personnel</b> The University's key managers are the members of the University Executive Board. These people have the authority and responsibility for planning, directing and controlling the activities of the University. There are 14 (2016: 13) members of the University Executive Board. Remuneration includes salary, employer's national insurance and employer's pension contributions for this period while they are members of the University Executive Board.	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
Key management personnel remuneration	2,290	2,234

## 8. Interest and other finance costs

	Notes	Consolidated		University	
		Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2017	Year ended 31 July 2016
		£000	£000	£000	£000
Loan interest		4,052	4,190	4,077	4,213
Derivatives - Interest rate swaps payments		1,369	1,594	1,369	1,594
Derivatives - Interest rate swaps movement in fair values		(2,550)	2,685	(2,550)	2,685
Net charge from USS pension scheme provision	17	639	1,081	636	1,078
		<b>3,510</b>	9,550	<b>3,532</b>	9,570



## 9. Analysis of total expenditure by activity

	Notes	Consolidated		University	
		Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2017	Year ended 31 July 2016
		£000	£000	£000	£000
Academic and related expenditure		<b>132,903</b>	129,330	<b>132,903</b>	129,330
Academic services		<b>21,294</b>	19,980	<b>21,294</b>	19,980
Administration and central services		<b>44,652</b>	38,314	<b>44,632</b>	38,281
Premises		<b>24,777</b>	23,589	<b>25,081</b>	23,603
Residences, catering and conferences		<b>35,842</b>	34,498	<b>31,597</b>	30,507
Research grants and contracts		<b>40,740</b>	38,350	<b>40,740</b>	38,350
Other expenses		<b>31,694</b>	38,007	<b>21,417</b>	27,212
Movement in USS provision	17	<b>(1,880)</b>	97	<b>(1,860)</b>	130
UoYPF current service cost	25	<b>6,851</b>	6,100	<b>6,851</b>	6,100
UoYPF employer contributions	25	<b>(4,348)</b>	(4,430)	<b>(4,348)</b>	(4,430)
		<b>332,525</b>	323,835	<b>318,307</b>	309,063

	Consolidated	
	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
<b>Other operating expenses</b>		
External auditor's remuneration in respect of audit services	<b>85</b>	76
External auditor's remuneration in respect of non-audit services	<b>57</b>	69
Internal auditor's remuneration in respect of audit services	<b>112</b>	120
Operating lease rentals		
- Land and buildings	<b>1,054</b>	1,066
- Other	<b>234</b>	297

## 10. Taxation

	Consolidated		University	
	Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000	£000	£000
<b>Recognised in the statement of comprehensive income</b>				
Current tax expense, in respect of UK government credits receivable	<b>(7)</b>	-	-	-
Deferred tax expense	-	39	-	-
Total tax expense	<b>(7)</b>	39	-	-

# Notes to the accounts (continued)

FOR THE YEAR ENDED 31 JULY 2017

<b>11. Fixed assets</b>	Freehold land and buildings	Leasehold land and buildings	Investment properties	Equipment	Assets in the course of construction	Heritage assets	Total
<b>Consolidated</b>	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
At 1 August 2016	359,393	135,580	8,875	129,191	28,018	1,278	662,335
Additions	6,014	-	-	7,580	10,535	-	24,129
Transfers	36,767	165	-	-	(36,934)	-	-
Net (deficit) on revaluations	-	-	(495)	-	-	-	(495)
Sale of subsidiary undertaking	-	-	-	(3,161)	-	-	(3,161)
Disposals	-	-	-	(73)	-	-	(73)
<b>At 31 July 2017</b>	<b>402,174</b>	<b>135,745</b>	<b>8,380</b>	<b>133,537</b>	<b>1,619</b>	<b>1,278</b>	<b>682,735</b>
<b>Depreciation</b>							
At 1 August 2016	34,203	8,602	-	88,144	-	-	130,949
Charge for the year	18,703	4,314	-	7,455	-	-	30,472
Sale of subsidiary undertaking	-	-	-	(769)	-	-	(769)
Disposals	-	-	-	(54)	-	-	(54)
<b>At 31 July 2017</b>	<b>52,906</b>	<b>12,916</b>	<b>-</b>	<b>94,776</b>	<b>-</b>	<b>-</b>	<b>160,598</b>
<b>Net book value</b>							
<b>At 31 July 2017</b>	<b>349,268</b>	<b>122,829</b>	<b>8,380</b>	<b>38,761</b>	<b>1,619</b>	<b>1,278</b>	<b>522,137</b>
At 31 July 2016	325,190	126,978	8,875	41,047	28,018	1,278	531,386
<b>University</b>							
<b>Cost or valuation</b>							
At 1 August 2016	331,666	135,580	1,880	101,257	25,037	1,278	596,698
Additions	6,014	-	-	6,564	9,696	-	22,274
Transfers	33,061	166	-	-	(33,227)	-	-
Surplus on revaluations	-	-	160	-	-	-	160
Disposals	-	-	-	(59)	-	-	(59)
<b>At 31 July 2017</b>	<b>370,741</b>	<b>135,746</b>	<b>2,040</b>	<b>107,762</b>	<b>1,506</b>	<b>1,278</b>	<b>619,073</b>
<b>Depreciation</b>							
At 1 August 2016	32,508	8,602	-	80,971	-	-	122,081
Charge for the year	18,076	4,314	-	5,067	-	-	27,457
Disposals	-	-	-	(40)	-	-	(40)
<b>At 31 July 2017</b>	<b>50,584</b>	<b>12,916</b>	<b>-</b>	<b>85,998</b>	<b>-</b>	<b>-</b>	<b>149,498</b>
<b>Net book value</b>							
<b>At 31 July 2017</b>	<b>320,157</b>	<b>122,830</b>	<b>2,040</b>	<b>21,764</b>	<b>1,506</b>	<b>1,278</b>	<b>469,575</b>
At 31 July 2016	299,158	126,978	1,880	20,286	25,037	1,278	474,617

The investment properties have been valued by Jones Lang LaSalle at 31 July 2017 on an open market value basis. The valuers have considered the occupancy levels, rental income, local property market, state and location of the properties when determining the property values.

Heritage assets comprise works of art and library acquisitions which were valued at 31 July 2014 using specialist external valuers on a market value basis.

## 12. Investments

	Subsidiary companies	Other fixed assets investments	Total
	£000	£000	£000
<b>Consolidated</b>			
At 1 August 2016	-	6,050	6,050
Donation of shares	-	648	648
Net appreciation of investments	-	295	295
<b>At 31 July 2017</b>	<b>-</b>	<b>6,993</b>	<b>6,993</b>

### University

At 1 August 2016	30,199	6,048	36,247
Disposals of investments	(344)	-	(344)
Donation of shares	-	648	648
Impairment provision	(1,464)	-	(1,464)
Movement in fair values	-	295	295
<b>At 31 July 2017</b>	<b>28,391</b>	<b>6,991</b>	<b>35,382</b>

The investment properties held by York Science Park have been valued by Jones Lang Lasalle at market value. These properties have reduced in value which has in turn impaired the carrying value of the investment held in the University of York accounts.

On 1 July 2017 the University completed the sale of York EMC Ltd (a subsidiary company). The disposal is analysed as follows:

Proceeds of sale		5,014
Net assets disposed of:		
- Fixed assets	2,392	
- Stock	95	
Debtors	1,150	
Cash	375	
Creditors	(1,278)	
Deferred tax provision	(188)	
Total net assets disposed		(2,546)
Expenses of sale		(708)
Profit on sale		1,760

Proceeds of sale		5,014
Cash included in net assets		(375)
Net cash received		4,639

Under the terms of the sale, the University will receive a further £825,000 in July 2019. The amount is dependent on certain conditions being met regarding the business (see Note 22). This receipt has not been accounted for in the year ended 31 July 2017 due to the uncertainty surrounding the amount to be received.

# Notes to the accounts (continued)

FOR THE YEAR ENDED 31 JULY 2017

## 13. Investments in joint ventures

	Consolidated		University	
	31 July 2017	31 July 2016	31 July 2017	31 July 2016
	£000	£000	£000	£000
<b>Shares of net assets/cost</b>				
At 1 August 2016	<b>11,866</b>	11,727	<b>10,777</b>	10,777
Change in investment holding	<b>(4,000)</b>	-	<b>(4,000)</b>	-
Distribution of profits from joint ventures	-	(1,000)	-	-
Share of operating profit	<b>4,974</b>	1,139	-	-
<b>At 31 July 2017</b>	<b>12,840</b>	11,866	<b>6,777</b>	10,777
<b>Loans to joint ventures</b>				
At 1 August 2016	<b>1,198</b>	1,198	<b>1,198</b>	1,198
Movement	-	-	-	-
<b>At 31 July 2017</b>	<b>1,198</b>	1,198	<b>1,198</b>	1,198
<b>Total investment in joint ventures</b>				
<b>At 31 July 2017</b>	<b>14,038</b>	13,064	<b>7,975</b>	11,975
At 1 August 2016	13,064	12,925	11,975	11,975

During 2016/17 Student Accommodation Provision LLP refinanced its loan portfolio and returned £4m to each of its partners.

The following undertakings are joint ventures:

Name of undertaking	Status	Principal activity
Myscience.Co Ltd	25% owned	Operation of National Science Learning Centre
Student Accommodation Provision LLP	50% owned	Provision of student accommodation
Student Accommodation Provision Two LLP	50% owned	Provision of student accommodation
Student Accommodation Provision Three LLP	50% owned	Provision of student accommodation
WUN Foundation Ltd	17% owned	Promotion, development and distribution of direct learning
N8 Ltd	13% owned	Provision of education and research
Biovale Ltd	Limited by guarantee	Promotion and development of biorenewables
University of York International Pathway College LLP	55% owned	Provision of education

All undertakings are incorporated in the United Kingdom with shares or equivalent held by the University of York or a wholly owned subsidiary of the University.

The University of York International Pathway College LLP is not considered to be a subsidiary entity because of the voting and other rights assigned to each partner under the partnership agreement.

## 14. Trade and other receivables

	Consolidated		University	
	31 July 2017	31 July 2016	31 July 2017	31 July 2016
	£000	£000	£000	£000
<b>Amounts falling due over one year</b>				
Prepayments and accrued income	<b>7,222</b>	4,571	<b>7,222</b>	4,571
<b>Amounts falling due within one year</b>				
Research grant receivables	<b>11,177</b>	11,384	<b>11,177</b>	11,384
Other trade receivables	<b>10,873</b>	11,806	<b>9,708</b>	10,474
Prepayments and accrued income	<b>19,673</b>	20,458	<b>17,873</b>	17,674
Amounts due from subsidiary companies	-	-	<b>10,631</b>	11,760
	<b>48,945</b>	48,219	<b>56,611</b>	55,863

**15. Creditors: amounts falling due within one year**

	Consolidated		University	
	31 July 2017	31 July 2016	31 July 2017	31 July 2016
	£000	£000	£000	£000
Unsecured loans (Note 16)	<b>4,531</b>	4,859	<b>4,531</b>	4,859
Trade payables	<b>13,146</b>	13,921	<b>12,427</b>	11,818
Social security and other taxation payable	<b>4,580</b>	4,080	<b>4,715</b>	4,288
Accruals and deferred income	<b>74,896</b>	73,510	<b>71,278</b>	69,869
Amounts due to subsidiary companies	-	-	<b>1,219</b>	1,874
Derivatives - interest rate swaps	<b>1,314</b>	1,371	<b>1,314</b>	1,371
	<b>98,467</b>	97,741	<b>95,484</b>	94,079

The derivatives relate to interest rate swaps which are held at fair value at the balance sheet date.

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

**Deferred income**

	Consolidated		University	
	31 July 2017	31 July 2016	31 July 2017	31 July 2016
	£000	£000	£000	£000
Research grants received on account	<b>33,714</b>	32,008	<b>33,714</b>	32,008
Specific grant income	<b>11,455</b>	9,987	<b>11,455</b>	9,987
	<b>45,169</b>	41,995	<b>45,169</b>	41,995

**16. Creditors: amounts falling due after more than one year**

	Consolidated		University	
	31 July 2017	31 July 2016	31 July 2017	31 July 2016
	£000	£000	£000	£000
Derivatives - interest rate swaps	<b>7,829</b>	10,322	<b>7,829</b>	10,322
Unsecured loans	<b>129,038</b>	133,570	<b>129,038</b>	133,570
	<b>136,867</b>	143,892	<b>136,867</b>	143,892

**Analysis of unsecured loans**

	Consolidated	University
	31 July 2017	31 July 2016
	£000	£000
Due within one year (Note 15)	<b>4,531</b>	4,859
Due between one and two years	<b>3,430</b>	4,860
Due between two and five years	<b>10,204</b>	14,693
Due in five years or more	<b>115,404</b>	114,017
Due after more than one year	<b>129,038</b>	133,570
<b>Total unsecured loans</b>	<b>133,569</b>	138,429



# Notes to the accounts (continued)

FOR THE YEAR ENDED 31 JULY 2017

Details of the unsecured loans owed by the University are set out below.

Lender	31 July 2017 £000	Period Years	Expected end date	Interest rate %
Royal Bank of Scotland	20,542	20	December 2029	0.4%
Royal Bank of Scotland	7,000	20	March 2030	1.1%
HEFCE	1,000	10	August 2017	0.0%
European Investment Bank	12,391	25	August 2035	1.4%
European Investment Bank	13,043	25	August 2036	1.1%
European Investment Bank	13,043	25	September 2036	1.2%
Salix	375	5	November 2018	0.0%
Salix	112	5	September 2018	0.0%
Prudential Loan Notes	26,000	40	February 2047	5.2%
Aviva Loan Notes	40,000	40	February 2047	5.1%
HMRC - deferred VAT	492	20	July 2028	0.0%
Capitalisation of costs of loan note issue	(429)	40	February 2047	0.0%
<b>Total</b>	<b>133,569</b>			

## 17. Provisions for liabilities

	Obligation to fund deficit on USS Pension Scheme	Defined benefit obligations on York Pension Scheme	Total pensions provisions	Deferred tax	Total other provisions
Consolidated	£000	£000	£000	£000	£000
At 1 August 2016	37,239	34,194	71,433	188	188
Deficit contributions and changes in expected contributions	(1,880)	-	-	-	-
Interest	639	-	-	-	-
Movement in deferred tax provision	-	-	-	(188)	(188)
Movement in defined benefit obligation	-	(12,768)	(12,768)	-	-
<b>At 31 July 2017</b>	<b>35,998</b>	<b>21,426</b>	<b>57,424</b>	-	-

University					
At 1 August 2016	37,153	34,194	71,347	-	-
Deficit contributions and changes in expected contributions	(1,860)	-	(1,860)	-	-
Interest	636	-	636	-	-
Movement in defined benefit obligation	-	(12,768)	(12,768)	-	-
<b>At 31 July 2017</b>	<b>35,929</b>	<b>21,426</b>	<b>57,355</b>	-	-

### Universities Superannuation Scheme

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have considered the future salary payments for future and current employees in assessing the fair value of the USS provision. The provision has been estimated using a sector wide modeller provided by the British Universities Finance Directors Group which uses discount rates and staff costs to calculate the provision.

### University of York Pension Fund

The University of York Pension Fund (UoYPF) is a defined benefit scheme and the provision has been assessed by independent actuaries. Further details are set out in Note 25.

## 18. Endowment reserves

	Restricted permanent endowments	Unrestricted permanent endowments	2017 Total	2016 Total
	£000	£000	£000	£000
<b>Restricted funds relating to endowments are as follows:</b>				
Balances at 1 August 2016				
Capital	5,496	911	<b>6,407</b>	6,531
Accumulated income	734	-	<b>734</b>	962
	<b>6,230</b>	<b>911</b>	<b>7,141</b>	7,493
New endowments	-	-	-	43
Investment income	393	40	<b>433</b>	302
Expenditure	(271)	(3)	<b>(274)</b>	(366)
Increase in market value of investments	393	29	<b>422</b>	74
Transfers to restricted donations	-	-	-	(405)
<b>Total endowment comprehensive income for the year</b>	<b>515</b>	<b>66</b>	<b>581</b>	(352)
<b>At 31 July 2017</b>	<b>6,745</b>	<b>977</b>	<b>7,722</b>	7,141
<b>Represented by</b>				
Capital	5,889	940	<b>6,829</b>	6,407
Accumulated income	856	37	<b>893</b>	734
	<b>6,745</b>	<b>977</b>	<b>7,722</b>	7,141

	Restricted permanent endowments	Unrestricted permanent endowments	2017 Total	2016 Total
	£000	£000	£000	£000
<b>Analysis by type of purpose</b>				
Lectureships	1,000	-	<b>1,000</b>	916
Scholarships and bursaries	4,461	-	<b>4,461</b>	4,223
Research support	175	-	<b>175</b>	203
Prize funds	942	-	<b>942</b>	882
General	167	977	<b>1,144</b>	917
	<b>6,745</b>	<b>977</b>	<b>7,722</b>	7,141

# Notes to the accounts (continued)

FOR THE YEAR ENDED 31 JULY 2017

## 19. Restricted reserves

	Restricted donations £000	Restricted capital grants £000	2017 Total £000	2016 Total £000
Balances at 1 August 2016	4,598	6,802	<b>11,400</b>	9,747
New grants	-	-	-	180
New donations	3,140	-	<b>3,140</b>	2,553
Investment income	66	-	<b>66</b>	54
Expenditure	(1,147)	-	<b>(1,147)</b>	(1,221)
Capital grants utilised	-	(5,009)	<b>(5,009)</b>	(364)
Increase in market value of investments	-	-	-	44
Transfers from endowments	-	-	-	407
<b>Total restricted comprehensive income for the year</b>	<b>2,059</b>	<b>(5,009)</b>	<b>(2,950)</b>	1,653
<b>At 31 July 2017</b>	<b>6,657</b>	<b>1,793</b>	<b>8,450</b>	11,400

## Analysis of restricted donations by type of purpose

	At 31 July 2017 £000	At 31 July 2016 £000
Lectureships	<b>27</b>	48
Scholarships and bursaries	<b>3,431</b>	2,888
Research support	<b>2,651</b>	1,523
Prize funds	<b>78</b>	77
General	<b>470</b>	62
	<b>6,657</b>	4,598

## 20. Cash and cash equivalents

	At 1 August 2016 £000	Cash flows £000	At 31 July 2017 £000
<b>Consolidated</b>			
Cash and cash equivalents	37,936	23,255	<b>61,191</b>

## 21. Capital and other commitments

	Consolidated		University	
	31 July 2017 £000	31 July 2016 £000	31 July 2017 £000	31 July 2016 £000
<b>Provision has not been made for the following capital commitments</b>				
Commitments contracted for	<b>771</b>	6,062	<b>750</b>	5,468
Authorised but not contracted for	<b>7,717</b>	6,562	<b>6,640</b>	6,237
	<b>8,488</b>	12,624	<b>7,390</b>	11,705

## 22. Contingent liabilities and assets

There are no contingent liabilities.

In July 2017 the University completed the sale of York EMC Ltd. The University is due to receive £825,000 in July 2019 from the purchaser. The exact amount to be received is dependent on certain conditions being met by July 2019. This amount has not been included in the results for the year ended 31 July 2017, but is regarded as a contingent asset.

### 23. Lease obligations

	Land and buildings £000	Plant and machinery £000	2017 Total £000	2016 Total £000
<b>Total rentals payable under operating leases</b>				
Payable during the year	1,054	234	<b>1,288</b>	1,363
<b>Future minimum lease payments due</b>				
Not later than one year	1,054	234	<b>1,288</b>	1,363
Later than one year and not later than five years	1,912	352	<b>2,264</b>	2,823
Later than five years	65,634	-	<b>65,634</b>	65,531
<b>Total lease payments due</b>	<b>68,600</b>	<b>586</b>	<b>69,186</b>	<b>69,717</b>

The table shows the total amounts payable over the life of the leases.

### 24. Subsidiary undertakings

The subsidiary companies (all of which are registered in England and Wales), wholly-owned or effectively controlled by the University, are as follows:

Company	Status	Principal activity
Amaethon Ltd	60% owned	Commercialisation of intellectual property
NYCH Ltd	100% owned	Provision of training and conferences service within the Health sector
The Biorenewables Development Centre Ltd	100% owned	Development of biorefinery technology
York Conferences Ltd	100% owned	Provision of vacation conference facilities and retail activities
York EMC Ltd	100% owned	Testing and consultancy in electromagnetic compatibility
York Health Economics Consortium Ltd	100% owned	Consultancy and research in the Health sector
York Science Park Ltd	91% owned	Letting of accommodation
York Sports Village LLP	100% owned	Provision of sports facilities
York University Development Company Ltd	100% owned	Letting of accommodation
York University Energy Company Ltd	100% owned	Supply of utilities
York University Property Company Ltd	100% owned	Development of land and letting of accommodation

The disposal of York EMC Ltd, a wholly owned subsidiary of the University, was completed on 1 July 2017.

York EMC Ltd's financial results are included in the Statement of Comprehensive Income up to the date of disposal.

### 25. Pension schemes

The University participates in two defined benefit pension schemes, the University of York Pension Fund (UoYPF) and the Universities Superannuation Scheme (USS) (see Note 17).

In addition the University operates a defined contribution scheme (The People's Pension) and contributes to the NHS pension scheme for some members of the Hull York Medical School.

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
<b>Total pension cost to the University and its subsidiaries</b>		
- USS	<b>19,344</b>	17,536
- UoYPF	<b>3,109</b>	2,992
- NHSPS	<b>101</b>	105
- The People's Pension	<b>171</b>	113
	<b>22,725</b>	20,746
USS deficit contributions and changes in expected contributions	<b>(1,880)</b>	97
UoYPF current service cost	<b>6,851</b>	6,100
UoYPF employer contributions	<b>(4,348)</b>	(4,430)
	<b>23,348</b>	22,977

# Notes to the accounts (continued)

FOR THE YEAR ENDED 31 JULY 2017

## Universities Superannuation Scheme

The University of York participates in the Universities Superannuation Scheme (USS). The scheme was a defined benefit only pension scheme until 31 March 2016 and was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University of York is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 Employee benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period. Since the University of York has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University of York recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account (see Note 17).

The latest available full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway and is scheduled for completion by the statutory deadline of 30 June 2018.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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

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

	31 July 2017	31 July 2016
Discount rate	<b>2.57%</b>	3.6%
Pension increases (CPI)	<b>2.41%</b>	2.2%

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

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

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

	31 July 2017	31 July 2016
Males currently aged 65 (years)	<b>24.4</b>	24.3
Females currently aged 65 (years)	<b>26.6</b>	26.5
Males currently aged 45 (years)	<b>26.5</b>	26.4
Females currently aged 45 (years)	<b>29.0</b>	28.8

	31 July 2017	31 July 2016
Scheme assets	<b>£60.0bn</b>	£49.8bn
Total scheme liabilities	<b>£77.5bn</b>	£58.3bn
FRS 102 total scheme deficit	<b>£17.5bn</b>	£8.5bn
FRS 102 total funding level	<b>77%</b>	85%



## University of York Pension Fund

The University operates a final salary defined benefit pension fund, the University of York Pension Fund (UoYPF), which was contracted out of the State Second Pension (S2P) until 6 April 2016. The assets of the UoYPF are held separately from those of the University. The trustee of the UoYPF has nine directors: one is independent, four are nominated by the University and the remainder are nominated by members of the UoYPF. The University contributed a rate of between 10% and 15% of pensionable salary to the UoYPF. Pension benefits are linked to the members' pensionable salaries and service at their retirement (or date of leaving if earlier).

A full actuarial valuation was carried out as at 31 July 2014. The results of this valuation have been updated to 31 July 2017 by a qualified independent actuary. The University of York Pension Fund has been assessed on an FRS 102 (28) basis. At each financial year end, the fund is assessed at the fair value of the obligations to provide pensions at the net total of the present value of the liability under defined benefit plans (computed using the projected unit method) less the fair value of plan assets out of which the pensions will be paid. The valuation at 31 July 2017 is underway.

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
<b>Analysis of the amount shown in the balance sheet</b>		
Scheme assets	171,215	153,968
Scheme liabilities	(192,641)	(188,162)
<b>Deficit in the scheme – net pension liability recorded within pension provisions</b>	<b>(21,426)</b>	<b>(34,194)</b>
<b>Analysis of the amount shown in the statement of comprehensive income</b>		
Current service cost	6,851	6,100
Administration expenses	381	299
<b>Total operating charge</b>	<b>7,232</b>	<b>6,399</b>
<b>Analysis of the amount charged to interest payable/credited to other finance income</b>		
Interest cost	4,272	5,687
Expected return on assets	(3,533)	(5,040)
<b>Net charge to other finance income</b>	<b>739</b>	<b>647</b>
<b>Total income and expenditure charge</b>	<b>7,971</b>	<b>7,046</b>
<b>Analysis of other comprehensive income/(expenditure)</b>		
Actual return of assets less interest	14,437	7,187
Actuarial gains/(losses) on defined benefit obligation	1,954	(21,533)
<b>Total other comprehensive income/(expenditure)</b>	<b>16,391</b>	<b>(14,346)</b>
<b>Cumulative actuarial loss recognised as other comprehensive income</b>		
Cumulative actuarial losses recognised at the start of the year	(29,402)	(15,056)
Cumulative actuarial losses recognised at the end of the year	(13,011)	(29,402)
<b>Analysis of movement in (deficit)</b>		
(Deficit) at beginning of year	(34,194)	(17,232)
Contributions or benefits paid by the University	4,348	4,430
Current service cost	(6,851)	(6,100)
Other finance charge	(381)	(299)
Net interest income/cost	(739)	(647)
Gain/(loss) recognised in other comprehensive income	16,391	(14,346)
<b>(Deficit) at end of year</b>	<b>(21,426)</b>	<b>(34,194)</b>

# Notes to the accounts (continued)

FOR THE YEAR ENDED 31 JULY 2017

	31 July 2017	31 July 2016
	£000	£000
<b>Analysis of movement in the present value of liabilities</b>		
Present value of liabilities at the start of the year	<b>(188,162)</b>	(159,451)
Current service cost (net of member contributions)	<b>(6,851)</b>	(6,100)
Interest cost	<b>(4,272)</b>	(5,687)
Actual member contributions (including notional contributions)	<b>(269)</b>	(230)
Actuarial (gain)/loss	<b>1,954</b>	(21,533)
Insurance premiums for risk benefits	<b>74</b>	-
Actual benefit payments	<b>4,885</b>	4,839
<b>Present value of liabilities at the end of the year</b>	<b>(192,641)</b>	(188,162)

	31 July 2017	31 July 2016
	£000	£000
<b>Analysis of movement in the fair value of scheme assets</b>		
Fair value of assets at the start of the year	<b>153,968</b>	142,219
Expected return on assets	<b>3,533</b>	5,040
Actuarial gain on assets	<b>14,437</b>	7,187
Actual contributions paid by University	<b>4,348</b>	4,430
Actual member contributions (including notional contributions)	<b>269</b>	230
Administration expenses	<b>(381)</b>	(299)
Insurance premiums for risk benefits	<b>(74)</b>	-
Actual benefit payments	<b>(4,885)</b>	(4,839)
<b>Fair value of scheme assets at the end of the year</b>	<b>171,215</b>	153,968

	31 July 2017	31 July 2016
	£000	£000
<b>Fair values of assets of the fund</b>		
Equities	<b>123,337</b>	111,803
Debt instruments	<b>33,819</b>	24,917
Property	<b>8,292</b>	8,402
Cash	<b>5,767</b>	8,846
<b>Total</b>	<b>171,215</b>	153,968

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
<b>Returns on assets</b>		
Interest income	<b>3,533</b>	5,040
Return on assets less interest income	<b>14,437</b>	7,187
<b>Total</b>	<b>17,970</b>	12,227

	Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2015	Year ended 31 July 2014	Year ended 31 July 2013
<b>History of experience gains and losses</b>					
<b>Difference between actual and expected return on scheme assets</b>					
Amount (£000s)	<b>14,437</b>	7,187	(2,147)	(436)	(15,055)
% of assets at end of year	<b>8%</b>	5%	(1%)	0%	(12%)
<b>Experience (gains) on scheme liabilities</b>					
Amount (£000s)	-	-	(3,691)	-	-
% of liabilities at end of year	<b>0%</b>	0%	(2%)	0%	0%

Significant actuarial assumptions	Year ended 31 July 2017	Year ended 31 July 2016
Discount rate	<b>2.55%</b>	2.30%
Rate of salary increases	<b>3.85%</b>	3.60%
Rate of price inflation	<b>2.10%</b>	1.85%
Rate of pension increases	<b>2.10%</b>	1.85%
Post-retirement mortality assumption	<b>S2NA tables with a +1 year age rating, CMI 2016 projection model with a long-term improvement rate of 1.25% p.a.</b>	S2NA tables with a +1 year age rating, CMI 2015 projection model with a long-term improvement rate of 1.25% p.a.

Assumed life expectancy on retirement at age 65	Year ended 31 July 2017	Year ended 31 July 2016
- Retiring in 2017 (male member age 65 in 2017)	<b>21.1 years</b>	21.5 years
- Retiring in 20 years (male member age 45 in 2017)	<b>22.5 years</b>	23.2 years
- Retiring in 2017 (female member age 65 in 2017)	<b>23.3 years</b>	23.7 years
- Retiring in 20 years (female member age 45 in 2017)	<b>24.9 years</b>	25.6 years

## NHS Pensions

The University of York participates in the NHS Pension Scheme (NHSPS) which was contracted out of the State Second Pension (S2P) until 6 April 2016. The notional assets of the NHSPS are assessed by the Government Actuary and the benefits are underwritten by the government. There are no underlying assets. It is not possible to identify each institution's share of the notional assets and liabilities of the NHSPS and hence contributions to the NHSPS are accounted for as if it were a defined contribution scheme. The cost recognised within the income and expenditure account is therefore equal to the contributions payable to the NHSPS for the year.

The contributions payable by the University during the year ended 31 July 2017 were at a rate of 14% of the total pensionable salaries, in accordance with the recommendations of the Government Actuary.

## The People's Pension

The University of York has a defined contribution scheme as its main auto-enrolment pension scheme for its staff. The investment of scheme contributions is managed by The People's Pension. The contributions payable by the University during the year ended 31 July 2017 were at a rate of 1% of pensionable salary.

## 26. Related parties

### Council Members

The University Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from local and national public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

A review of the register of University Executive Board and Council members' interests shows that the University has conducted business with the following organisations which are considered to be related parties.

#### Eversheds Sutherland LLP

Eversheds Sutherland LLP is a global law firm which provides legal services to the University. One member of the Council acts as a partner for the firm.

#### Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent charity which operates within the York area. One Council member acted as Chief Executive of the Joseph Rowntree Foundation during the year.

#### SimOmics Ltd

SimOmics Ltd provides computational expertise and consultancy services to the University. One member of the Council sits on SimOmics' Board of Directors.

#### University of Lancaster

The University of Lancaster collaborates with the University of York on various research projects. One Council member's spouse is the Chair of Council at the University of Lancaster.

# Notes to the accounts (continued)

FOR THE YEAR ENDED 31 JULY 2017

## Aviva Plc

Aviva Plc is a multinational insurance company which provides loan financing to the University. One Council member is an Executive Director on Aviva Plc's Board.

## YUSU (York University Students' Union)

YUSU represents and supports undergraduate students. YUSU has close links to the University, and the University contributes significant sums towards YUSU's running costs. One member of Council is the YUSU President.

## GSA (Graduate Students' Association)

GSA represents and supports postgraduate students. GSA has close links to the University, and the University contributes significant sums towards GSA's running costs. One member of Council is the GSA President.

The transactions between the University and the above organisations are summarised below:

	Income £000	Expenditure £000	Balance due to the University £000	Balance due from the University £000
Eversheds Sutherland LLP	-	103	-	8
Joseph Rowntree Foundation	55	1	23	-
SimOmics Ltd	-	65	-	-
University of Lancaster	1	43	-	-
Aviva Annuity UK Ltd	-	2,062	-	41,025
YUSU (York University Students' Union)	206	1,201	7	22
GSA (Graduate Students' Association)	11	61	1	-

The total expenses paid to eight (2016: three) Council members was £4,191 (2016: £1,045). This represents travel and subsistence expenses incurred in attending Council and meetings in their official capacity.

## Other related parties

Due to the nature of the University's operations and the composition of Council (being drawn from local public and private organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. Local organisations in which members of Council may have an interest comprise: York Museums Trust, York Theatre Royal, York City Council, Darlington Hall, The Company of Merchant Adventurers of the City of York, Harrogate and District NHS Foundation Trust, and York, North Yorkshire & East Riding Local Enterprise Partnership. All transactions between the University and these other related parties have been conducted at arm's length.

The University has taken advantage of the exemption with FRS 102 and has not disclosed transactions with other group entities where the University holds 100% of the voting rights.

## 27. Financial instruments

	Consolidated 31 July 2017 £000	Consolidated 31 July 2016 £000	University 31 July 2017 £000	University 31 July 2016 £000
<b>Financial assets</b>				
Investments held at fair value	<b>6,993</b>	6,050	<b>6,991</b>	6,048
Investments in joint ventures at fair value	<b>14,038</b>	13,064	<b>7,975</b>	11,975
Trade and other receivables at cost	<b>10,873</b>	11,806	<b>9,708</b>	10,474
Cash and cash equivalents	<b>61,191</b>	37,936	<b>59,707</b>	35,826
	<b>93,095</b>	68,856	<b>84,381</b>	64,323
<b>Financial liabilities</b>				
Trade payables at cost	<b>(13,146)</b>	(13,921)	<b>(12,427)</b>	(11,818)
Loans at cost	<b>(133,569)</b>	(138,429)	<b>(133,569)</b>	(138,429)
Interest rate swaps at fair value	<b>(9,143)</b>	(11,693)	<b>(9,143)</b>	(11,693)
	<b>(155,858)</b>	(164,043)	<b>(155,139)</b>	(161,940)



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