



UNIVERSITY
of York

A N N U A L R E P O R T
A N D F I N A N C I A L S T A T E M E N T S

2 0 1 8



K E Y N U M B E R S

119th

in the *Times Higher Education*
World University rankings

9th

in the *Times Higher Education*
Europe Teaching rankings

17,475

Total students (FTE)

£367m

Total income

4,006

Total staff

£71m

Total research income

Front page photos: From left, a student from the International Study Centre, the Discovery Zone at the Festival of Ideas, University of York graduates, and Professor Dame Pratibha Gai and Dr Gnanavel Thirunavukkarasu

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The University of York
has one of the UK's
leading Computer
Science departments

BENEFIT AND IMPACT

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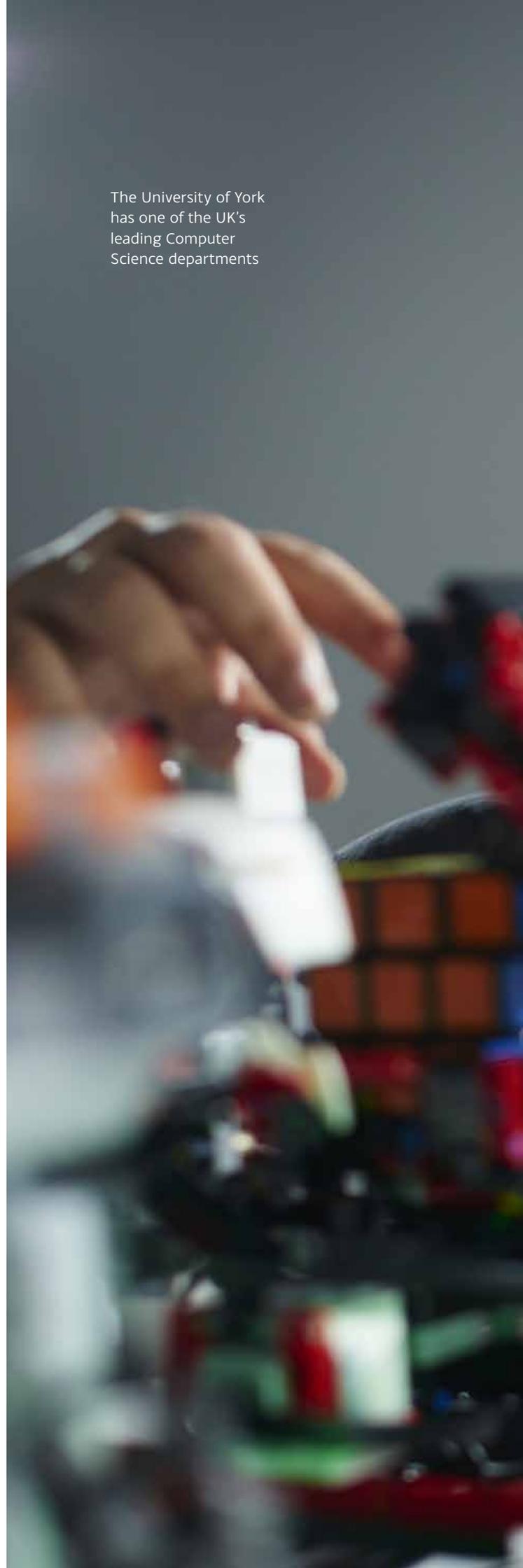
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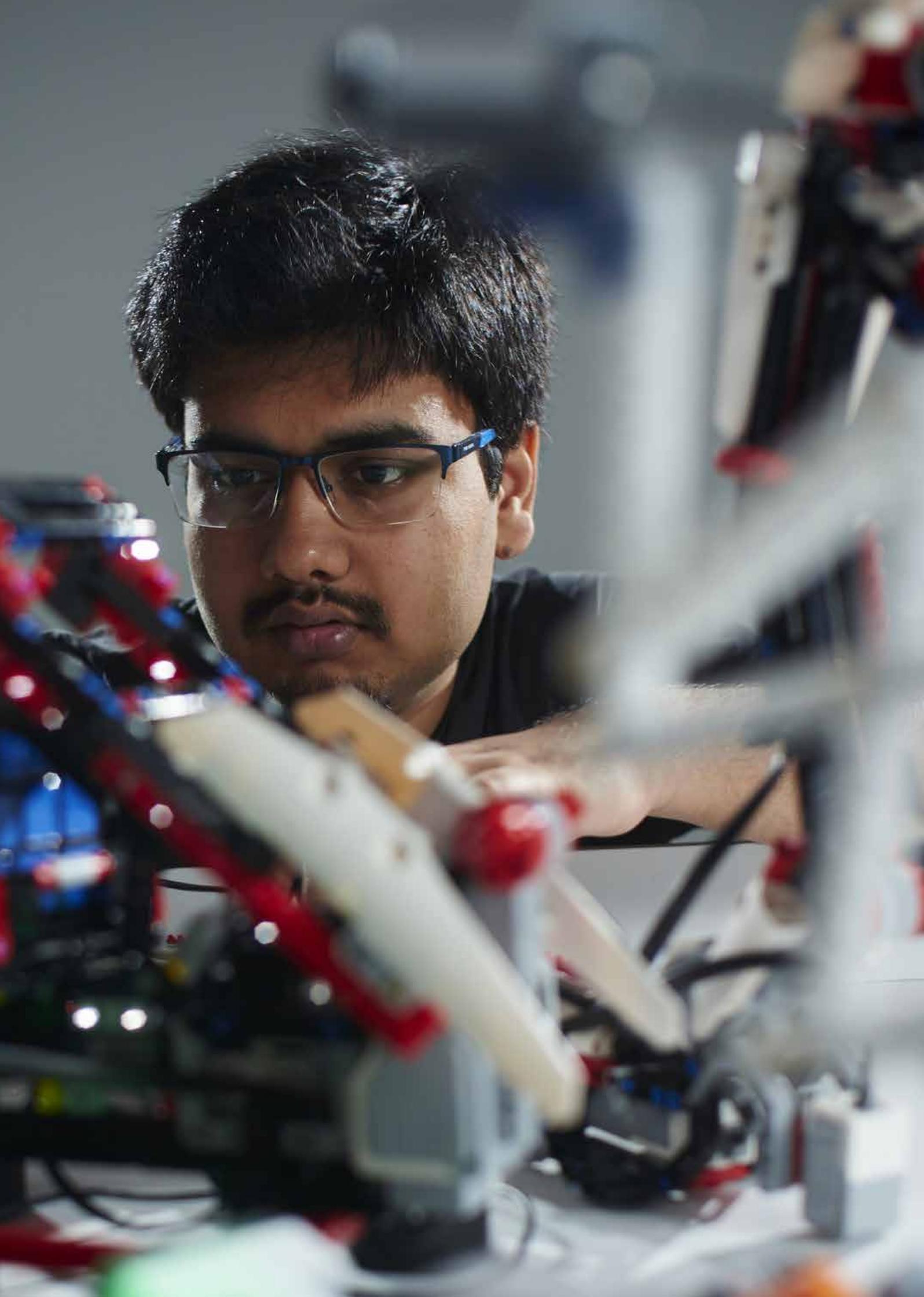
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I N T R O D U C T I O N S

Vice-Chancellor Koen Lamberts,
Acting Vice-Chancellor Saul Tendler,
and Council Chair Gerard Lemos
reflect on successes and achievements,
major challenges which lie ahead, and plans
to ensure we maintain our position
as a world-leading university.

VICE - CHANCELLOR

The University of York is a world-leading institution and a member of the prestigious Russell Group, bringing excellent research and teaching together with collaborative innovation. It has been my very great pleasure to serve as Vice-Chancellor for the last four years and see the University grow from its already strong position to a more agile and focused organisation, tackling the pressing issues of today as it inspires enquiring minds to take on the challenges of tomorrow.

When I arrived at York in January 2014, the University was in good shape. Campus East was developing rapidly, and the University had been very successful in the Research Excellence Framework (REF): we were rated tenth in the country for impact of our research by the *Times Higher Education* based on our REF return*.

Still, the University faced several significant challenges. It did not have a coherent medium- or long-term academic strategy in place, research income was falling rapidly, long-term debt stood at 52 per cent of income (among the highest in the sector at the time) and the cash position was very poor. The University did not have the right management structures and processes to allow it to address these issues.

I am proud to say that we have risen to these challenges, and as I prepare to leave I am confident that the University is well positioned for the future. By introducing a University Executive Board, organising our disciplines into three governing faculties, and creating the York

Graduate Research School, we have provided the management structures to plan effectively and adapt readily.

Over the past five years the University's turnover has grown by 28 per cent and net cash from operating activities by 44 per cent. Debt as a proportion of income has fallen from 52 per cent to 36 per cent, and cash balances are much healthier. Research income has grown by 43 per cent. We are currently working ahead of schedule for the goals laid out in the 2014-2020 University Strategy.

In a year of change for higher education, York is proving that we are ready for whatever comes next. The York Approach to learning and teaching is enabling us to clearly articulate to our students what they can expect from our carefully designed courses. York Futures is preparing students with the skills employers need for graduate careers they are passionate about. We are appointing inspirational research leaders and spearheading global research initiatives with life-changing, international impact.

This research-strong environment combined with exceptional teaching practices has been recognised by the Teaching Excellence Framework, who this year awarded us a Gold rating – the highest that can be achieved.

We have continued to empower our community through investment. The Piazza Learning Centre opened this year, providing facilities for our International Pathway College to enable more overseas students to access the support of our



pre-sessional courses. We have devoted further funds to mental health resilience. Our generous community of donors has funded 370 scholarships and the Big Alumni Project has made its first award of £40,000, funding the modernisation of the student-run University of York Radio, expanding their facilities to support all student audio recording on campus.

We also hosted over 200 open lectures, and this year's York Festival of Ideas, led by the University, delivered a wealth of mostly free events over 13 days, attended by over 41,000 people.

As I leave the University of York I know that it is ready, able and equipped to continue these successes, with the financial resilience and adaptive capacity to embrace whatever the future holds.

Professor Koen Lamberts
Vice-Chancellor

*Excluding specialist institutions which submitted fewer than four units for assessment

ACTING VICE-CHANCELLOR



I am delighted to be taking up the reins from Professor Koen Lamberts, who leaves York in a strong position. My thanks, and those of the senior team, go to him for all that he has done for the University during his tenure.

As I take over as Acting Vice-Chancellor, my approach will be driven by our founding values: excellence, equality and opportunity for all. I see a passionate commitment to these principles in every corner of this institution, from excellence in our outcomes for students – rightly recognised with a Gold award in this year's Teaching Excellence Framework – and our world-leading research, to our commitment to equality and opportunity through our vital work on widening participation, and our efforts on gender equality through championing Athena SWAN and strengthening our approach to diversity and inclusivity.

Much of this is also made possible because of the generous assistance of our global alumni and broader partnership networks. As Deputy Vice-Chancellor and Provost, I have had the pleasure to meet many of our supporters over the years and I am constantly struck by the passion and commitment they show to this University. To those of you who donate not only your financial support, but also your time, access to your networks and assistance for our employability programmes, to make York a better place, thank you.

This generous support and Professor Lamberts' legacy put us in a strong position to face the challenges

ahead: uncertainties on future government policy on fees and funding; the continuing dialogue on the Universities Superannuation Scheme; and above all, Brexit. I am confident that York will not only face these issues but thrive. Over the coming year there is much to accomplish: driving forward our internationalisation agenda with a renewed zeal; expanding our excellence in teaching online and into the provision of apprenticeships; and supporting world-leading research through an ambitious programme of activity.

The 2018/19 academic year promises to be a stimulating year for York and the higher education sector. I am looking forward to it.

Professor Saul Tendler
Acting Vice-Chancellor

CHAIR OF UNIVERSITY COUNCIL

The University's Council is its governing body, so it is a great honour to have been Chair of Council since July 2017, especially as I am a proud alumnus of the University and the first alumnus to chair the University's Council.

There have been many exciting developments, even in my first year. We have opened the International Pathway College and launched our new online learning offer. We have achieved Gold in the new Teaching Excellence Framework and initiated many ground-breaking research projects, promoting our interdisciplinary research themes with great gusto and success.

The world is rapidly changing for universities. We have seen new legislation and the creation of a new regulator with a new mandate and a different approach. The focus on the University being well-governed, offering value for money to students amidst concerns about student debt, while achieving genuine excellence in teaching as well as research, will be strengthened. Public scrutiny of universities has also increased – we should welcome that.

York is still a relatively young university. We face many financial demands: maintaining and improving our track record of research and teaching excellence as well as refurbishing and maintaining Campus West so that we can be proud of world-class teaching and research facilities. Recognising the internal and external opportunities and challenges has led us to start work on a new Strategy for the University. As

well as maintaining and enhancing our outstanding academic and pedagogical track record, we also want to make the University more international, make a quantum leap in how we manage and maintain our estate, achieve greater financial sustainability and build on our academic distinctiveness.

The Chair and the majority of Council members are independent members who give their time and advice pro bono. We have welcomed with gratitude four new distinguished independent members in the last year, Philip Carpenter, Chris Dye, Nicola Inchbald and Karl Dittrich.

We have also significantly improved the governance of the University. We have established an estates committee and revised the working of several University sub-committees: finance, audit and risk, remuneration and appointments. Higher education is a sector with its own traditions and approaches, but we want to ensure, as we enter a period of increased public and regulatory scrutiny, that the University's governance structures are fit for purpose in scrutiny and accountability and add value to the life and health of the University.

I want to thank our outgoing Vice-Chancellor, Professor Koen Lamberts, for his contribution to the University of York. His achievements are many and we wish him all the best for his move to the University of Sheffield.

I will now lead a joint committee of Council and Senate to recommend a candidate for Vice-Chancellor to Council.



Finally, my personal thanks to all Council members and staff of the University of York for all they do as part of our academic community.

Gerard Lemos CMG
Chair of University Council



The personal and academic development of our students has been recognised in the Gold rating we received this year from the Teaching Excellence Framework

STRATEGIC REVIEW

The University's Strategy sets out an overarching and ambitious plan to enhance our pioneering research, innovative teaching and student learning experience.

Our strategic vision

Our vision for the University of York is to provide an outstanding learning environment for enquiring young minds, and to deliver world-leading innovative and transformative research. Through the supportive atmosphere of our departments and colleges, our clubs and societies, and our close ties to the city of York, we aim to create a genuine sense of belonging and community. We want our students to flourish both within and beyond their degrees, providing experiences that will stay with them for the rest of their lives.

Over the past four years the University has worked consistently to achieve this vision. The interdisciplinary approach and our investment in facilities have helped form an empowered community of researchers who are making a real contribution to creating a fairer and more sustainable world. In the most recent assessment of UK research, we were ranked tenth in the UK for impact. We were also given one of the highest ranks for research which is classed as 'world-leading' and has a 4* status.†

The powerful combination of this research-rich environment and our dedication to the personal and academic development of our students has been recognised in the Gold rating we received this year from the Teaching Excellence Framework. This is the highest

possible rating and the panel particularly praised our research-strong environment as providing "outstanding levels of stretch" and "consistently outstanding outcomes for students from all backgrounds".

A changing landscape for higher education

Office for Students

This has been a year of change for higher education in the UK. Following the Higher Education and Research Act of 2017, the Office for Students has taken over the student-facing responsibilities of the Higher Education Funding Council for England (HEFCE). HEFCE's research responsibilities have been passed to a new funding body, United Kingdom Research and Innovation.

With the separation of oversight for teaching and research, the Office for Students is expected to maintain a narrow focus on value for money and teaching outcomes. As an institution that has championed research-led teaching, the University will seek to clarify the integral role that research plays in delivering the world-class education we offer to our students.

We have already made good strides in this direction. The York Approach is a robust expression of our dedication to a learning culture that sets out clear expectations for students of what our courses deliver.

Post-18 education and funding review

In February 2018 the Prime Minister announced a major review into post-18 education and funding. The review is focusing on four areas: helping people understand their options for post-18 education, looking at how students will contribute towards funding their studies, enabling students from all backgrounds to access post-18 education, and future-proofing the economy by ensuring that the skills developed through post-18 education reflect the needs of employers and the government's Industrial Strategy.

The funding review raises questions for how students will pay for their studies, how universities will be funded and whether tuition fees will rise in the future. However, there is some reassurance to be found in the ministerial statement from July which has confirmed that EU students will continue to pay the same fees as UK students for the year 2019/20, and the maximum fee will remain frozen at £9,250.

The University's employability initiative, York Futures, is already working to provide students from all backgrounds with the skills that are needed by employers. The work done this year to refine and expand this scheme will help our current students to identify their strengths, take charge of their futures and develop skills valued by employers.

†Based on the *Times Higher Education* ranking of the most recent UK Research Excellence Framework (REF 2014), excluding specialist institutions which submitted fewer than four units of assessment

“With no deal as yet agreed for the UK’s exit from the European Union, uncertainty persists surrounding the consequences of withdrawing from the EU.”

Brexit

With no deal as yet agreed for the UK’s exit from the European Union, uncertainty persists surrounding the consequences of withdrawing from the EU. The government’s commitment to extend the freeze on tuition fees to EU students suggests that there is an understanding that the exchange of ideas promoted by the inclusion of international students is central to the global reputation of higher education in the UK.

The government has also granted the right to remain to EU staff already living and working in the UK. This is a heartening endorsement of the intellectual vibrancy our EU colleagues bring to the academic community.

In the face of ongoing uncertainty surrounding the UK’s exit from the EU, the University continues to work in collaboration with Universities UK to highlight the vital contributions our EU colleagues make to the knowledge economy. We will actively seek to manage these risks and have modelled different scenarios for the financial consequences of withdrawing from the EU.

Pensions

The Universities Superannuation Scheme (USS) Trustee reported in March 2017 that the pension scheme’s deficit had increased to £7.5bn and the cost of building up

future pension benefits has therefore increased by approximately one third. As there have been no proposals to reform benefits, the Trustee has set out a process for cost-sharing between employers and scheme members. The Universities and College Union and Universities UK have formed a Joint Expert Panel (JEP) to consider the valuation, and a Joint Negotiating Committee will consider recommendations from the JEP before deciding on any future changes.

Given the intricacy of the negotiations surrounding the USS pension scheme, the University has organised a series of information sessions from an independent financial services consultancy to help both USS and non-USS members understand any impact on their pay and pensions and to keep staff informed on the dispute and consultation.

Managing risk and uncertainty

The University Executive Board has established a Risk Review Group to review the University’s risk management processes and to define the University’s appetite for risk. The Executive Board recognises that the University operates in an increasingly uncertain environment, with a range of extraneous factors that may affect key aspects of the

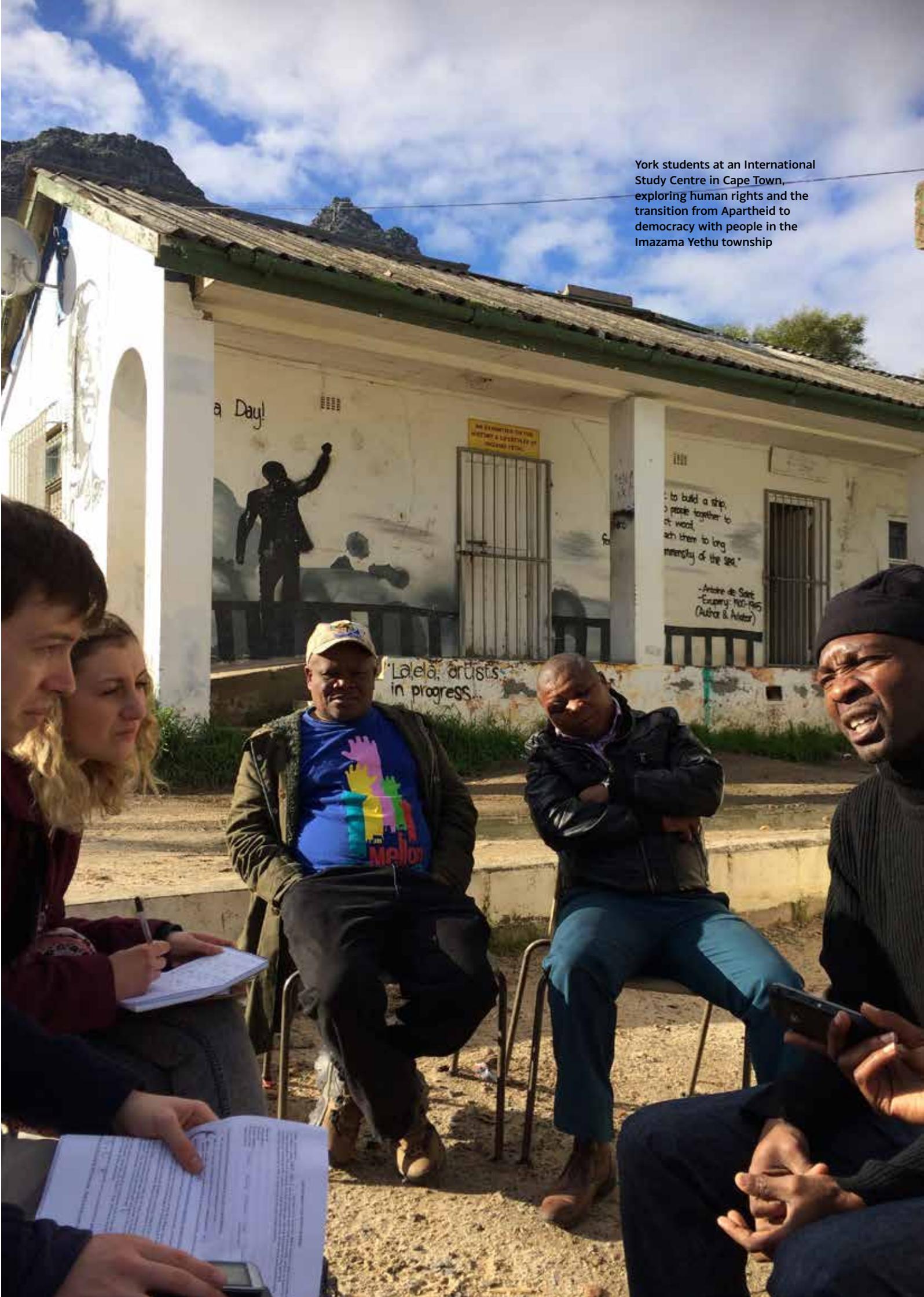
University Strategy, so operating with a degree of risk is inevitable. However, in general, the University does not have an appetite for high exposure risks, but we recognise that a degree of risk taking is required in order to deliver change across some of our core areas of activity.

The Group has produced a clear Risk Management Policy, Strategy and Assurance framework, encapsulated in the following Risk Appetite Statement:

The University recognises that its risk appetite will change continuously over time as a response to changing circumstances. Moreover it is not possible to quantify a single, overall risk appetite. Rather at a given point in time the University will be willing to accept additional risk in some areas (in order to achieve additional returns) and will be seeking to reduce risk in other areas. Therefore the risk appetite of the University will be described by specifying the different key areas in which it is desirable to increase or decrease risk. The statement of risk appetite will be kept under review and updated as necessary.

Overall, the University will seek to foster innovation in academic areas (teaching and research) while seeking to optimise the efficiency of how we support our academic mission. Small-scale initiatives may exceed normal risk appetite, but in general there is a very low appetite to damage the University’s strong reputation.

York students at an International Study Centre in Cape Town, exploring human rights and the transition from Apartheid to democracy with people in the Imazama Yethu township



Progress on the 2014–2020 University Strategy

The University has made substantial progress towards its strategic objectives to become a world-leader in research, to offer outstanding teaching and learning, and to offer all our students an outstanding and valuable experience.

These key objectives are bolstered by supporting objectives: to be sufficiently large to be excellent, resilient and financially sustainable; to be organised in the most efficient and effective way; and to work effectively with other organisations and stakeholders.

Organisational structures

The introduction of the University Executive Board, three faculties governing the sciences, social sciences, and arts and humanities, and the creation of the York Graduate Research School have provided the management structures to enable the University to make long-term planning decisions and improve research income.

The effectiveness of these structures can be measured in the increase in numbers over the past five years of students (12 per cent), academic staff (16 per cent) and support staff (12 per cent). We have also seen research income grow by 35 per cent.



Investing in services for our international students helps us recruit the best from around the world

World-leading research

By establishing seven interdisciplinary research themes, we have developed a distinctive capacity for tackling complex challenges of global significance. Through targeted senior academic research appointments and investment in research facilities, we have recruited several inspirational research leaders in the last two years alone. These are professors who are among the very best in the world and who have given us a tremendous injection of intellectual energy.

York's global approach to research has seen us move forward in international collaborations, especially in the Global South. We have done incredibly well in securing funding from the Global Challenge Research Fund (GCRF), a £1.5bn UK government fund to support cutting-edge research that addresses the challenges faced by developing countries. We have received the 11th highest amount of GCRF funding this year, totalling over £11.5m. This includes £6.6m for the Thanzi al Onse (Health of

All) project, which will work with policy-makers in Malawi and Uganda to inform national healthcare budgets. It is hoped that this model can be developed as a template for resource allocation challenges faced by other African countries.

We have developed numerous international partnerships enabling significant engagement with stakeholders around the world. For example, our partnership with Maastricht University in the Netherlands is rapidly gaining momentum, offering many opportunities for collaboration.

Investing in students

We have developed the York Approach to teaching and learning, which provides specific principles for programme design based on extensive evidence for effective teaching and learning practice in higher education. Through detailed mapping of student work, teaching activities and assessment and feedback, we have provided a framework to enable the

achievement of well-defined learning outcomes.

We have made a substantial investment in student-facing services and facilities, including a dedicated teaching building, teaching laboratories within departments and state-of-the-art facilities for our International Pathway College (IPC). The IPC, which opened in September 2016, offers foundation courses that provide a route to undergraduate and postgraduate degrees, increasing the number of international students who are able to study at York.

Investing in services for our international students supports our overall strategic goals of recruiting the best students from around the world and preparing students for a global workplace. This investment has led to an 18 per cent increase in international recruitment over the last four years. Moreover, all our students are encouraged to broaden their cultural horizons and enhance their employability through the global opportunities we offer for students to study or work abroad.

We have also made a significant investment in student mental health, increased investment in alumni relations, philanthropy partnerships and knowledge exchange, as well as devising a masterplan for the development of the campus over a period of 20 years.

Future plans: consideration of the next phase of our strategic development 2020–2025

Our current Vice-Chancellor, Professor Koen Lamberts will leave the University of York on 31 October. Our Deputy Vice-Chancellor and Provost,

Professor Saul Tendler will be Acting Vice-Chancellor from 1 November 2018 while the recruitment process is being led by the Chair of Council.

There is much to be done in preparation for the next phase of our strategic development and Professor Tendler and the University's Executive Board are managing a portfolio of strategic projects that have been categorised as Discovery, Approval and Implementation.

Key strategic projects that will be developed during the coming year include expanding the Hull York Medical School to take account of the government's allocation of one of the highest uplifts in medical school places to the School; expanding and developing our online courses; investing in our capacity to diversify and expand our international recruitment; further development of our alliance with Maastricht University; and implementing a comprehensive knowledge exchange strategy that will focus on developing partnerships across the city and region to support economic prosperity.

During the last few years the University has increased its cash balances in anticipation of expenditure on the key strategic initiatives and planned estates developments.

The Board members, led by Professor Tendler, are determined to maintain a sense of momentum during the transition period and to ensure that we are well placed to work with a new Vice-Chancellor in strengthening our position as a world-leading university.

Conclusions

The University of York is in a strong position. Despite the many

uncertainties outlined above, our cash position is strong and we are prepared to invest in key areas of strategic potential. We have a very high level of staff and student engagement and commitment to excellence.

We will continue to work at a national level with Universities UK and fellow Russell Group universities to ameliorate uncertainty, provide transparent information on the rationale for decisions we make, and ensure that we are equipped to foster an environment that can support our staff and students to achieve their very best.

18%

increase in international recruitment over the last four years

35%

research income growth in the last five years

£11.5m

The 11th highest amount of GCRF* funding this year

*Global Challenge Research Fund

C O R P O R A T E G O V E R N A N C E

The University is committed to best practice in all aspects of corporate governance.



The University is an independent corporation with charitable status established by Royal Charter which is regulated by the Office for Students. 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.

Statement of Internal Control

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 2014 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 University's management and governance processes were reviewed by the new Office for Students (OfS) as part of the University's application to be an approved provider under the new regulatory regime for higher education, and the University was pleased to receive confirmation of its successful application in July 2018. It was likewise pleased to receive a positive outcome, with no formal recommendations, from the quinquennial HEFCE Assurance Review (March 2018), a wide-ranging external assessment of the adequacy and effectiveness of our institutional governance arrangements.

With regard to risk management, the Council is of the view that there is an ongoing process for identifying,

Council members

Sitting left to right:

Charlotte Chamberlain (GSA President, until August 2018), Dr Rachel Curwen, Professor Quentin Summerfield, Professor Saul Tendler (Deputy Vice-Chancellor), Professor Koen Lamberts (Vice-Chancellor), Gerard Lemos (Chair of Council, Pro-Chancellor), Jo Horsburgh (Registrar and Secretary), Caroline Thomson, Denise Jagger (Pro-Chancellor), Professor Deborah Smith (Pro-Vice-Chancellor for Research), Mike Galloway (until July 2018), Chris Thompson

Standing left to right:

James Durcan (YUSU president), Julia Unwin (Pro-Chancellor), Sam Bayley, Professor Ambrose Field, Professor Caroline Hunter, Philip Carpenter, Dr Christopher Dye, Dr Karl Dittrich

Not pictured:

David Dickson (Treasurer), Nicola Inchbald, Alex Urquhart (YUSU President until July 2018), Sehrish Shafi (GSA President until August 2019)

evaluating and managing the University's significant risks and that it has been in place for the year ended 31 July 2018 and up to the date of approval of the *Annual Report and Financial Statements*. 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 (re-named Audit and Risk Committee during 2017/18), 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 Audit and Risk Committee has indicated that, on the basis of internal audit work undertaken during the year, improvements are required in certain areas. The Committee will be monitoring the implementation of these improvements during 2018/19. The Council recognises that the application of risk management practices cannot eliminate all risk exposure, especially during a time of such considerable change and uncertainty in the higher education (HE) sector. During 2017/18 the risk management process was reviewed and improvements identified to further increase the effectiveness of this process.

The Audit and Risk Committee has reviewed and approved the proposed Risk Management Framework and will be monitoring its implementation during 2018/19.

The University Council

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.

Council will be renewing its Statement of Primary Responsibilities at its meeting in November to further reflect its accountability for academic assurance.

“The Finance Committee considers the financial implications of the University’s strategic plans as well as the annual budget and the medium-term financial forecast.”

In operational terms, the Council now meets five times a year (an increase from the previous four meetings) with an additional strategic Away Day at the start of each academic year. It also delegates to several sub-committees, which are described in greater detail below. All of these sub-committees are formally constituted with specific terms of reference and appropriate lay (ie external) membership. As regards Council membership, four new lay members were recruited during the year, with specific relevant skills in areas such as estates, international HE, global scientific research/development and digital publishing.

During 2017/18 the Council gave thorough consideration to the next phase of institutional strategy development, with particular focus on the finance and estates areas. Governance oversight of the latter was also enhanced by the establishment of a new Estates Committee, chaired by an appropriately qualified lay member of the Council (see below). 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 an executive report from the Vice-Chancellor at each meeting, setting out the key challenges imposed by the external environment and the institutional response. Key elements of such reports in the last year have been the Teaching Excellence Framework (TEF), Research Excellence Framework (REF) and, looking forward, the new Knowledge Exchange Framework (KEF), as well as the management of the USS pension dispute.

The Council also received annual executive reports from members of UEB, including all the Pro-Vice-

Chancellors, and annual reports from sub-committees dealing with audit, remuneration and health, safety and welfare. The following specific topics were also considered:

- academic quality assurance
- equal pay action plan
- the ‘Prevent’ agenda
- international strategy
- University contribution to the regional bio-economy
- mental health strategy
- student recruitment and admissions
- future strategic direction of the Department of Health Sciences (in the context of changes to government funding for nursing education)
- building and leasing arrangements in the context of the estates masterplan
- review of safeguarding arrangements.

Capital investment approvals during the year included the refurbishment of Central Hall and acquisition of Stodham Investment Ltd (in order to acquire the Market Square building).

Following Professor Koen Lamberts’ announcement in June 2018 that he would be leaving the University on 31 October 2018 to take up a new post at another institution, the Council has initiated the process to identify and appoint his successor through the establishment of a Joint Committee with the University Senate (as required by the University Statutes). With the assistance of a specialist executive search firm, it is hoped that the Joint Committee will be in a position to bring forward recommendations for the appointment of the next Vice-Chancellor mid-way through

2018/19. In the meantime, the Deputy Vice-Chancellor (Professor Saul Tendler) has been appointed as Acting Vice-Chancellor with effect from 1 November 2018 until such time as the next chief executive and accountable officer takes up the post.

Council Sub-Committees

During the course of the year the terms of reference and constituency of both the Audit and Finance Committees were reviewed and updated, as were the operational arrangements of the Appointments and Nominations Committees. The Audit Committee was re-titled the Audit and Risk Committee, to emphasise its role in this area, and the cross-membership with Council was enhanced in accordance with the HEFCE Audit Code (which is still in force).

The Appointments Committee

(Chair: Chair of Council) considers nominations for lay member vacancies on the Council and its sub-committees. In the last year it has paid particular attention to the skills mix of the Council as HE continues to move into a more regulated and marketised environment, with implications for the kind of expertise required to support the work of the Council.

The Audit and Risk Committee

(formerly the Audit Committee, Chair: independent lay person) comprises two independent lay people and four members of Council who are not directly concerned with the financial management of the University and meets four times each year. At a joint annual meeting with the Finance Committee (formerly the Finance and Policy Committee) it reviews the *Annual Report and Financial Statements*, including 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, as required by the HEFCE Audit Code of Practice (an annex to the main HEFCE Memorandum of Assurance and Accountability, which remains in force until 2019/20). During 2017/18 the Audit and Risk and Finance Committees also held a joint briefing event to consider in more granular detail the current risk profile of the HE sector as well as the University's approach to estates master-planning, risk management and partnership development.

The Remuneration Committee

(Chair: Pro-Chancellor) determines the remuneration of the University's most senior staff, including the Vice-Chancellor (who is not a member of the Committee). During 2017/18, in order to ensure the University's governance arrangements in this area remain fit for purpose, the Committee was subject to a detailed review, leading to revised terms of reference, an updated constituency and the introduction of a more detailed governance framework. Its reporting to the Council is now considerably more detailed than ever before, in accordance with new guidance published by the Committee of University Chairs (CUC) in June 2018. The Committee will continue to monitor and respond to developments within its remit, including any further requirements emerging from the OfS.

The Equality, Diversity and Inclusion Committee *(Chair: Registrar and Secretary)* oversees the

development and implementation of the University's equality strategy, including ensuring its alignment with other related strategies. It also plays an important oversight role with regard to the University's submissions for departmental and institutional Athena SWAN awards. A new Equality, Diversity and Inclusion Strategy was approved by the Council in July 2017, and the implementation of this strategy has formed a key aspect of the Committee business over the year.

The Finance Committee *(Chair: University Treasurer)* considers the financial implications of the University's strategic plans as well as the annual budget and the medium-term financial forecast. It also reviews the University's borrowing strategy and the financial aspects of any projects deemed to have significant budgetary implications.

The Estates Committee *(Chair: lay member of Council)* is a new sub-committee of the governing body with responsibility for keeping under review the development, condition, aesthetic, utilisation and performance of the University estate. It has held two meetings to date and will continue to monitor the four-year estates capital plan and the performance of the University estate against internal targets and sector norms.

The Ethics Committee *(Chair: senior academic)* advises on ethical issues referred by the University Council as well as overseeing the devolved processes for ethical consideration of staff and student research projects in academic departments. The Committee's terms of reference and constituency were reviewed by an external consultant during 2017/18 and recommendations arising from this review will be

considered by the Council during the next academic year.

The Student Life Committee

(Co-Chairs: Registrar and Secretary and the President of the York University Students' Union) is a joint Committee of the Senate and Council and considers a range of business relating to the student experience at the University. Key topics considered over the year include enhancing provision to support student mental health, student accommodation provision and impact on student outcomes, the international student experience and a review of the University's safeguarding policy (in light of general public concern arising from other sectors). The Council is maintaining an interest in this latter topic and will receive an update at its next meeting.

The Health, Safety and Welfare Committee

(Chair: senior academic) maintains oversight of the University's compliance with health and safety legislation and other relevant statutory reporting requirements (eg the government's counter-terrorism 'Prevent' agenda). It submits a detailed annual assurance report to the Council on all aspects of its remit.

The Nominations Committee

(Co-Chairs: Vice-Chancellor and Chair of Council) considers nominations for the award of honorary degrees and membership of the University Court, making recommendations to the Council against agreed criteria. In the last year the Committee has developed a more rigorous approach to due diligence testing before making its recommendations in order to mitigate against the risk of reputational damage.

KEY PERFORMANCE INDICATORS

The University has several performance indicators, the key ones being student numbers, research income and cash generation.

Student numbers continue to grow in line with the University's plans. The Faculties of Social Sciences and Science both experienced an increase in student numbers while the Faculty of Arts and Humanities maintained its number of students. The University continues to experience growth in number of

overseas students, with an increase in 2017/18 from 2,745 to 3,150.

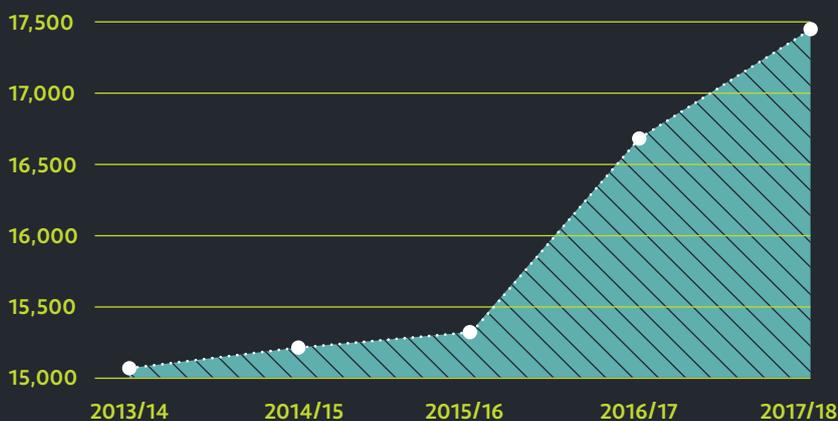
Research income continues to grow, with more grant applications being successful. This reflects the concentration of activity on the seven research themes. Income from UK organisations and charities continues

to expand and now amounts to 81 per cent of all research income.

The University has generated £41m of cash from its operations, an increase of £2m on 2016/17. Some of this money is reinvested in teaching and research, while the balance is retained for future capital investment.

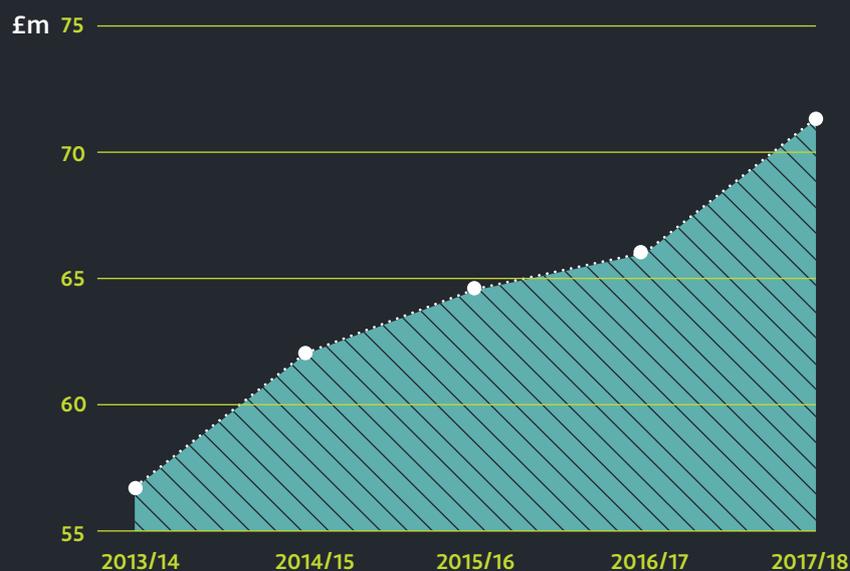
Student numbers

	2013/14	2014/15	2015/16	2016/17	2017/18
Total student numbers	15,285	15,415	15,535	16,780	17,475



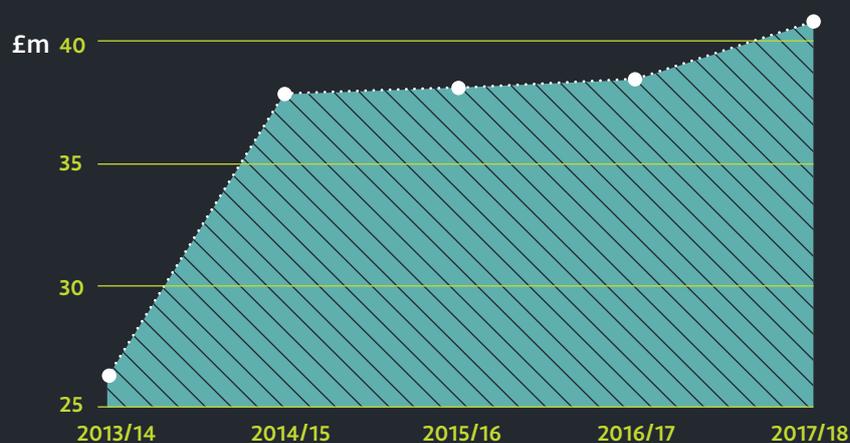
Research income

	2013/14	2014/15	2015/16	2016/17	2017/18
Research income (£000)	56,736	61,994	64,607	66,016	71,088



Net cash from operating activities

	2013/14	2014/15	2015/16	2016/17	2017/18
Net cash from operating activities (£000)	26,154	37,798	37,968	38,416	40,641





The Discovery Zone, part of the award-winning Festival of Ideas, run by the University, proved particularly popular with children

PUBLIC BENEFIT

The value and influence of the University extends well beyond the campus, providing significant benefit to the business world and wider community.

The University is shaping a better future, not only for the enquiring minds who come here to learn, but for their future employers and the broader community – in York, in the UK and around the world.

Our researchers are working with businesses, charities, and the Government to advance knowledge and develop transformative technology where it can make the greatest impact. We share our ground-breaking research with the public through open lectures and events that enrich the cultural life of the city. Our substantial programme of lifelong learning has embraced the power of global communication to bring Massive Open Online Courses (MOOCs) to anyone with the drive to learn.

Taught by academics who are pioneers in their fields, York students are challenged to think critically and creatively, and are encouraged to see the application of their studies beyond their degrees. York graduates enter the workplace equipped with the skills and expertise to prosper and be an agent for positive change.

Stronger graduates for a stronger economy

We have developed an employability strategy, in consultation with business partners, to help prepare students for roles where they will

prosper and bring prosperity to their employers. Our distinctive York Futures initiative has been refined and expanded to include our unique York Strengths Programme, in which students explore a framework of nine qualities valued by employers that make the difference between a good and a great graduate employee.

This programme is co-delivered in partnership with employers and graduate recruiters such as GSK, PwC, Clifford Chance, NHS, Lloyds Banking Group, IBM, Aviva and Teach First. This means all our students get the opportunity to engage with graduate employers early in their studies, preparing them to actively seek work experience, placements, internships and volunteering during their time at the University. In developing self-awareness of their strengths, students can choose a career path suited to their skills and build a portfolio of experience that is relevant to their future employers, helping them to be more productive when they begin their graduate career.

The work of our Careers and Placements team has been recognised by employers and recruiters. They received the Employability Strategy Award from the Target Jobs National Graduate Recruitment Awards 2018 and the Institute of Student Employers Development Award for Best Preparation for Work 2018.

By encouraging our students to take charge of their futures, we help bring

skilled, experienced and empowered candidates to graduate-level careers across all industries. We rank in the top 25 universities targeted by the largest number of top employers (The Graduate Market in 2018, High Fliers), and 94 per cent of our graduates find work or further study within six months after graduating (Destinations of Leavers from Higher Education survey 2016/17).

Partners in progress

The University has strong partnerships with businesses, governments and charities that are enhancing the knowledge economy on a local, national and international scale.

Through the Assuring Autonomy International Programme, the Department of Computer Science is working with industry and the Lloyd's Register Foundation to boost research, training and standards in the safety of robotics and autonomous systems for an increasingly automated world.

Our researchers have worked with Tozer Seeds Ltd to identify disease-resistant lettuce, with the potential to substantially reduce losses in an industry worth £200m a year.

The University played a key role in research that showed over 200 million medication errors occur in the NHS per year. This work was

“Our students have a long history of volunteering. The York Students in Schools programme has been providing a helping hand in the city’s classrooms for 25 years.”

funded by the UK Department of Health Policy Research Programme. Understanding how these mistakes occur will help the NHS improve systems and find more ways to prevent errors in the future.

The University's Centre for Applied Human Rights (CAHR) – a unique teaching and research environment focused around the role of human rights defenders in the modern human rights system – celebrated its tenth year.

The Centre conducts interdisciplinary research and teaching, benefitting from a friendly community of scholars and visiting practitioners who have a shared focus on the real world challenges of putting human rights into practice.

The Centre's Protective Fellowship Scheme hosts up to ten human rights defenders a year, who benefit from enhanced research skills, networking opportunities, and respite from an often dangerous world.

Commenting on the impact of CAHR, Stephen Pittam, Trust Secretary of the Joseph Rowntree Charitable Trust, said: “Having the visiting human rights defenders in the City of York has been an inspiration. They have helped us to look at our society through a human rights lens and in so doing have created a link between the local and the global.”

This year the York Glaziers Trust celebrated the completion of a ten-year restoration project on York

Minster's 600-year-old East Window. As Director of the Trust, our Senior Lecturer Sarah Brown's research and knowledge of stained glass conservation has been central to the project. This medieval masterpiece and international work of art is just one of the 128 windows in the Minster that the Trust protects and cares for, with funding from the York Minster Fund and the National Lottery.

Investing in the community

The University is deeply embedded in the local community of York and North Yorkshire. Our researchers have partnered with the Tees, Esk and Wear Valley NHS Foundation Trust to develop mental health training for North Yorkshire Police. This training is helping frontline officers understand and identify people with mental health needs and is being delivered to approximately 1,500 police staff during 2018.

Our students have a long history of volunteering. The York Students in Schools programme has been providing a helping hand in the city's classrooms for 25 years, placing around 700 students with local schools every year. We have also introduced a new English and Mathematics tutoring scheme to boost attainment for those who would not otherwise be able to access support.



The York Glaziers Trust celebrated the completion of a ten-year restoration project on York Minster's 600-year old East Window

225

short courses delivered

9,000

audience members came to our events

“Having the visiting human rights defenders in the City of York has been an inspiration. They have helped us to look at our society through a human rights lens.”

Stephen Pittam, *Trust Secretary of the Joseph Rowntree Charitable Trust*



CAHR staff with some of the ten human rights defenders hosted at the Centre each year



YorkTalks lectures given by our academic experts covered issues ranging from cybersecurity to sustainable energy

Volunteering projects this year included practical conservation work at St Nicks Environment Centre. The work was celebrated at our Student Volunteering Awards, along with other projects, including collaborations with Carecent, a centre for the homeless and unemployed; Yourcafe, which serves meals sourced from surplus food destined for landfill; and Kids Enjoy Exercise Now, a student-led project which provides sports activities that are free, accessible and inclusive for children with special educational needs and disabilities.

In 2017/18 our students filled more than 2,450 volunteer opportunities, donating approximately 58,000 hours of their time, equating to a value of £454,000 at the national living wage.

Sharing knowledge and promoting culture

We are committed to bringing the knowledge generated by our research into the community. We host over 200 open lectures and events each year on subjects as diverse as Poldark and pilgrimage.

Our popular annual YorkTalks event is free of charge and open to all. This

year more than 700 people joined our experts as they explained some of our most challenging and thought-provoking research in 15-minute illustrated talks. Sessions covered issues ranging from cybersecurity to sustainable energy and the politics of drone warfare.

We bring musical culture to the city through the rich programme of events offered by York Concerts. The 2017/18 season featured 45 events attracting an audience of more than 9,000 from the University, York and the surrounding region. The season opened with a performance from the well-known vocal ensemble The Swingles, and took music to the heart of the city with concerts at York Minster and the National Centre for Early Music (NCEM). Highlights included a moving performance of Britten's *War Requiem*, performed by the University Choir and Symphony Orchestra to mark the centenary of the end of World War I, and a sold-out concert by the University Jazz Orchestra in the City Screen Basement.

York Festival of Ideas

The award-winning York Festival of Ideas is one of the largest free

festivals in the UK and was created by the University in collaboration with 96 local and national partners. The 2018 programme delivered more than 200 mostly free events over 13 days, including an opening night with the former children's laureate and author of *War Horse*, Michael Morpurgo, a BBC Reith Lecture, and a closing night broadcast by BBC Radio 3.

The Festival promotes the ethos of accessible education and knowledge sharing for people of all ages and backgrounds. It includes events tailored for families and younger learners, such as the Witchcraft and Wizardry day, where children were introduced to history, science and creativity through captivating Harry Potter-inspired sessions.

The intellectual vibrancy that these events offer contributed to *The Sunday Times* naming York the Best Place to Live in the UK 2018.

Local and global lifelong learning

For more than 25 years the Centre for Lifelong Learning has offered high-quality learning opportunities to the region. Local people can choose to learn for pleasure or apply for

“Students explore a framework of nine qualities valued by employers that make the difference between a good and a great graduate employee.”

courses that offer undergraduate or postgraduate credits. This year we delivered more than 225 short courses, which received more than 3,500 applications.

In January 2017 the University expanded its offer to launch our first Massive Open Online Courses (MOOCs) with FutureLearn, which were a resounding success. Since then we have developed a portfolio of six MOOCs, attracting almost 40,000 learners from around the world to benefit from the expertise of our staff.

Contributing to the regional economy

The University is closely involved in local economic development. The Vice-Chancellor is a member of the Board of the York, North Yorkshire and East Riding Local Economic Partnership and the University Treasurer acts as their deputy chairman. In addition, the University runs an EU-funded capital grants scheme to help regional small and medium-sized enterprises (SMEs) purchase equipment to develop new products and processes.

Our researchers are leading on the £5m TYHME project to develop the bioeconomy across

Yorkshire, the Humber and the Tees Valley. The project is a significant investment in the region's economy which will create jobs and produce high-value products from renewable biological resources.

We were one of the first universities to locate businesses alongside academic centres of expertise on campus. York Science Park is now home to more than 140 organisations ranging from small start-ups to global enterprises, many of which are in the creative, digital media, IT and bioscience sectors. IBM has a division based on the campus and has close links with the Department of Computer Science.

Public benefit statement

The University has had regard to the Charity Commission's guidance on public benefit, as required by 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.

PHILANTHROPY

Donations continue to make a life-changing difference to our students.

Our generous community of donors, which includes charitable trusts, foundations, individuals, companies and legacy gifts, ensures we can attract the brightest minds while continuing to excel at the forefront of world-class academic research.

In 2017/18, 3,243 donors made a gift to the University. Each and every donation - whether given to assist a specific priority area, or simply in support of a personal passion - was of genuine benefit, creating life-changing opportunities for our students.

Scholarships

In the past year philanthropic support has funded 370 scholarships. We welcomed our first international undergraduates as part of the Sharifah Sofia Albukhary Scholars scheme. In another first, our Laidlaw Scholars graduated: York is one of just six universities in the UK offering 25 undergraduate students the opportunity to join this prestigious scholarship through which they have the chance to carry out overseas research.

We were delighted once again to be asked to participate in the highly selective Wolfson Postgraduate Scholarships, which are awarded to outstanding humanities students. Full funding for three PhD scholars has been provided for the next three years. In 2018,



One of our Laidlaw Scholars, who benefitted from a scholarship for overseas research

our 70th Wild Scholar commenced their postgraduate studies in the Department of Chemistry.

Circle of donors

Just under 200 undergraduate scholars were supported by our growing circle of donors who make a monthly commitment to the York Futures Scholarship programmes. These scholarships seek to level the playing field for all of our undergraduate students by providing funding to those who might not otherwise be able to pursue career-focused volunteering, work placements and overseas study or work.

This generosity and desire to support those unable to fund their undergraduate studies extended to the graduating Class of 2018. The Equal Access Scholarship programme

was chosen as the vehicle for their class-giving, which enables students with asylum-seeker status to study at York.

Student projects

Many of our donors give to YuFund, which is our discretionary fund used to enrich the experience of our students through the support of clubs, societies and individual projects. During the last ten years, 400 student and department projects have been supported through the YuFund.

Building on this success, we have gone on to launch the Big Alumni Project, whereby donors who commit to a regular gift through YuFund also contribute to a pot of £40,000. This fund will be awarded every two years to a ground-breaking project with the power to create a lasting impact.

YuStart is the University's dedicated student crowd-funding platform and was the first of its kind to be developed by any UK university.

This year the first Big Alumni Project grant was awarded to our student-run radio station, University of York Radio (URY). URY was founded in 1967 and was the first legal independent radio station in the UK. This investment will allow them to transform and modernise their studios, expanding their remit to become the central hub for all student audio recording on campus.

YuStart

YuStart is the University's dedicated student crowd-funding platform and was the first of its kind to be developed by any UK university. It provides funding for personal and group projects and helps students to gain additional careers skills, pursue entrepreneurial ideas and gain pitching and marketing experience. Since its launch in 2014 YuStart has raised over £170,000 with a 95 per cent success rate for the innovative, student-driven campaigns it hosts. This year, 851 gifts were donated to 29 student-led projects, such as the Identity Crisis Project which raised over £7,000 to fund an opera engaging young people safely and sensitively with the issues surrounding terrorism.

Partnerships

The Assuring Autonomy International Programme was officially launched

in the past year. This partnership between the University of York and the Lloyd's Register Foundation is spearheading research, training and standards in the safety of robotics and autonomous systems.

We are grateful to the many other trusts, foundations, and businesses for their support of all our research, students and public events, such as the Festival of Ideas. This year the Holbeck Charitable Trust was the headline sponsor for the Festival of Ideas, supporting the festival's commitment to accessible education and inspiration.

Mentoring

Our supporters have been more generous with their time than ever before, sharing their indispensable expertise. Our research, teaching and graduate outcomes continue to benefit from a variety of support methods, such as membership of departmental advisory boards and student mentoring. In 2017/18, 724 alumni mentors were registered on our York Mentors and Profiles platform.

And finally, our thanks to those who have chosen to make a pledge in their will. These important gifts ensure that the University of York can continue to offer outstanding opportunities for all.



The Vice-Chancellor congratulates graduates in the 2018 ceremonies

724

alumni mentors
were registered on our York
Mentors and Profiles platform

3,243

donors made a gift to
the University

OUR PEOPLE

We are committed to recruiting, developing and retaining the very best talent to provide outstanding learning experiences for our students.

Our institution is continuing to grow, and our success is directly attributable to our people.

We employ highly talented individuals in all of our academic roles and professional services support roles who are totally committed to providing an excellent experience to all of our students. Our workforce is truly international, with nearly 20 per cent of our staff coming from overseas (11 per cent EU), as we seek to recruit the very best talent from around the world.

We await the outcome of the Brexit negotiations to understand more fully the impact on our workforce and on our future recruitment and retention strategies. Regardless of the outcome, we are committed to ensuring that our approach to recruitment and our people management practices help us attract and retain high-calibre staff across our institution.

An example of this is the introduction of our Vice-Chancellor's Inspirational Chairs programme, attracting world-leading academics to drive forward the University's Research Strategy and embed their teaching and research in our institution. We are delighted that we have been able to attract such talent. By securing these scholars, we are able to deliver innovative research-led teaching from the most up-to-date perspectives.

This year we launched a new Equality and Diversity Strategy, which sets

out a vision and commitment to ensure everyone at the University is able to play an integral part in creating our working, learning, social and living environment.

We want all our staff and students to participate so that we collectively contribute to the knowledge and growth of our community, celebrating our diversity and drawing on the experience and talents of everyone involved in University life here in York. Our Equalities team and HR team work very closely to ensure that our HR practices are truly inclusive.

The University has been undertaking equal pay audits for many years. The new legislative requirements now mean that all organisations employing more than 250 staff are required to publish a Statutory Gender Pay Gap report by 31 March each year.

The University was founded on the principles of excellence, equality and opportunity for all and so tackling our gender pay gap remains a strategic priority. Since 2008 we have measured and monitored equal pay, producing reports to inform our equality, diversity and inclusion action planning. We are determined to tackle this issue by understanding in more detail and addressing any barriers to the recruitment or promotion of women to senior roles. We have developed an action plan that will support, encourage and facilitate women at the University to progress to a higher level.

We have continued to invest in learning and development for all our staff, with programmes ranging from on-the-job learning and support with apprenticeships to leadership programmes for our senior staff. A significant proportion of our learning and development activities focus on providing leadership and personal development for students through our York Strengths programme.

We have also invested significantly in health and wellbeing for our staff, with a particular emphasis over the last year on mental health. We led the way by adopting a Mental Health First Aid approach across the institution, with many of our academic departments taking a primary lead on this work.

The University is committed to creating a fair, welcoming and inclusive environment where bullying and harassment are unacceptable and where members of its community treat each other with dignity and respect. The University is currently reviewing policy and guidelines for staff and students to ensure any concerns regarding bullying and harassment are dealt with quickly and effectively.

We fully respect the role of trade unions in our institution, and have worked with our trade union colleagues to develop good people management practices and deliver significant programmes of change. We have recently published

“A significant proportion of our learning and development activities focus on providing leadership and personal development for students through our York Strengths programme.”



Equality and diversity are key to our success as we seek to promote inclusion in all of our activities

details of our trade union facilities arrangements: york.ac.uk/admin/hr/employee-relations/structures/trade-union-facility-time.

We firmly believe that this investment enables us to work with our trade union colleagues to achieve good employee relations. This year has seen significant tensions at a national level with respect to proposed changes to the USS pension scheme. The future funding for the scheme is uncertain, with proposals being considered for significant increases to employer and employee contributions. We therefore enter the new academic year with uncertainty

over the USS scheme and its impact on staff and the institution, and the possibility of industrial action during the year over the national pay offer.

Universities are under increasing pressure to demonstrate value for money for our students. While staff costs make up a significant proportion of our budget, we are committed to openness and transparency over employment policies and remuneration arrangements for all of our staff. This year the Office for Students has set out specific requirements for the publication of information about senior remuneration. Details can be

found in the Remuneration report (pages 33–36) and in the notes to the accounts (Note 7, pages 63–65).

Despite the challenges facing our community – particularly in relation to Brexit, the possibility of industrial action across the sector, and the potential significant impact of the USS changes – we are committed to recruiting, developing and retaining the very best talent and to providing an exceptional and stimulating place in which to work. We will thereby deliver a positive and fulfilling learning experience for our students.

The University celebrates
international research
collaborations



REMUNERATION

University strategic principles acknowledge the importance of attracting the best staff while demonstrating transparency around remuneration decisions.

Terms of Reference of the Remuneration Committee

The Remuneration Committee, under delegated authority from Council, determines the remuneration of senior post holders of the University. The Terms of Reference for the Remuneration Committee are published on the University website. The Terms of Reference reflect the guidance provided by the Committee of University Chairs Higher Education (HE) Senior Staff Remuneration Code. The current terms of reference are listed below.

- To set the strategy for the remuneration of the Vice-Chancellor, the Vice-Chancellor's Direct Reports, Heads of Departments, Professors and the Senior Management Pay Group, balancing the safeguarding of public funds and the need to remain competitive by reference to the Committee of University Chairs HE Remuneration Code of Governance.
- To review and determine salaries and terms of employment of the Vice-Chancellor and Direct Reports ('senior post holders'), taking account of affordability, proportionality to remuneration of other University staff, comparative external information on remuneration and equality information.
- To promote the University's responsibilities for equality

and diversity by ensuring that relevant information is given full consideration in relation to matters relating to the remuneration of the groups overseen by the Remuneration Committee.

- To agree the Strategic Remuneration Principles for all University employees outside the National Pay Framework, taking into account the Committee of University Chairs HE Remuneration Code of Governance. To delegate the accountability for determining pay for this group, excluding senior post holders to the Remuneration Sub-Group.
- To review the decisions of the Remuneration Sub-Group, including discretionary revisions to remuneration made between meetings of this group and monitor adherence to the Strategic Remuneration Principles.
- To keep under review expenses reimbursed and allowances paid to the Vice-Chancellor and other senior staff and officers.
- To determine severance arrangements for any member of staff earning over £100,000.
- To provide Council with an annual report which is transparent and meets the requirements of good governance including the extent to which value for money is achieved within the areas under the Committee's oversight.

Approach to remuneration

The recruitment market for universities is intensely competitive, with institutions competing for the best talent, particularly academic staff leading up to the 2021 Research Excellence Framework (REF).

In 2018 the Remuneration Committee agreed a set of Strategic Remuneration Principles that set out the University of York approach to managing remuneration decisions for all staff outside the National Pay Framework. These principles acknowledge the importance and challenge of attracting and retaining the talent required to deliver the University Strategy but also the importance of rigour and transparency in relation to remuneration decisions and reflect the Committee of University Chairs HE Remuneration Code of Governance. The four principles are:

- attracting and retaining talent
- recognising performance and contribution
- delivering value for money
- fairness, equality and transparency.

In addition, in 2018 the Remuneration Committee agreed protocols set out in a Remuneration Governance Framework that defines accountabilities for decisions on senior remuneration. In particular, the Remuneration Committee oversees all decisions relating to individuals where remuneration is over £100,000.

The University operates a grading system for all staff at the University; for senior post holders this is underpinned by the Hay job evaluation methodology.

The University HR Team undertakes regular benchmarking exercises, using data from the Universities and Colleges Employers Association (UCEA), and the Russell Group Pay Survey produced by Korn Ferry (Hay Group). This information is provided to the Remuneration Committee to inform its decision making.

In deciding senior post holder remuneration, the Remuneration Committee reviews external comparator data as noted above, and reviews individual performance against strategic objectives that encompass all aspects of each role.

Institutional performance

The Vice-Chancellor's remuneration package reflects the level of responsibility and skills required to maintain the reputation of a dynamic institution such as the University of York and is commensurate with the leadership strengths required to sustainably guide the University through the turbulent and unpredictable future facing the UK higher education sector.

The scale, complexity and success of the institution are also factors in determining the salary of the Vice-Chancellor.

There is no one silver bullet that can deliver a successful University, but the role of the Vice-Chancellor in harnessing and unleashing the individual and collective strengths of all of its staff and students, has been integral to the success of the University of York.

The leadership style of Vice-Chancellor Professor Koen Lamberts is anchored by the University's founding principles of excellence, equality and opportunity for all. He has created an environment which welcomes evidence-based decision making that has ensured that the University is a beacon of excellence in research, teaching and the student experience.

Since 2014 the Vice-Chancellor has led on a range of strategic initiatives that have enabled us to increase our income from research and teaching. The Vice-Chancellor has overseen a reinvigoration of management structures and processes to support sustainable success. This has resulted in a rapid improvement in a range of key performance indicators over the past five years, including:

- growing the University turnover by 28 per cent
- improving net cash from operating activities by 44 per cent
- decreasing debt, as a proportion of income, from 52 per cent to 36 per cent
- increasing income from research income by 43 per cent.

The University is currently working ahead of schedule to deliver the objectives set out in the 2014-2020 University Strategy. The Vice-Chancellor has made a sustained and significant contribution to the success of the University of York, evidenced by:

- our recent award of TEF Gold, the highest possible award
- shortlisting as 2018/19 University of the Year by *Times Higher Education*
- ranking equal ninth in the *Times Higher Education* Europe Teaching Rankings (2018)

- ranking 119th in the *Times Higher Education* World University Rankings (2019)
- our top rank in the Russell Group for 'Academic Support' and 'Assessment and Feedback' – (National Student Survey 2018)
- the percentage of York graduates who were employed or in further study six months after graduation, which reached 94.3 per cent – Destinations of Leavers from Higher Education Survey 2016/17 (full-time UK students).

The Vice-Chancellor's personal leadership in strengthening the University's cash position over the past four years has led him to drive forward strategic investment in a range of successful initiatives. These include:

- creating an investment fund to support the appointment of nine world-leading Inspirational Chairs. The appointment process attracted expressions of interest from all over the world and the Vice-Chancellor personally led on the appointment process of these academic staff who will support the next Research Excellence Framework submission.
- personal leadership of initiatives to enhance our students' employability that include the award-winning York Futures strategy, incorporating the York Strengths employability programme, designed and delivered with leading employers; an enhanced framework of employer engagement through internships and placement programmes. Our success in this endeavour has been recognised by awards, including Best Employability Strategy by Target Jobs National Institutional Performance Recruitment Awards in 2018 and the Institute of Student Employers, and an improvement in

our Destination of Leavers in Higher Education outcomes (DHLE).

- personal leadership of our mental health and wellbeing strategy, which has been nationally recognised by the Higher Education Institute as an effective and proactive response to a nationally escalating issue. This included the introduction of an institution-wide mental health first aid training programme for staff to support students, investment in front-line counselling staff, regional engagement with healthcare providers to create a more comprehensive and holistic understanding of mental health issues, and a range of student health and wellbeing campaigns with extremely high engagement.
- personal leadership of key initiatives to promote opportunity for all, including Athena SWAN, which seeks to advance women's academic careers, as well as the introduction of a new Equality and Diversity Strategy and a range of other interventions to support staff advancement.
- leading on engagement with international and national partner organisations and alumni including forging alliances with Maastricht University, as well as fostering a culture that has facilitated successful and multi-disciplinary approaches to key funding calls such as Global South Research Fund.
- supporting successful bids to host nationally funded research hubs, including York Quantum Communications Hub and DC Labs, and leading on the successful £12m alliance with Lloyd's Register Foundation to create a Centre for Assuring Autonomy, which

will place York at the forefront of ensuring the fast moving areas of Artificial Intelligence and Robotics are supported by world-leading research on safety systems.

- developing a new strategic focus on knowledge exchange and partnership development to position the University to be able to exploit opportunities in areas of national strategy, such as strategies such as the Industrial Strategy and the Bioeconomy.
- enhancing our national and regional reputation through sustained networking, including membership of the York and North Yorkshire Enterprise Partnership Board, as Chair of Yorkshire Universities and the N8 Research Consortium, as Deputy Chair of the Russell Group, and through membership of the Worldwide Universities Network, as well as extensive engagement with global alumni community.

Details of the Vice-Chancellor's remuneration are provided within this *Annual Report and Financial Statements* in line with the direction provided by the Office for Students Regulatory advice 9: Accounts Direction.

In the interests of transparency, the University of York website gives details of the role of the Remuneration Committee and how the Vice-Chancellor's remuneration is determined.

External appointments and expenses

The University has a stated expense policy that applies to all staff including senior post holders. Expenses claimed by senior post holders and other members of the University Executive Board are provided on the University website.

In the financial year covered by this *Annual Report and Financial Statements*, the Vice-Chancellor received no income from external bodies. The University of York policy on working with external bodies and retention of any income arising is currently under review. Once finalised the policy will be published on the University of York website.

Pay ratios

The University has calculated pay ratios in line with the direction provided by the Office for Students, with one minor exception noted below. The ratio is a calculation of the Vice-Chancellor's remuneration as a multiple of the median remuneration of all other staff. Two ratios are provided, the first on base salary alone and the second on total remuneration as defined by the Office for Students Accounts Direction.

The University has not included agency staff, ie people carrying out activity for the University but who are employed by external bodies, as the data relating to these individuals is not readily available and would be time consuming to analyse. It should be noted that the University spends only around 0.2 per cent of its total wage cost on this group. Having analysed a sample equating to approximately 92 per cent of the spend on agency staff, the University is satisfied that this group has no material effect on the ratios presented.

As the calculation methodology is new, the University will use the ratios provided in this year's financial statements as a baseline and will consider appropriate benchmarks as and when the reporting is established and greater consistency of calculation is achieved.

The ratios are provided below:

Basic salary ratio	9.0
Total remuneration ratio	10.9

The Committee of University Chairs (CUC) HE Senior Staff Remuneration Code advises that institutions should follow the methodology provided by UCEA. This methodology differs from the direction provided by the Office for Students in that it excludes atypical staff, eg casual workers, and excludes employer's pension contributions in the total remuneration ratio.

As the sector benchmarks are currently only available following the UCEA methodology, an alternative

set of ratios have been calculated to facilitate this comparison. These are provided below:

Basic salary ratio	7.7
Total remuneration ratio	8.3

The latest benchmark information available from UCEA (2016/17) suggests an overall benchmark for the UK Higher Education section of 6.8. It should be noted that UCEA advises that there is a direct correlation between the size of income for the institution and the pay ratio of the institution; therefore it is typical for larger institutions to have ratios higher than the sector average.

Remuneration Committee membership

Lay members of the Remuneration Committee are nominated by the University Appointments Committee and appointed by Council. The Chair of Council is a member of the Remuneration Committee, but does not chair that Committee. In addition to the Council members, a further external member is also recruited to provide an external independent perspective.

Members of the Remuneration Committee 2017/18

Pro-Chancellor (ex officio) (Chair)	Denise Jagger
Treasurer (ex officio)	David Dickson
Lay members appointed by Council, two of whom are members of Council	Gerard Lemos (Chair of Remuneration Committee, 2017) (until 31 July 2020) Chris Thompson (until 31 July 2019) Claire Wesley (until 31 July 2021) Chris Noakes (tenure ended 31 July 2018) Julia Unwin (tenure ended 31 March 2018)

In attendance

Vice-Chancellor (except for matters in relation to their own salary)	Koen Lamberts (until 31 October 2018)
Registrar and Secretary to Council and Remuneration Committee (except for matters in relation to their own salary)	Jo Horsburgh
Director of Human Resources and Assistant Secretary to Remuneration Committee (except for matters in relation to their own salary)	Joss Ivory
Chair of Remuneration Sub-Group (for presentation of Remuneration Sub-Group activity only)	Saul Tandler

Remuneration Committee meetings 2017/18

In the 2017/18 financial year the Remuneration Committee met on the following dates. Individuals attending each meeting are shown in the table.

8 November 2017	7 March 2018	14 May 2018 *	10 July 2018
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Remuneration Committee members

Gerard Lemos Chair of Remuneration Committee 2017				
Denise Jagger Chair of Remuneration Committee 2018	N/A			
David Dickson Treasurer				
Chris Thompson Lay member (Council)				
Julia Unwin Lay member (Council) Tenure ended 31 March 2018		N/A	N/A	N/A
Claire Wesley Lay member (External)				
Chris Noakes Lay Member (External) Tenure ended 31 July 2018				

In attendance

Koen Lamberts Vice-Chancellor (except for matters in relation to their own salary)				N/A
Jo Horsburgh Registrar and Secretary (except for matters in relation to their own salary)				
Joss Ivory Director of Human Resources (except for matters in relation to their own salary)				
Saul Tendler Deputy Vice-Chancellor (for presentation of Remuneration Sub-Group activity only)		N/A	N/A	N/A

 Attended	 Apologies for absence received	 N/A Not applicable
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*The meeting was chaired by Chris Thompson.

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Tuition fee income increased to £179m
(eight per cent) driven by an increase
in student numbers of 690 (FTE)

Financial review

Total income increased by six per cent to £367m and the annual operating surplus for 2017/18 is £18m.

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 ventures include the letting of accommodation to students, the provision of utilities to the University, conferences, the renting of commercial spaces to research companies, the operation of York Sports Village, and the International Pathway College.

The results for the 2017/18 financial year show an increase in net cash from operating activities to £41m (2016/17 £38m), underpinned by the University's effective management of working capital and its sustained successes in overseas recruitment. The University of York Group's operating surplus of £18m remains broadly similar to 2016/17 (£21m).

Statement of comprehensive income and expenditure

Total income in 2017/18 was £367m, an increase since last year of six per cent, with the growth arising across most areas of the University's activities.

Tuition fee income increased to £179m (eight per cent) driven by an increase in student numbers of 690 (FTE) of which 325 (FTE) were UK students. Overseas students increased by 365 (FTE) against a backdrop of increased global competition and tightening visa regulations. The competitive environment for student recruitment, the abolition of student number controls, and the uncertainty

of the outcome of the UK's trade negotiations with the EU continue to bring challenges and uncertainties. The funding mix for the University remains the same in both financial years, with tuition fees accounting for 49 per cent of the University's total income.

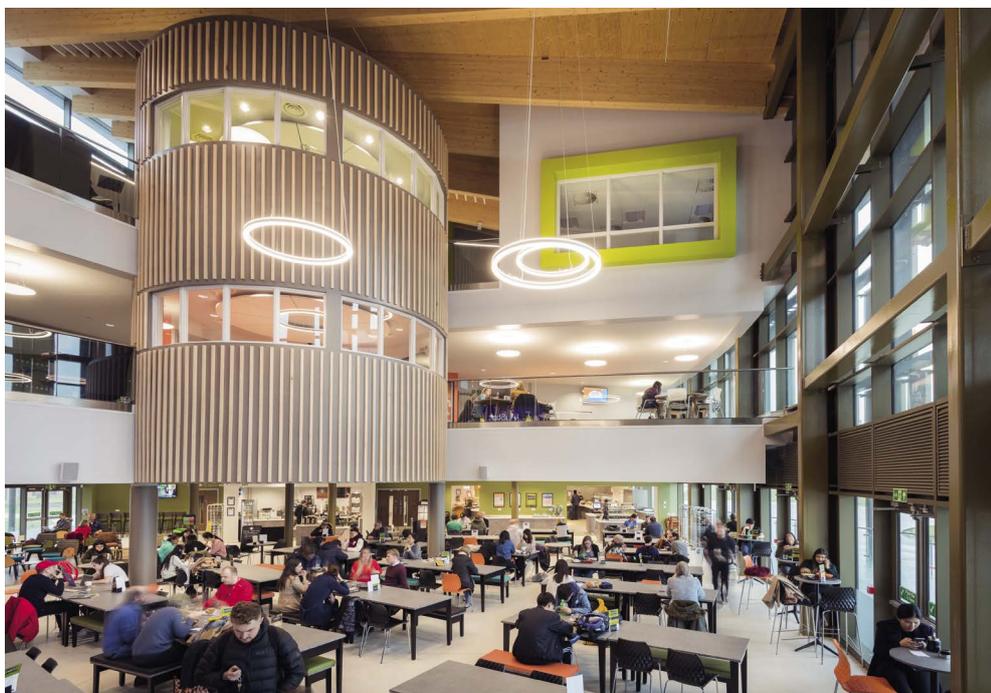
Research income increased by eight per cent which reflects the continuation of growth in the value of awards made to the University. While research income has grown, the mix from sponsors has remained fairly consistent, with 81 per cent of research income coming from UK funders, and UK Research Councils accounting for 45 per cent of total research income.

Other income was constant at £70m, however the results for 2016/17 also included a one-off profit of £2.5m on the sale of York EMC Ltd. Other income 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.

Staff costs remain the University's main item of expenditure, accounting for 55 per cent of total income (2016/17 55 per cent). Staff costs increased this year in line with the growth in student numbers and research grant activity. Upward pressures continue to be exerted upon staff costs, including changes to National Insurance, the apprenticeship levy and pension costs.

Other operating expenses include expenditure on research, student accommodation, bursaries, premises, library services and various smaller items. These costs have grown by 11 per cent from £107m in 2016/17 to £119m in this financial year as the University continues to invest

“Research income increased by eight per cent which reflects the continuation of growth in the value of awards made to the University.”



During 2017/18 Campus East expanded to include a retail building and the Piazza building, pictured

in the student experience, student accommodation and research infrastructure. As a proportion of income, other operating costs increased slightly on 2016/17 to 33 per cent, reflecting broader cost pressures.

Interest costs of £4.3m have increased slightly on 2016/17 (£3.5m), due to a less favourable movement in market value of the University's interest rate swap arrangements.

The University's share of the joint ventures' operating surplus is included in the Group results, and has increased from £5m in 2016/17 to £7m in this

financial year following a revaluation of the investment properties owned by the joint ventures.

Balance sheet

Fixed assets have decreased from £521m to £507m as depreciation was greater than the expenditure on new additions. The University is currently reviewing its estate and is devising a long-term estates strategy. It is expected that expenditure on existing and replacement buildings will gather pace in future years. Capital expenditure of £14m for the

year comprised general investment in the University's infrastructure, the ongoing refurbishment of Central Hall and the purchase of a building in Market Square.

During 2017/18 Campus East expanded to include a retail building and the Piazza building. During 2018/19, the campus developments will include redevelopment of the former Smith and Nephew building into teaching space, improved signage across campus and development of further student accommodation.

The relatively low capital expenditure and good management of working

“The relatively low capital expenditure and good management of working capital have increased cash balances.”

capital have increased cash balances by £21m to £82m at 31 July 2018.

As a result, the University has net current assets of £34m at the year end compared to last year's £12m.

The balance sheet includes provisions for the USS Pension Scheme (USS) and University of York Pension Fund (UoYPF) which have reduced by £19m to £38m. The majority of the reduction is attributable to the actuarial gain on the UoYPF due to an increase in the expected return on the scheme's plan assets. The USS is currently in a state of flux with both benefits and contributions expected to change during 2018/19. Any changes to the scheme may significantly affect the level of the provision held by the University in the balance sheet.

The high level of retained surplus and the lower pension provision have led to a rise in the total net assets of £39m to £400m.

Cash flow

The University has performed consistently in generating operating cash flows, with an average of £39m generated in the last three years.

As a result cash balances have increased to £82m at 31 July 2018. These balances are due to be invested in key strategic projects and planned campus developments. During this financial year, cash of £19m was spent on capital investment in our estate and infrastructure, offset by capital grant receipts of £7m.

Throughout the year the University operated with a cash surplus and the closing liquidity position was sufficient to cover 92 days' expenditure (2016/17 74 days). The University's strong cash balances allow it to continue to invest in its offering as a research-intensive University and to support increased investment in the University of York's estate and infrastructure.

£367m

Total income in 2017/18

£18m

Annual operating surplus

£400m

Total net assets

York Sports Village operates the sports centre, swimming pool, cycle track and velodrome





The University continues to
invest in the student experience

Statement of Council's accounting responsibilities

The University Council is responsible for preparing the Annual Report and the Financial Statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England grant and applicable law and regulations.

It 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 terms and conditions of funding further require 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 the Accounts Direction issued by the Office for Students. The University 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 the period.

In preparing each of the Group and parent University financial statements, the University 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 it is intended to either liquidate the Group or the parent University or to cease operations, or have no realistic alternative but to do so.

The University Council is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general

responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The University Council is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students (OfS) and Research England (UKRI) have been applied in accordance with the terms and conditions attached to them;
- funds provided by Higher Education Funding Council for England have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

In summary, the University Council is responsible for ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and for securing the economical, efficient and effective management of the University's resources and expenditure.

Independent auditor's report

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the University of York ('the University') for the year ended 31 July 2018 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 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

Basis for opinion

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

Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least 12 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, the financial review and the 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 45, the Council is responsible for: the preparation of the financial statements and for being satisfied

that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it intends to either 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.

Report on other legal and regulatory requirements

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

In our opinion, in all material respects:

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

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

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

“In our opinion the financial statements give a true and fair view.”

Clare Partridge
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
1 Sovereign Square, Leeds LS1 4DA
14 November 2018



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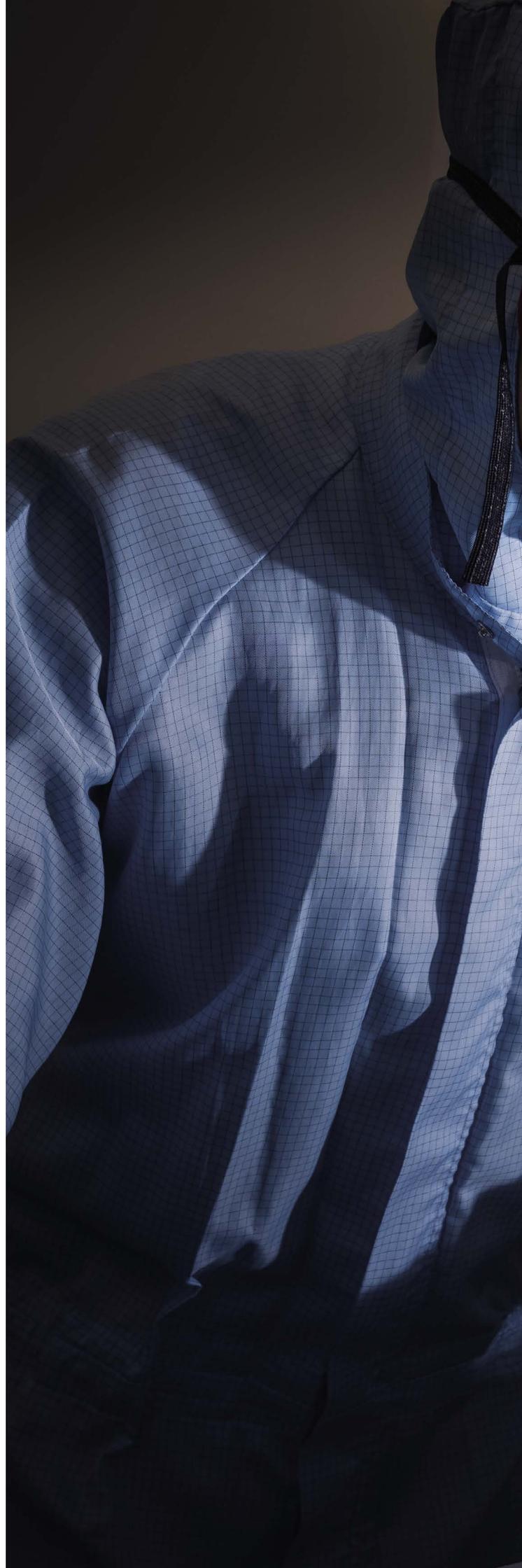
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Research income increased by eight per cent in 2017/18

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, investment properties, and joint ventures).

2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018. 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 teaching grants from the Office for Students, 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 (UoYPPF) and the People's Pension Scheme. Both USS and UoYPPF 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.

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set.

The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 Employee benefits, the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the statement of comprehensive income and expenditure represents the contributions payable to the scheme. Since the University has

entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The University will continue to account for the existing agreement until a new agreement is in place.

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 accounts. 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.



Events are central to the University's
social and cultural impact

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 instrument risks

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 intention either to settle the asset 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 at open market value.

Price and interest rate risk

Price risk arises on financial instruments because of changes, for example, in 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 trading agencies. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Finance Committee. Trade receivables consist of a large number of customers, spread across diverse sectors, populations and geographical areas.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University Council. The University manages liquidity risk by maintaining adequate cash balances, 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.

22. Accounting estimates and judgements

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

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS). The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the statement of comprehensive income and expenditure in accordance with

Section 28 of FRS 102. The Council is satisfied that the USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

In accordance with the requirements of the SORP (Accounting for Further and Higher Education), the University currently recognises a provision for its obligation to fund past deficits arising within the USS. The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1 per cent of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.16 per cent as at 31 July 2018, are included in Note 17 to the accounts.

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

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

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a significant amount, depending on what is finally agreed on future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. The following sensitivity analysis outlines the potential impact on the existing liability of £32m at 31 July 2018 (assuming the same discount rate of 2.16 per cent):

- if employer contributions increase by 1.0 per cent then the provision at 31 July 2018 would increase by £0.3m;
- if employer contributions increase by 3.9 per cent to 6.0 per cent then the provision at 31 July 2018 would increase by £1.3m;
- if the deficit repayment plan is increased from 14 years to 17 years then the provision at 31 July 2018 would increase by £8.8m;
- if the deficit repayment plan is increased from 14 years to 20 years then the provision at 31 July 2018 would increase by £11.9m.

University of York Pension Fund

The University of York Pension Fund is accounted for as a defined benefit scheme. Pension costs under FRS 102 and the amount of the provision in the balance sheet are based on the latest actuarial valuation, and on assumptions, including the appropriate discount rate, agreed by management following actuarial advice. These assumptions are detailed in Note 25 to the accounts.

- If the discount rate used in the actuarial calculations changed from 2.7 per cent to 3.7 per cent then the provision at 31 July 2018 of £4.2m would not be required as the fund would have a surplus of £25.7m.

Investment properties

The University's investment properties are held at fair value. Valuations are carried out at regular intervals by professionally qualified external valuers. Management make judgements as to whether any indicators of impairment are present for these assets.

The investment properties were valued at 31 July 2018. There is no movement in the carrying values as these were not significantly different to those recorded at 31 July 2017.

Goodwill

During the year the University has purchased a company that held a strategically important part of campus. The goodwill relating to the acquisition has been written off in the year in order to reflect the long-term value of the property to the University.

Interest rate swaps

The University holds several interest rate swaps. These have been valued at market value at the year end. The market values are provided by the interest rate swap holder.

Consolidated statement of comprehensive income and expenditure

	Notes	Consolidated		University	
		Year ended 31 July 2018 £000	Year ended 31 July 2017 £000	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
INCOME					
Tuition fees and education contracts	1	179,421	166,112	179,421	166,112
Funding body grants	2	43,927	40,933	43,927	40,933
Research grants and contracts	3	71,088	66,016	71,088	66,016
Other income	4	69,711	69,593	56,164	54,538
Investment income	5	501	427	679	634
Donations and endowments	6	2,121	3,200	2,121	3,200
Total income		366,769	346,281	353,400	331,433
EXPENDITURE					
Staff costs	7	201,992	191,208	193,253	181,716
Other operating expenses		119,387	107,335	116,861	105,602
Depreciation	11	30,031	30,472	27,574	27,457
Interest and other finance costs	8	4,263	3,510	4,285	3,532
Total expenditure	9	355,673	332,525	341,973	318,307
Surplus before other gains/(losses) and share of operating surplus of joint ventures		11,096	13,756	11,427	13,126
Gain on disposal of fixed assets		38	2,145	38	4,342
Gain on investments		174	295	174	295
Impairment of goodwill	24	(867)	-	(867)	-
(Loss)/Gain on investment property		-	(495)	-	160
Share of operating surplus in joint ventures	13	7,419	4,974	-	-
Surplus before tax		17,860	20,675	10,772	17,923
Taxation	10	(12)	7	(12)	-
Surplus for the year		17,848	20,682	10,760	17,923
Actuarial gain in respect of pension schemes	25	21,005	16,391	21,005	16,391
Total comprehensive income for the year		38,853	37,073	31,765	34,314
Represented by					
Endowment comprehensive (expenditure)/income for the year		(836)	581	(836)	581
Restricted donations comprehensive income for the year		1,661	2,059	1,661	2,059
Restricted grants comprehensive income/(expenditure) for the year		754	(5,009)	754	(5,009)
Unrestricted comprehensive income for the year		37,293	39,349	30,186	36,683
Attributable to the University		38,872	36,980	31,765	34,314
Attributable to the non-controlling interest		(19)	93	-	-
		38,853	37,073	31,765	34,314
Surplus for the year attributable to					
University		17,867	20,589	10,760	17,923
Non-controlling interest		(19)	93	-	-
		17,848	20,682	10,760	17,923

All items of income and expenditure relate to continuing activities.

Consolidated and University statement of changes in reserves

	Income and expenditure account						
	Endowments	Restricted donations	Restricted capital grants	Unrestricted	Total excluding non-controlling interest	Non-controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000
CONSOLIDATED							
Balance at 1 August 2016	7,141	4,598	6,802	304,875	323,416	571	323,987
Surplus from 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
Balance at 1 August 2017	7,722	6,657	1,793	344,224	360,396	664	361,060
Surplus/(deficit) from income and expenditure statement	(836)	1,661	754	16,288	17,867	(19)	17,848
Actuarial gain in respect of pension schemes	-	-	-	21,005	21,005	-	21,005
Total comprehensive income for the year	(836)	1,661	754	37,293	38,872	(19)	38,853
Balance at 31 July 2018	6,886	8,318	2,547	381,517	399,268	645	399,913
UNIVERSITY							
Balance at 1 August 2016	7,141	4,598	6,802	286,917	305,458	-	305,458
Surplus from 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
Balance at 1 August 2017	7,722	6,657	1,793	323,600	339,772	-	339,772
Surplus/(deficit) from income and expenditure statement	(836)	1,661	754	9,181	10,760	-	10,760
Actuarial gain in respect of pension schemes	-	-	-	21,005	21,005	-	21,005
Total comprehensive income for the year	(836)	1,661	754	30,186	31,765	-	31,765
Balance at 31 July 2018	6,886	8,318	2,547	353,786	371,537	-	371,537

Consolidated and University balance sheets

	Notes	Consolidated		University	
		31 July 2018 £000	31 July 2017 £000	31 July 2018 £000	31 July 2017 £000
ASSETS					
Non-current assets					
Fixed assets	11	507,359	520,859	453,256	468,297
Heritage assets	11	1,278	1,278	1,278	1,278
Investments	12	6,540	6,993	37,096	35,382
Investments in joint ventures	13	20,516	14,038	7,975	7,975
		535,693	543,168	499,605	512,932
Current assets					
Stock		571	514	250	229
Trade and other receivables	14	55,928	48,945	64,911	56,611
Cash and cash equivalents	20	81,803	61,191	76,084	59,707
		138,302	110,650	141,245	116,547
Less: Creditors: amounts falling due within one year	15	(104,166)	(98,467)	(99,457)	(95,485)
Net current assets		34,136	12,183	41,788	21,062
Total assets less current liabilities					
		569,829	555,351	541,393	533,994
Creditors: amounts falling due after more than one year	16	(131,845)	(136,867)	(131,845)	(136,867)
Provisions					
Pension provisions	17	(38,071)	(57,424)	(38,011)	(57,355)
Total net assets		399,913	361,060	371,537	339,772
RESERVES					
Restricted reserves					
Income and expenditure reserve – endowments	18	6,886	7,722	6,886	7,722
Income and expenditure reserve – restricted donations	19	8,318	6,657	8,318	6,657
Income and expenditure reserve – restricted capital grants	19	2,547	1,793	2,547	1,793
Unrestricted reserves					
Income and expenditure reserve – unrestricted		381,517	344,224	353,786	323,600
		399,268	360,396	371,537	339,772
Non-controlling interest		645	664	-	-
Total reserves		399,913	361,060	371,537	339,772

The financial statements were approved by the Council on 13 November 2018 and were signed on its behalf by:

Professor Saul Tendler, Acting Vice-Chancellor

David Dickson, Treasurer

Jeremy Lindley, Finance Director

Consolidated cash flow statement

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	17,848	20,682
ADJUSTMENT FOR NON-CASH ITEMS		
Depreciation	30,031	30,472
Impairment of goodwill	867	-
(Gain) on investments	(174)	(295)
Revaluation of investment properties	-	495
(Increase) in stock	(57)	(23)
(Increase) in debtors	(5,676)	(1,733)
Increase in creditors	10,540	2,873
Increase in pension provision	1,652	2,381
Share of operating (surplus) in joint ventures	(7,419)	(4,974)
(Receipt) of donated shares	-	(648)
	29,764	28,548
ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES		
Investment income	(501)	(427)
Interest payable	4,263	3,510
Donations and endowments	(2,121)	(3,200)
Gain on sale of fixed assets and subsidiaries	(38)	(2,145)
Capital grant income	(8,574)	(8,552)
	(6,971)	(10,814)
Net cash inflow from operating activities	40,641	38,416
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of fixed assets	38	375
Capital grants receipts	7,021	8,368
Disposal of non-current asset investments	627	30
Purchase of goodwill on acquisition of subsidiary	(867)	-
Sale of subsidiary undertaking	-	4,639
Receipts from joint ventures	941	4,000
Investment income	747	408
Payments made to acquire fixed assets	(19,313)	(25,993)
Total investing activities	(10,806)	(8,173)
Cash flows from financing activities		
Interest paid	(6,848)	(5,328)
Endowment cash received	2,121	3,200
Repayments of amounts borrowed	(4,496)	(4,860)
Total financing activities	(9,223)	(6,988)
Increase in cash and cash equivalents in the year	20,612	23,255
Cash and cash equivalents at beginning of the year	61,191	37,936
Cash and cash equivalents at end of the year	81,803	61,191
Increase in cash balances	20,612	23,255

Notes to the accounts

1. TUITION FEES AND EDUCATION CONTRACTS

	Consolidated		University	
	Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000	£000	£000
Full-time home and EU students	109,384	101,800	109,384	101,800
Full-time international students	48,253	40,330	48,253	40,330
Part-time students	2,894	2,739	2,894	2,739
Other teaching contract course fees	4,858	6,970	4,858	6,970
Research training support grant	9,667	9,883	9,667	9,883
Short courses and other fees	4,365	4,390	4,365	4,390
	179,421	166,112	179,421	166,112

2. FUNDING BODY GRANTS

	Consolidated		University	
	Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000	£000	£000
Office for Students (formerly Higher Education Funding Council for England) and Research England grants				
- Recurrent grant - teaching	9,261	8,979	9,261	8,979
- Recurrent grant - research	23,114	23,055	23,114	23,055
- Specific grants	11,552	8,899	11,552	8,899
	43,927	40,933	43,927	40,933

3. RESEARCH GRANTS AND CONTRACTS

	Consolidated		University	
	Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000	£000	£000
UK research councils	32,272	30,482	32,272	30,482
UK-based charities	10,521	8,222	10,521	8,222
UK government bodies, local authorities, health and hospital authorities	13,898	12,924	13,898	12,924
UK industry and commerce	1,013	1,440	1,013	1,440
EU government bodies and similar organisations	10,458	10,666	10,458	10,666
Overseas bodies	2,926	2,282	2,926	2,282
	71,088	66,016	71,088	66,016

4. OTHER INCOME

	Consolidated		University	
	Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000	£000	£000
Residences, catering and conferences	35,923	34,767	35,923	34,767
Other income	31,173	31,437	17,085	17,477
Other services rendered	1,862	2,292	2,403	2,292
Other capital grants	753	1,097	753	2
	69,711	69,593	56,164	54,538

Other income includes property income, retail income, consultancy income, non-research grants and similar items.

5. INVESTMENT INCOME

	Notes	Consolidated		University	
		Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000	£000	£000
Investment income on endowments	18	307	433	307	433
Investment income on restricted reserves	19	85	66	85	66
Other investment income		696	667	874	874
Net return on pension scheme					
- interest costs	25	(4,940)	(4,272)	(4,940)	(4,272)
- expected return on scheme assets	25	4,353	3,533	4,353	3,533
		501	427	679	634

6. DONATIONS AND ENDOWMENTS

	Notes	Consolidated		University	
		Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000	£000	£000
New endowments	18	-	-	-	-
Donations with restrictions	19	2,037	3,140	2,037	3,140
Unrestricted donations		84	60	84	60
		2,121	3,200	2,121	3,200

7. STAFF COSTS

	Notes	Consolidated		University	
		Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000	£000	£000
Salaries		161,879	152,775	153,819	144,849
Social security costs		15,808	14,758	15,454	13,882
Pension costs		23,388	22,725	23,084	22,015
Severance costs		851	327	820	327
Movement in USS provision	17	(2,735)	(1,880)	(2,725)	(1,860)
UoYPF current service cost	25	6,880	6,851	6,880	6,851
UoYPF employer contributions	25	(4,079)	(4,348)	(4,079)	(4,348)
		201,992	191,208	193,253	181,716

	Year ended 31 July 2018	Year ended 31 July 2017
	£	£
Vice-Chancellor, Professor K Lamberts		
Salary before salary sacrifice arrangements	253,542	248,333
Salary sacrificed	(20,283)	(19,867)
Salary after salary sacrifice arrangements	233,259	228,466
Employer's pension contributions	45,638	44,700
Pension contributions made under salary sacrifice arrangements	20,283	19,867
Total pension contributions	65,921	64,567
Taxable benefits in kind	2,309	1,400
Non-taxable benefits in kind	21,000	21,000
Total remuneration	322,489	315,433

Notes to the accounts (continued)

Remuneration

The Vice-Chancellor's remuneration is determined by the Remuneration Committee. The remuneration package reflects:

- external comparator data including those for the Russell Group;
- individual performance against strategic objectives that encompass all aspects of the role;
- the level of responsibility and skills required to maintain the reputation of a dynamic institution such as the University of York;
- the leadership strengths and qualities required to guide the University through the turbulent and unpredictable future facing the UK higher education sector;
- the scale, complexity and success of the institution.

Further details of the remuneration of the Vice-Chancellor and other staff can be found in the remuneration report on page 33.

Pensions

The Vice-Chancellor is a member of the Universities Superannuation Scheme (USS) to which contributions are made at the same rates as for other University staff.

Salary sacrifice arrangements

The Vice-Chancellor participates in the University salary sacrifice scheme on the same terms as other members of University staff. Through membership of this scheme, the Vice-Chancellor's contractual salary is reduced and the University makes pension contributions to USS on his behalf.

Benefits in kind

As a requirement of his contract of employment, the Vice-Chancellor is provided with a house located on the University campus. The utilities and maintenance costs of the house are paid by the University and the relevant elements are recorded as a taxable benefit of the Vice-Chancellor in line with HMRC guidance.

The value of non-taxable benefits has been ascertained by obtaining the rental value of the Vice-Chancellor's residence on campus, in line with the Office for Students accounts direction. The Vice-Chancellor's contract of employment requires him to reside at this property. This is not his main personal residence and its provision is to support better execution of his University business, for example events for external bodies. The property is situated within the University Campus among student and academic buildings.

There are no other benefits in kind.

Pay ratios

The Office for Students requires the University to publish the following ratios regarding the Vice-Chancellor's remuneration.

1. Basic salary ratio: this is the Vice-Chancellor's basic salary as a ratio of the median basic salary of all staff expressed as full-time equivalents.
2. Total remuneration ratio: this is the Vice-Chancellor's total remuneration as a ratio of the median total remuneration of all staff expressed as full-time equivalents.

	Year ended 31 July 2018
Basic salary ratio	9.0
Total remuneration ratio	10.9

	31 July 2018 Number	31 July 2017 Number
Remuneration of other higher paid staff		
The number of staff (FTE) paid over £100,000 is given below. Remuneration excludes employer's pension contributions, employer's national insurance and compensation for loss of office.		
£100,000 to £104,999	12	5
£105,000 to £109,999	3	5
£110,000 to £114,999	7	6
£115,000 to £119,999	5	4
£120,000 to £124,999	1	6
£125,000 to £129,999	6	1
£130,000 to £134,999	1	1
£135,000 to £139,999	2	1
£140,000 to £144,999	1	-
£145,000 to £149,999	1	-
£150,000 to £154,999	1	-
£155,000 to £159,999	-	-
£160,000 to £164,999	-	1
£165,000 to £169,999	-	1
£170,000 to £174,999	1	-
£175,000 to £179,999	1	-
	42	31

The above salary bandings have been calculated in accordance with the guidance provided by the Office for Students. This means that staff joining or leaving are excluded from the table above, and the bandings reflect basic pay only. The comparative numbers have been restated.

As a leading research-intensive university, the organisation aims to recruit high quality academic and research staff in line with its strategic objectives.

Key management personnel

The key management personnel are members of the University Executive Board, which consisted of the positions listed below until 31 July 2018. These people have the responsibility for planning, organising and directing the activities of the University.

The Vice-Chancellor and President	The Pro-Vice-Chancellor for Partnerships and Knowledge Exchange
The Deputy Vice-Chancellor and Provost	The Director of External Relations
The Registrar and Secretary	The Director of Human Resources
The Dean for Sciences	The Director of Information Services
The Dean for Arts and Humanities	The Finance Director
The Dean for Social Sciences	The Director of Planning (August 2017–May 2018)
The Pro-Vice-Chancellor for Teaching and Learning	The Academic Registrar (August 2017–May 2018)
The Pro-Vice-Chancellor for Research	

Notes to the accounts (continued)

Key management personnel compensation

Key management personnel compensation includes salary, employer's national insurance, and benefits in kind for the period where members were part of the University Executive Board.

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Key management personnel compensation	2,566	2,290

	Year ended 31 July 2018	Year ended 31 July 2017
	Number	Number
Members of University Executive Board (FTE)	14.75	13.83

Severance costs

The amount of compensation for loss of office paid across the University Group and the number of people to whom this was payable for the year ended 31 July 2018 are as follows:

	£000	Number
University	820	97
Subsidiary undertakings	31	2
	851	99

	Year ended 31 July 2018	Year ended 31 July 2017
	Number	Number
Average staff numbers (FTE) by major category		
Academic	1,701	1,667
Support	2,305	2,239
	4,006	3,906

8. INTEREST AND OTHER FINANCE COSTS

	Notes	Consolidated		University	
		Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000	£000	£000
Loan interest		4,049	4,052	4,072	4,077
Derivatives - interest rate swaps payments		1,295	1,369	1,295	1,369
Derivatives - interest rate swaps movement in fair values		(1,718)	(2,550)	(1,718)	(2,550)
Net charge from USS pension scheme provision	17	637	639	636	636
		4,263	3,510	4,285	3,532

9. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Notes	Consolidated		University	
		Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000	£000	£000
Academic and related expenditure		138,632	132,903	139,990	132,903
Academic Services		24,034	21,294	24,034	21,294
Administration and central services		51,932	44,652	51,922	44,632
Premises (including service concession cost)		28,165	24,777	28,122	25,081
Residences, catering and conferences		30,722	35,842	25,932	31,597
Research grants and contracts		42,188	40,740	40,829	40,740
Other expenses		39,934	31,694	31,068	21,417
Movement in USS provision	17	(2,735)	(1,880)	(2,725)	(1,860)
UoYPF current service cost	25	6,880	6,851	6,880	6,851
UoYPF employer contributions	25	(4,079)	(4,348)	(4,079)	(4,348)
		355,673	332,525	341,973	318,307

	Consolidated	
	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Other operating expenses include:		
External auditors' remuneration in respect of audit services	85	85
External auditors' remuneration in respect of non-audit services	76	57
Internal auditors' remuneration in respect of audit services	184	112
Operating lease rentals		
- Land and buildings	756	1,054
- Other	195	234

10. TAXATION

	Consolidated		University	
	Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000	£000	£000
Recognised in the statement of comprehensive income				
Current tax expense, in respect of UK government credits	12	(7)	12	-

Notes to the accounts (continued)

11. FIXED ASSETS

	Freehold land and buildings £000	Leasehold land and buildings £000	Investment property £000	Equipment £000	Assets in the course of construction £000	Heritage assets £000	Total £000
CONSOLIDATED							
Cost or valuation							
At 1 August 2017	402,176	135,745	8,380	133,537	1,619	1,278	682,735
Additions	1,031	381	-	5,448	6,894	-	13,754
Transfers	6,196	83	-	506	(6,785)	-	-
Reclassification	10,671	(10,671)	-	-	-	-	-
Fixed assets acquired on acquisition of new subsidiary (Note 24)	-	-	2,777	-	-	-	2,777
At 31 July 2018	420,074	125,538	11,157	139,491	1,728	1,278	699,266
Depreciation							
At 1 August 2017	52,906	12,916	-	94,776	-	-	160,598
Reclassification	2,122	(2,122)	-	-	-	-	-
Charge for the year	20,042	3,618	-	6,371	-	-	30,031
At 31 July 2018	75,070	14,412	-	101,147	-	-	190,629
Net book value							
At 31 July 2018	345,004	111,126	11,157	38,344	1,728	1,278	508,637
At 31 July 2017	349,270	122,829	8,380	38,761	1,619	1,278	522,137
UNIVERSITY							
Cost or valuation							
At 1 August 2017	370,741	135,746	2,040	107,762	1,506	1,278	619,073
Additions	1,033	380	-	5,356	5,764	-	12,533
Transfers	5,166	83	-	506	(5,755)	-	-
Reclassification	10,671	(10,671)	-	-	-	-	-
At 31 July 2018	387,611	125,538	2,040	113,624	1,515	1,278	631,606
Depreciation							
At 1 August 2017	50,584	12,916	-	85,998	-	-	149,498
Reclassification	2,122	(2,122)	-	-	-	-	-
Charge for the year	19,400	3,618	-	4,556	-	-	27,574
At 31 July 2018	72,106	14,412	-	90,554	-	-	177,072
Net book value							
At 31 July 2018	315,505	111,126	2,040	23,070	1,515	1,278	454,534
At 31 July 2017	320,157	122,830	2,040	21,764	1,506	1,278	469,575
The investment properties have been valued by Jones Lang LaSalle at 31 July 2018 on an open market value basis and there was no significant change in the property values since 31 July 2017. 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

	Notes	Subsidiary companies £000	Other fixed assets investments £000	Total £000
CONSOLIDATED				
At 1 August 2017		-	6,993	6,993
Disposals of shares		-	(627)	(627)
Movement in fair values		-	174	174
At 31 July 2018		-	6,540	6,540
UNIVERSITY				
At 1 August 2017		28,391	6,991	35,382
Purchase of subsidiary company	24	2,810	-	2,810
Acquisition costs	24	37	-	37
Impairment of goodwill	24	(867)	-	(867)
Movement in impairment provision		187	-	187
Disposals of shares		-	(627)	(627)
Movement in fair values		-	174	174
At 31 July 2018		30,558	6,538	37,096

13. INVESTMENTS IN JOINT VENTURES

	Consolidated	
	31 July 2018 £000	31 July 2017 £000
Shares of net assets		
At 1 August 2017	12,840	11,866
Change in investment holding	-	(4,000)
Distribution of profits from joint ventures	(941)	-
Share of operating profit	7,419	4,974
At 31 July 2018	19,318	12,840
Loans to joint ventures	1,198	1,198
Total investment in joint ventures		
At 31 July 2018	20,516	14,038
At 1 August 2017	14,038	13,064
University		
	31 July 2018 £000	31 July 2017 £000
Cost		
At 1 August 2017	6,777	10,777
Change in investment holding	-	(4,000)
At 31 July 2018	6,777	6,777
Loans to joint ventures	1,198	1,198
Total investment in joint ventures		
At 31 July 2018	7,975	11,975
At 1 August 2017	7,975	7,975

Notes to the accounts (continued)

The following undertakings are joint ventures:

Undertaking	Status	Principal activity
STEM Learning 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
The Worldwide Universities Network	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.

As part of a comprehensive and detailed review of the University loan portfolio, it was identified that there were two instances of a technical breach of loan covenants in the last five years. The relevant lenders have agreed to retrospective consent to these events.

14. TRADE AND OTHER RECEIVABLES

	Consolidated		University	
	31 July 2018 £000	31 July 2017 £000	31 July 2018 £000	31 July 2017 £000
Amounts falling due over one year				
Prepayments and accrued income	7,197	7,222	7,197	7,222
Amounts falling due within one year				
Research grant receivables	13,706	11,177	13,706	11,177
Other trade receivables	8,772	10,873	7,819	9,708
Prepayments and accrued income	26,253	19,673	24,116	17,873
Amounts due from subsidiary companies	-	-	12,073	10,631
	55,928	48,945	64,911	56,611

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Notes	Consolidated		University	
		31 July 2018 £000	31 July 2017 £000	31 July 2018 £000	31 July 2017 £000
Unsecured loans	16	3,396	4,531	3,396	4,531
Trade payables		16,195	13,146	15,192	12,427
Social security and other taxation payable		4,557	4,580	4,598	4,715
Accruals and deferred income		78,761	74,896	73,105	71,279
Amounts due to subsidiary companies		-	-	1,909	1,219
Derivatives - interest rate swaps		1,257	1,314	1,257	1,314
		104,166	98,467	99,457	95,485

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.

	Consolidated		University	
	31 July 2018	31 July 2017	31 July 2018	31 July 2017
	£000	£000	£000	£000
Deferred income				
Research grants received on account	32,277	33,714	32,277	33,714
Specific grant income	13,749	11,455	13,749	11,455
	46,026	45,169	46,026	45,169

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

	Notes	Consolidated		University	
		31 July 2018	31 July 2017	31 July 2018	31 July 2017
		£000	£000	£000	£000
Derivatives - interest rate swaps		6,168	7,829	6,168	7,829
Unsecured loans		125,677	129,038	125,677	129,038
		131,845	136,867	131,845	136,867
Analysis of unsecured loans					
Due within one year	15	3,396	4,531	3,396	4,531
Due between one and two years		3,298	3,430	3,298	3,430
Due between two and five years		10,317	10,204	10,317	10,204
Due in five years or more		112,062	115,404	112,062	115,404
Due after more than one year		125,677	129,038	125,677	129,038
Total unsecured loans		129,073	133,569	128,073	133,569

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

	31 July 2018	Period	Expected end date
	£000	Years	
Lender			
Royal Bank of Scotland	19,323	20	December 2029
Royal Bank of Scotland	7,000	20	March 2030
European Investment Bank	11,739	25	August 2035
European Investment Bank	12,391	25	August 2036
European Investment Bank	12,391	25	September 2036
Salix	125	5	November 2018
Salix	37	5	September 2018
Loan Notes	40,000	40	February 2047
Loan Notes	26,000	40	February 2047
HMRC - deferred VAT	480	20	July 2028
Capitalisation of costs of loan note issue	(413)	40	February 2047
Total	129,073		

Notes to the accounts (continued)

17. PROVISIONS FOR LIABILITIES

	Notes	Obligation to fund deficit on USS Pension Scheme £000	Defined benefit obligations on York Pension Scheme £000	Total pensions provisions £000
CONSOLIDATED				
At 1 August 2017		35,998	21,426	57,424
Deficit contributions and changes in expected contributions		(2,735)	-	(2,735)
Interest	8	637	-	637
Contributions or benefits payable		-	(4,079)	(4,079)
Current service cost		-	6,880	6,880
Other finance charges		-	362	362
Net interest	5	-	587	587
		(2,098)	3,750	1,652
(Gain) recognised in other comprehensive income		-	(21,005)	(21,005)
At 31 July 2018		33,900	4,171	38,071

	Notes	Obligation to fund deficit on USS Pension Scheme £000	Defined benefit obligations on York Pension Scheme £000	Total pensions provisions £000
UNIVERSITY				
At 1 August 2017		35,929	21,426	57,355
Deficit contributions and changes in expected contributions		(2,725)	-	(2,725)
Interest	8	636	-	636
Contributions or benefits payable		-	(4,079)	(4,079)
Current service cost		-	6,880	6,880
Other finance charge		-	362	362
Net interest income	5	-	587	587
		(2,089)	3,750	1,661
Gain recognised in other comprehensive income		-	(21,005)	(21,005)
At 31 July 2018		33,840	4,171	38,011

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. Further details are set out in Note 25.

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 £000	Unrestricted permanent endowments £000	2018 Total £000	2017 Total £000
Balances at 1 August 2017				
Capital	5,889	940	6,829	6,407
Accumulated income	856	37	893	734
	6,745	977	7,722	7,141
New endowments	-	-	-	-
Investment income	276	31	307	433
Expenditure	(195)	(31)	(226)	(274)
Increase in market value of investments	122	14	136	422
Transfers to restricted donations	(1,053)	-	(1,053)	-
Total endowment comprehensive (expenditure)/income for the year	(850)	14	(836)	581
At 31 July 2018	5,895	991	6,886	7,722
Represented by				
Capital	5,131	991	6,122	6,829
Accumulated income	764	-	764	893
	5,895	991	6,886	7,722
	Restricted permanent endowments £000	Unrestricted permanent endowments £000	2018 Total £000	2017 Total £000
Analysis by type of purpose				
Lectureships	-	-	-	1,000
Scholarships and bursaries	4,555	-	4,555	4,461
Research support	185	-	185	175
Prize funds	978	-	978	942
General	177	991	1,168	1,144
	5,895	991	6,886	7,722
			2018 Total £000	2017 Total £000
Analysis by asset				
Fixed assets (property)			2,040	2,040
Current and non-current asset investments			4,062	5,610
Cash and cash equivalents			784	72
			6,886	7,722

Notes to the accounts (continued)

19. RESTRICTED RESERVES

	Restricted donations £000	Restricted capital grants £000	2018 Total £000	2017 Total £000
Balances at 1 August 2017	6,657	1,793	8,450	11,400
New grants	-	754	754	-
New donations	2,037	-	2,037	3,140
Investment income	85	-	85	66
Expenditure	(1,514)	-	(1,514)	(1,147)
Capital grants utilised	-	-	-	(5,009)
Transfers from endowments	1,053	-	1,053	-
Total restricted comprehensive income/(expenditure) for the year	1,661	754	2,415	(2,950)
At 31 July 2018	8,318	2,547	10,865	8,450

	2018 Total £000	2017 Total £000
Analysis of restricted donations by type of purpose		
Lectureships	25	27
Scholarships and bursaries	4,326	3,431
Research support	3,803	2,651
Prize funds	94	78
General	70	470
	8,318	6,657

20. CASH AND CASH EQUIVALENTS

	At 1 August 2017 £000	Cash flows £000	At 31 July 2018 £000
Consolidated			
Cash and cash equivalents	61,191	20,612	81,803

21. CAPITAL AND OTHER COMMITMENTS

	Consolidated		University	
	31 July 2018 £000	31 July 2017 £000	31 July 2018 £000	31 July 2017 £000
Provision has not been made for the following capital commitments				
Commitments contracted for	3,527	771	3,478	750
Authorised but not contracted for	14,085	7,717	14,052	6,640
	17,612	8,488	17,530	7,390

22. CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities as at 31 July 2018.

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 the performance of the business until July 2019. This amount has not been included in the results for the year ending 31 July 2018 or 31 July 2017.

23. LEASE OBLIGATIONS

	Land and buildings £000	Plant and machinery £000	2018 Total £000	2017 Total £000
Total rentals payable under operating leases				
Payable during the year	756	195	951	1,288
Future minimum lease payments due				
Not later than one year	756	195	951	1,288
Later than one year and not later than five years	2,567	597	3,164	2,264
Later than five years	63,488	-	63,488	65,634
Total lease payments due	66,811	792	67,603	69,186

The minimum lease payments due on one of the University's leases are uncertain as the payments depend on the levels of student recruitment in 10-15 years' time and are therefore not included.

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
PCMIS Health Technologies 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 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 Supply Company Ltd	100% owned	Supply of utilities
York University Property Company Ltd	100% owned	Development of land and letting of accommodation
Stodham Investments Ltd	100% owned	Letting of commercial spaces

The University of York purchased 100% of the share capital of Stodham Investments Ltd on 26 July 2018 for a consideration of £2.8m. This company held a property on Campus West which is important to the strategic development of the University. Stodham Investment Ltd's results have been consolidated from the date of acquisition. None of the consideration is contingent on performance conditions and none has been deferred. The fair values of the assets and liabilities of Stodham Investments Ltd on acquisition were as follows:

	£000	£000
Consideration		2,810
Costs of acquisition		37
Net assets on acquisition		
Fixed assets	2,777	
Debtors	87	
Cash at bank	158	
Amounts owed to University	(978)	
Other creditors	(64)	
Total net assets		(1,980)
Goodwill on acquisition		867
Less: impairment of goodwill		(867)
Goodwill at 31 July 2018		-

Notes to the accounts (continued)

25. PENSION SCHEMES

The University operates two defined benefit pension schemes, the University of York Pension Fund (UoYPF) and the Universities Superannuation Scheme (USS).

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

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Total pension cost to the University and its subsidiaries		
- USS	20,381	19,344
- UoYPF	2,741	3,109
- NHSPS	100	101
- The People's Pension	166	171
	23,388	22,725
USS deficit contributions and changes in expected contributions	(2,735)	(1,880)
UoYPF current service cost	6,880	6,851
UoYPF employer contributions	(4,079)	(4,348)
	23,454	23,348

Universities Superannuation Scheme

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

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

Since the University cannot identify its share of the Retirement Income Builder Section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 scheme valuation is complete.

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

	Year ended 31 July 2018	Year ended 31 July 2017
Discount rate	2.64%	2.57%
Pension increases	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	Year ended 31 July 2018	Year ended 31 July 2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	Pre-retirement: 98% of SAPS S1NA "light" YOB unadjusted for males.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	CMI_2014 with a long-term rate of 1.5% p.a.

	Year ended 31 July 2018	Year ended 31 July 2017
Current life expectancy on retirement at age 65		
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.6	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29
	Year ended 31 July 2018	Year ended 31 July 2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	(£72.0bn)	(£77.5bn)
FRS102 total scheme deficit	(£8.4bn)	(£17.5bn)
FRS102 total funding level	88%	77%

University of York Pension Fund

The University operates a final salary defined benefit pension fund, the University of York Pension Fund (UoYPF). 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 elected by members of the UoYPF.

During the year the University contributed a rate of 16% 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 2017. This valuation disclosed a surplus of £17m and 111% funding position. The next full actuarial valuation is due on 31 July 2020.

The University of York Pension Fund has been assessed on an FRS 102 basis by a qualified actuary at 31 July 2018. The value of 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 less the fair value of plan assets out of which the pensions will be paid.

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Analysis of the amount shown in the balance sheet		
Scheme assets	183,705	171,215
Scheme liabilities	(187,876)	(192,641)
Deficit in the scheme – net pension liability recorded within pension provisions	(4,171)	(21,426)
Analysis of the amount shown in the statement of comprehensive income		
Current service cost	6,880	6,851
Administration expenses	362	381
Total operating charge	7,242	7,232
Analysis of the amount charged to investment income		
Interest cost	4,940	4,272
Expected return on assets	(4,353)	(3,533)
Net charge to other finance income	587	739
Total income and expenditure charge	7,829	7,971
Analysis of other comprehensive income		
Actual return of assets less interest	9,143	14,437
Actuarial gains on defined benefit obligation	11,862	1,954
Total other comprehensive income	21,005	16,391

Notes to the accounts (continued)

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Cumulative actuarial loss recognised as other comprehensive income		
Cumulative actuarial gains/(losses) recognised at the start of the year	(13,011)	(29,402)
Cumulative actuarial gains/(losses) recognised at the end of the year	7,994	(13,011)
Analysis of movement in (deficit)		
(Deficit) at beginning of year	(21,426)	(34,194)
Contributions or benefits paid by the University	4,079	4,348
Current service cost	(6,880)	(6,851)
Other finance charge	(362)	(381)
Net interest income/cost	(587)	(739)
Gain/(loss) recognised in other comprehensive income	21,005	16,391
(Deficit) at end of year	(4,171)	(21,426)
Analysis of movement in the present value of liabilities		
Present value of liabilities at the start of the year	(192,641)	(188,162)
Current service cost (net of member contributions)	(6,880)	(6,851)
Interest cost	(4,940)	(4,272)
Actual member contributions (including notional contributions)	(184)	(269)
Actuarial gain	11,862	1,954
Insurance premiums for risk benefits	53	74
Actual benefit payments	4,854	4,885
Present value of liabilities at the end of the year	(187,876)	(192,641)
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	171,215	153,968
Expected return on assets	4,353	3,533
Actuarial gain on assets	9,143	14,437
Actual contributions paid by University	4,079	4,348
Actual member contributions (including notional contributions)	184	269
Administration expenses	(362)	(381)
Insurance premiums for risk benefits	(53)	(74)
Actual benefit payments	(4,854)	(4,885)
Fair value of scheme assets at the end of the year	183,705	171,215
Fair values of the assets of the fund		
Equities	136,120	123,337
Debt instruments	20,827	33,819
Property	23,234	8,292
Cash	3,524	5,767
Total	183,705	171,215
Return on assets		
Interest income	4,353	3,533
Return on assets less interest income	9,143	14,437
Total	13,496	17,970

	Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2015
History of experience gains and losses				
Difference between actual and expected return on scheme assets				
Amount (£000)	9,143	14,437	7,187	(2,147)
% of assets at end of year	5%	8%	5%	-1%
Experience (gains)/losses on scheme liabilities				
Amount (£000)	-	-	-	(3,691)
% of liabilities at end of year	0%	0%	0%	-2%
	Year ended 31 July 2018	Year ended 31 July 2017		
Significant actuarial assumptions				
Discount rate	2.70%		2.55%	
Rate of salary increases	3.85%		3.85%	
Rate of price inflation	2.10%		2.10%	
Rate of pension increases	2.10%		2.10%	
Post-retirement mortality assumption	S2NMA/S2NFA tables with a +1 year age rating, CMI 2015 projection model with a long-term improvement rate of 1.25% p.a.		S2NMA/S2NFA 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				
- Retiring in 2017 (male member age 65 in 2017)	21.3 years		21.1 years	
- Retiring in 2017 (male member age 45 in 2017)	22.7 years		22.5 years	
- Retiring in 2017 (female member age 65 in 2017)	23.3 years		23.3 years	
- Retiring in 2017 (female member age 45 in 2017)	24.8 years		24.9 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 2018 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 2018 were at a rate of 2% of pensionable salary.

26. RELATED PARTIES

Council and committee 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 public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council, or its committees, may have an interest. All transactions involving organisations in which a member of Council, or its committees, 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 and its committee members' interests shows that the University has conducted business with the following organisations which are considered to be related parties.

Notes to the accounts (continued)

Council and committee members (continued)

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 University Executive Board acted as a director of SimOmics Ltd during the year.

John Wiley and Sons Ltd

John Wiley and Sons Ltd provides academic publishing services and educational materials to the University. One member of the University Council is a paid consultant, and former Vice-President, of John Wiley and Sons Ltd.

Yorkshire Water

Yorkshire Water is a water supply and treatment utility company which services the University. One member of the University Council is a non-executive director of Yorkshire Water.

Shepherd Building Group Ltd

The Shepherd Building Group is a company involved in the development, manufacture and installation of portable buildings based in York which performs work on behalf of the University. One member of the University Council controls a significant shareholding in the company.

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.

York Teaching Hospital NHS Foundation Trust

This organisation operates several hospitals in North Yorkshire, including York Hospital. One lay member of Council acts as the Trust's Chairperson.

York University Students' Union (YUSU)

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.

Graduate Students' Association (GSA)

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 during the year between the University and the organisations listed on page 80 were:

	Income	Expenditure	Balance due to the University at 31 July 2018	Balance due from the University at 31 July 2018
	£000	£000	£000	£000
Eversheds Sutherland LLP	-	77	-	-
Joseph Rowntree Foundation	132	-	4	-
SimOmics Ltd	25	98	-	-
University of Lancaster	6	293	3	-
John Wiley and Sons Ltd	-	102	-	23
Yorkshire Water	148	820	-	-
Shepherd Building Group Ltd	6	-	-	-
York Teaching Hospital NHS Foundation Trust	401	220	187	-
York University Students' Union (YUSU)	-	1,498	-	8
Graduate Students' Association (GSA)	9	55	1	-

The total expenses incurred on behalf of ten (2017 eight) Council members was £12,151 (2017 £6,791). This represents travel and subsistence expenses incurred in attending Council and meetings in their official capacity.

Joint ventures and subsidiaries

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.

The following organisations are either joint ventures or subsidiaries in which the University does not have 100% of the voting rights:

University of York International Pathway College LLP

The University of York International Pathway College LLP is a joint venture between the University and Kaplan Financial Ltd which offers undergraduate and postgraduate courses to international students.

Student Accommodation Provision LLP

Student Accommodation Provision LLP, Student Accommodation Provision Two LLP and Student Accommodation Provision Three LLP are joint ventures of the University and are responsible for providing accommodation to students in Goodricke, Langwith and Constantine Colleges.

Amaethon Ltd

Amaethon Ltd is a subsidiary of the University created to commercialise the research carried out in the Centre for Novel Agricultural Products.

York Science Park Ltd

York Science Park Ltd provides commercial space to commercial entities such as startups and research companies. York Science Park is a 91%-owned subsidiary of the University.

Biovale Ltd

Biovale Ltd is a joint venture of the University. The University has staff members on Biovale Ltd's Board of Directors.

STEM Learning Ltd

STEM Learning Ltd operates the National Science Learning Centre as a joint venture between the University of York, the University of Leeds, the University of Sheffield and Sheffield Hallam University.

N8 Ltd

The N8 research partnership is a collaboration between the Universities of Durham, Lancaster, Leeds, Liverpool, Manchester, Newcastle, Sheffield and York. The University of York owns 12.5% of the company.

The transactions during the year between the University and the organisations listed on page 81 were:

	Income	Expenditure	Balance due to the University at 31 July 2018	Balance due from the University at 31 July 2018
	£000	£000	£000	£000
University of York International Pathway College LLP	1,700	-	-	826
Student Accommodation Provision LLP	467	4,625	62	-
Student Accommodation Provision Two LLP	657	5,697	151	-
Student Accommodation Provision Three LLP	607	5,381	70	-
Amaethon Ltd	2	-	-	-
York Science Park Ltd	737	549	145	-
Biovale Ltd	-	39	-	-
STEM Learning Ltd	614	249	73	-
N8 Ltd	-	60	-	-

Notes to the accounts (continued)

27. FINANCIAL INSTRUMENTS

	Consolidated		University	
	31 July 2018	31 July 2017	31 July 2018	31 July 2017
	£000	£000	£000	£000
Financial assets				
Investments held at fair value	6,540	6,993	6,538	6,991
Investments in joint ventures at fair value	20,516	14,038	7,975	7,975
Trade and other receivables at cost	8,772	10,873	7,819	9,708
Cash and cash equivalents at cost	81,803	61,191	76,084	59,707
	117,631	93,095	98,416	84,381
Financial liabilities				
Trade payables at cost	(16,195)	(13,146)	(15,192)	(12,427)
Loans at cost	(129,073)	(133,569)	(129,073)	(133,569)
Interest rate swaps at fair value	(7,425)	(9,143)	(7,425)	(9,143)
	(152,693)	(155,858)	(151,690)	(155,139)

Interest rate risk

The University is exposed to risk in term of its exposure to interest rate movements on its borrowings and investments. Movement in interest rates has a complex impact on the University. For example, a rise in interest rates would have the following effects:

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

The University hedges its interest rate risk using swaps which provide stability against interest rate fluctuations. The total balance below comprises hedging of the loans payable to Royal Bank of Scotland plc, HSBC plc and Yorkshire Bank plc through interest rate swaps.

	Consolidated	University
	31 July 2018	31 July 2018
	£000	£000
Fair value of swaps at 1 August 2017	(9,143)	(9,143)
Change in fair value	1,718	1,718
Fair value of swaps at 31 July 2018	(7,425)	(7,425)

28. POST-BALANCE SHEET EVENTS

University Superannuation Scheme deficit contributions

It is highly unlikely that there will be any decision around the level of deficit contributions because the consultation is scheduled to continue until December 2018. In February 2019, USS is required to make a submission to the Pensions Regulator with details of the contributions they will be implementing. This is likely to be the time when the level of the USS deficit will be recalculated, with a consequent impact on the University's results for 2018/19.

Equalisation of Pension Benefits

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues raised and determined by the judgement will have an impact on many defined benefit pension schemes, including the schemes the University of York contributes towards. The University will work with the trustees of the University of York Pension Fund and USS, to understand the extent to which the judgement crystallises additional liabilities for these pension schemes. It is not yet possible to determine the increase in the liabilities in the University of York Pension Fund. The USS provision will only be impacted to the extent that any change in benefits results in an increase in the cash contribution to the scheme by the University.

W I T H T H A N K S

Thank you to the entire community of students, staff, donors and volunteers for your contributions to the continued success of the University of York.





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