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# ANNUAL REPORT AND ACCOUNTS 2016/17

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UNIVERSITY OF LEEDS





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“We continue to address the challenges of higher education and research across a broad range of disciplines with energy and confidence.”

**Alan Langlands**  
Vice-Chancellor

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The University of Leeds is committed to putting the interests of students front and centre, undertaking research of the very highest quality and making a difference in the world. We continue to address the challenges of higher education and research across a broad range of disciplines with energy and confidence; and despite considerable political, policy and economic uncertainty, 2016–17 has been a year of achievement and strong income growth in both domains.

We provide outstanding research-led education which attracts, excites and retains high performing students from diverse backgrounds, equipping them to succeed in a competitive global employment market. This is reflected in continued growth in student numbers and strong external recognition.

Leeds was the Times and Sunday Times University of the Year in 2017 and their 2018 Good University Guide placed us at number ten in the UK, our highest ever position. This reflects a Gold rating in the new Teaching Excellence Framework (TEF), a top five position in the Times Higher Education Student Experience Survey and a leading position for Russell Group Universities in the National Student Survey. Students and staff at the University work in partnership to ensure that all students have a well-rounded experience and get the most out of their time here. Over the past year, we have seen growth in activity in the Leeds Institute for Teaching Excellence; capital investments in teaching accommodation, digital resources, the Edward Boyle library, the Students Union and the Brownlee cycle track and sports centre; success through the Access to Leeds programme; and the appointment of two National Teaching Fellows meaning that – with 26 in total – we have more than any other institution in the UK. All of these examples confirm our commitment to teaching excellence.

The implementation of our plans to improve research quality, income and impact continues apace with recent investments in people and technology both paying dividends. Our new University academic fellows are energising the research community and the development of the Astbury Biostructure Laboratory, the Leeds Institute of Data Analytics, the Priestley International Centre for Climate and the Cultural Institute are all boosting research income.

New research awards have increased by 15% to £167 million in 2016–17 and we have recently been awarded nearly £16 million from the Global Challenges Research Fund for two major projects to build resilience in African businesses and communities. Looking ahead, we have plans to develop existing strength in Med Tech; and planning permission for the £96 million development of the Sir William Henry Bragg building which will galvanise the links between physical sciences and engineering and provide a state of the art research centre for engineered materials. We are also committed to a new technology campus which will accommodate a dedicated centre for excellence in high speed rail and system integration, and for other heavy engineering facilities funded by the Engineering and Physical Sciences Research Council.

These new initiatives, and our active involvement alongside other top research-intensive universities in the world-leading Royce, Turing, Franklin and Crick Institutes and the national Centre for Innovation Excellence in Livestock, position the University to play a key role in the Government's Industrial Strategy. Nexus – our new £40 million innovation and enterprise centre which opens in 2018 – will enable high growth businesses and corporate R&D teams to access world class research, students, graduate talent and professional services, opening new opportunities for productivity gains and growth. The new Leeds Doctoral College will play a key role in supporting postgraduate researchers, developing highly skilled scientists and researchers and ensuring a new generation of academic and industrial leaders for the future.

This is also a time for the University to look outwards and we continue to enrich our academic activity on campus by stepping up our recruitment of international students and staff. We are also putting comprehensive plans in place to boost our international research collaborations, engaging in a systematic way with our worldwide alumni, global companies, NGOs and University partners. Our Joint School of Engineering with Southwest Jiaotong University in China sits well with our work on high speed rail and we will consider new possibilities for international collaboration as we look ahead.

This is a pivotal moment for higher education in the UK – a time when the opportunities for education and research are so great, and the political, policy and funding uncertainties are so profound. The key risks are set out clearly in the Chief Financial Officer's report. Faced with these challenges, the University Council has agreed that we should continue with our policy of growth and investment but that we should do so with due caution, and always be prepared to mitigate policy and financial risks should the need arise. That said, the underlying academic and financial strength of the University provides great confidence for the future.

As ever, none of this would be possible without the inspiration and hard work of staff and students from every part of the University. I thank them all and extend my appreciation to members of the University Executive Group, the Council and the Court for their unfailing support, diligent stewardship and wise counsel. I should also like to acknowledge the generosity and goodwill of our excellent Campaign Board, the North American Foundation and a wider community of alumni and friends who mentor our students, open their international networks to the University and donate many millions of pounds every year to support student scholarships, leading edge research and campus developments. Their contributions to the life and work of the University are much admired and greatly appreciated by us all.

**Alan Langlands**  
Vice-Chancellor



“... the benefits of the investments are starting to be seen in the academic and financial performance of the University as we make progress towards our ambitious research and education targets.”

**Jane Madeley**  
Chief Financial Officer

**£674m**

total income excluding RDEC<sup>1</sup>  
(2015/16: £635m)

#### Overview

We are now into the third year of our 2015–20 strategic plan and the significant investments made in recent years are evident in major new campus developments, improvements to our facilities and the recruitment of excellent new academic staff. The benefits of the investments are starting to be seen in the academic and financial performance of the University as we make progress towards our ambitious research and education targets. It is pleasing to report favourable performance against our financial plan as we benefited from strong student recruitment in an increasingly competitive market, with underlying growth in research income and a strong pipeline of new research awards giving confidence for the future years.

This is the first year of reporting since the decision was taken for the UK to leave the European Union. EU student recruitment and research new awards have held up for the University of Leeds but it is really too soon to expect potential impacts of the Brexit decision to have materialised and we are cognisant of the risks associated with the Brexit decision as we develop our future plans.

An 11% growth in fees income, including a 21% growth in international fee income, coupled with an underlying (excluding RDEC<sup>1</sup>) 3% growth in research income, delivered total income growth of 6%.

Our investment plans are the main drivers of a 7% increase in staff costs, a 4% increase in other operating expenditure, and a 12% increase in depreciation, with a £3.7m increase in interest and other finance costs predominantly relating to the annualisation of the costs of servicing the £250m bond.

<sup>1</sup> Research and Development Expenditure Credits (RDEC) income (2016/17: £0.7m, 2015/16: £1.7m) represents exceptional credits for qualifying research expenditure



“The surplus... is an improvement against the plan for the year, largely due to our strong performance, particularly in international student recruitment.”

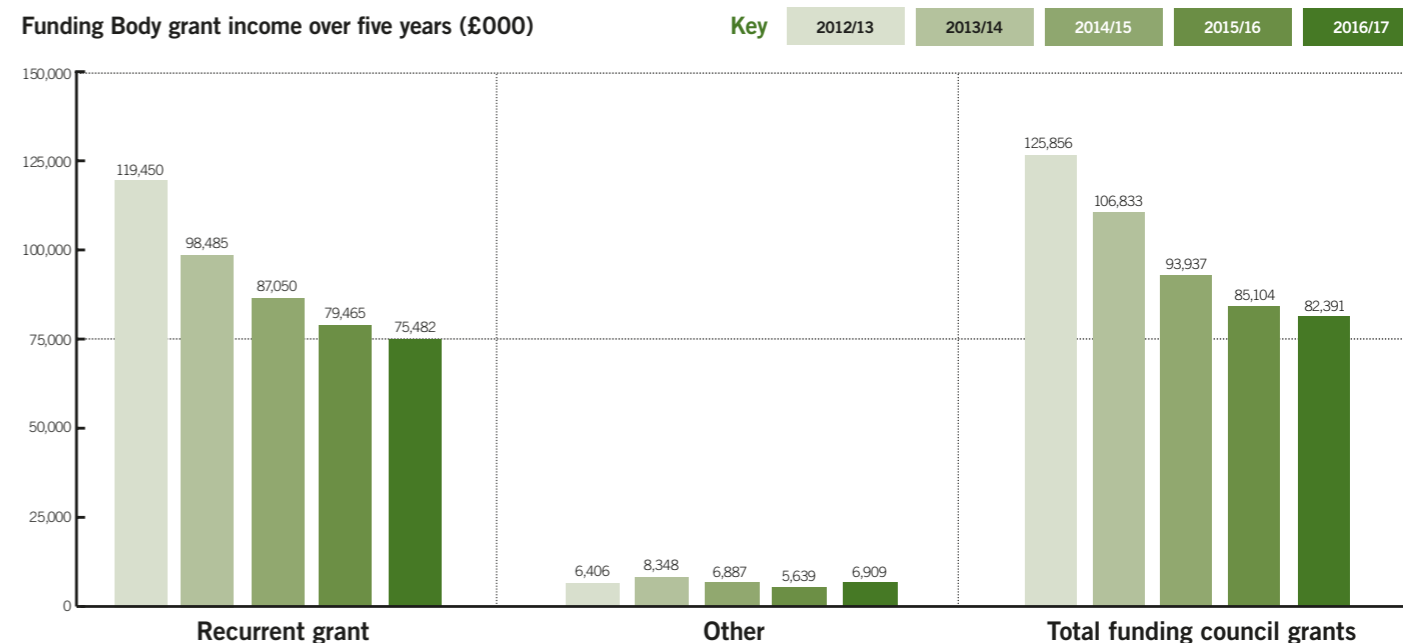
Financial summary	2016/17 £000	2015/16 £000	Change %
<b>Summary</b>			
Total income excluding exceptional Research and Development Credit (RDEC) income	674,207	634,933	6%
Total expenditure	(663,632)	(623,982)	6%
Other items	(1,423)	(1,296)	10%
<b>Surplus after depreciation and tax, before exceptional items</b>	<b>9,152</b>	9,655	(5%)
Exceptional RDEC net income	711	1,738	100%
<b>Surplus after depreciation, tax and exceptional items</b>	<b>9,863</b>	11,393	(13%)
Actuarial gain/(loss)	36,000	(18,310)	(297%)
<b>Total Comprehensive Income</b>	<b>45,863</b>	(6,917)	(763%)
<b>Tuition fee and education contracts</b>			
Home and EU students	186,391	172,107	8%
International students	104,049	85,895	21%
Other fees incl NHS teaching contract	32,537	32,265	1%
<b>Total</b>	<b>322,977</b>	290,267	11%
<b>Research grants and contracts</b>			
Research Councils, UK Charities and Government	94,276	90,558	4%
Industry, overseas and other	36,075	36,030	0%
Research and Development Expenditure Credit (RDEC)	711	1,738	100%
<b>Total</b>	<b>131,062</b>	128,326	2%
<b>Capital expenditure</b>			
Externally funded	(18,204)	(17,299)	10%
University funded	(100,617)	(107,454)	(6%)
<b>Total</b>	<b>(118,821)</b>	(124,753)	(4%)
<b>Cash and borrowings</b>			
Cash and short-term investments	304,110	336,944	(10%)
Borrowings	(275,792)	(282,971)	(3%)
<b>Net funds</b>	<b>28,318</b>	53,973	(48%)

The surplus (before actuarial gains/losses in respect of pension schemes) for the year of £9.9m (1% of total income) is slightly lower than the level of surplus reported last year but is an improvement against the plan for the year, largely due to our strong performance, particularly in international student recruitment. As reported last year, the University surplus plans remain modest in the short term because of the scale of academic investment, from which we will deliver academic and financial benefits in the medium to long term.

Capital investment of £119m continues at a high level (2015/16: £125m) and includes the completion of major refurbishments of both the School of Medicine and parts of the Engineering estate, and the redevelopment of the Students' Union.

With a financial position ahead of plan, and progress in both student education and research, we are confident to continue with our ambitious investment plans, albeit in a measured way given the economic, political and sector uncertainty that all universities are currently facing. Our plans include investment of over £140m in strategic developments and £500m in the capital programme through the period 2017–2022.

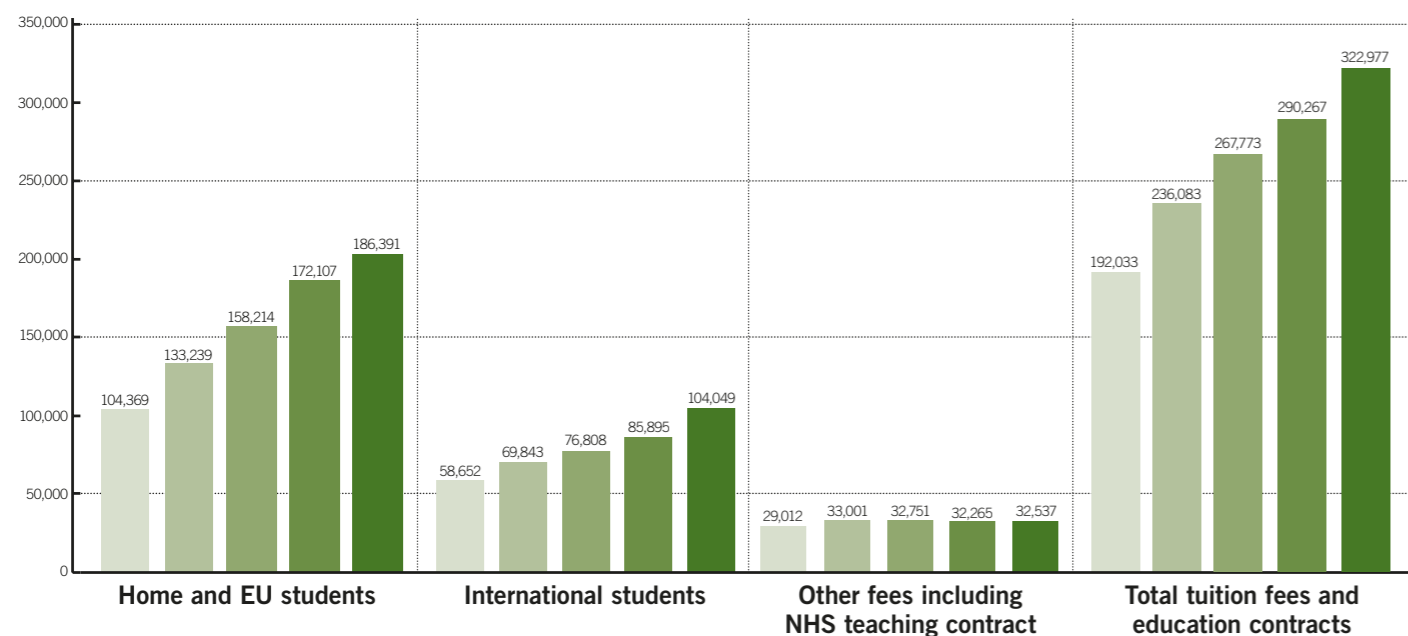
Funding Body grant income over five years (£000)



**Funding Council grants**

At £82m (12% of total income), Funding Council grant income shows a reduction of £3m from 2015/16 (£85m), with the recurrent teaching grant now standing at £27m and the research grant accounting for £44m following the outcome of the last Research Excellence Framework (REF). We forecast that Funding Council grant income will fall to the point at which it only represents around 9% of total income by 2021/22.

Tuition fees and education contracts income over five years (£000) **Key** 2012/13 2013/14 2014/15 2015/16 2016/17



**Tuition fees and education contracts**

At £323m (11% higher than 2015/16), tuition fee income now accounts for 48% of total income (2015/16: 46%).

Fee income from our Home/EU students has increased by £14m (8%). Home/EU total student numbers across all years are higher than last year with particular reference to Home/EU undergraduate numbers across all years where we report growth of greater than 900 students from the previous year. We again secured one of the largest Home/EU undergraduate intakes of high quality students.

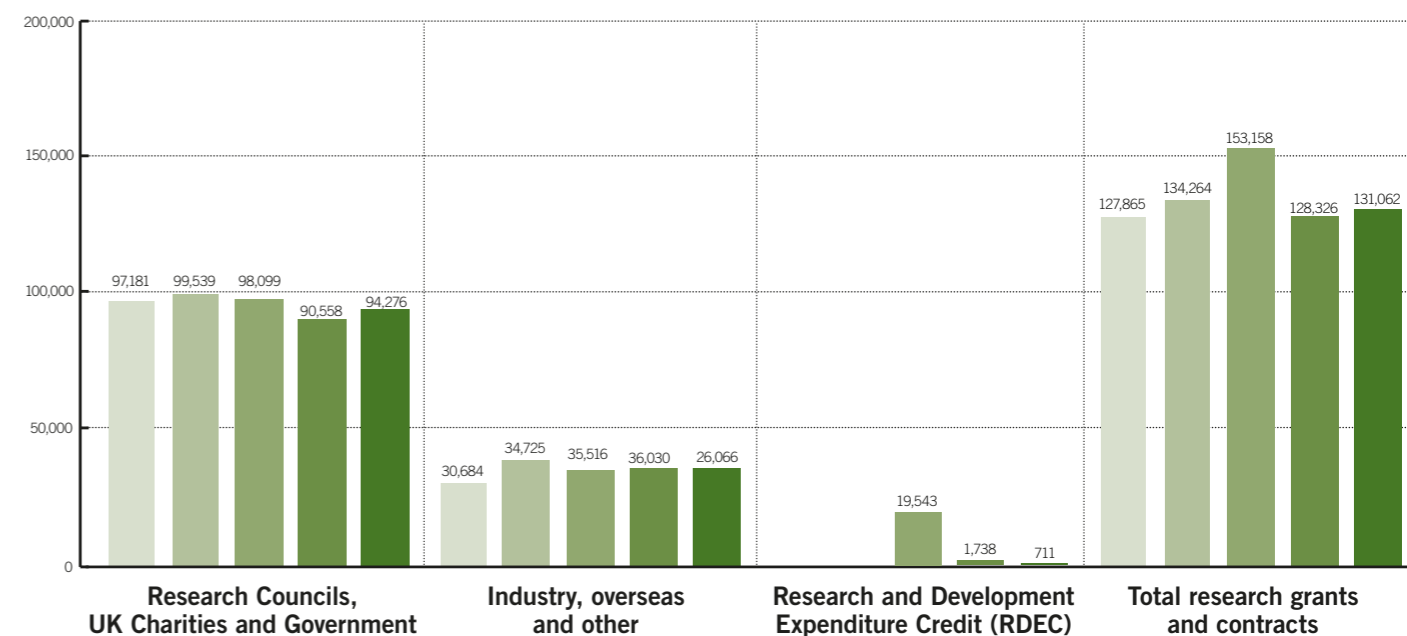
We also report a 21% growth in international fee income. International student numbers across all cohorts and years have increased by 13% from last year. The postgraduate taught student numbers across all years merit particular mention with growth of 21% compared to last year; the largest growth is in the faculties of Business, of Engineering and of Arts, Humanities and Cultures. Alongside this we continue to see the benefits of favourable programme mix and price inflation.

Whilst there was initially a concern after the EU referendum that the political uncertainty it created might have an adverse impact on levels of recruitment from some important international markets, in fact that immediate risk did not materialise and if anything international student recruitment may have been boosted as a result of the weakness of sterling.

Whilst we already have one of the largest total student populations compared to our peer set, we see an opportunity to derive further benefit from rebalancing our cohort mix towards more international students. We are therefore developing plans which focus on maximizing our recruitment of high quality international students which will deliver that.

**21%**  
growth in international fee income

Research grants and contracts income over five years (£000) **Key** 2012/13 2013/14 2014/15 2015/16 2016/17



**Research grants and contracts**

In 2016/17 we were particularly successful in growing research funding from UK based Charities (9%), the European Commission (8%) and the UK Government (7%).

In terms of the lead indicator of research performance, it is pleasing to report that the level of new awards has increased by 15% from £145m in 2015/16 to £167m in 2016/17, with the overall number of awards secured this year increasing to over 780 (last year, 700). The three largest awards by value are £4.8m from Yorkshire Cancer Research, for a clinical trial which aims to improve both quality of life and survival following radiotherapy for prostate cancer, £4.7m from the Natural Environment Research Council (NERC) to support research into the management of flood and drought risk in the context of climate change, and £4.5m from the Engineering and Physical Sciences Research Council (EPSRC) for The National Centre for Infrastructure Materials for research into the performance of existing and novel infrastructure materials.

Our investment plans to recruit top performing academics and 250 new academic fellows to support the delivery of our ambitious research income targets are progressing well. In the last two years we have recruited 17 top performing academics and 150 academic fellows and a total of 194 successful awards with a value of £22m have already been achieved by our academic fellows since appointment.

We are pleased to be one of the founding partners of the Henry Royce Institute, with Leeds receiving £10m as part of a £235m investment commitment by the Government. The Institute is the UK's home of advanced materials research and innovation, bringing together world-leading academics from across the UK and working closely with industry to ensure commercialisation of fundamental research. We are also a member of the Centre for Innovation Excellence in Livestock (CIEL), with Leeds receiving £3.5m of funding from Innovate UK. The Centre brings together a core of 12 world-class research institutes, to deliver improved food quality and farming systems; we are playing a pivotal role in developing the Pig Research Unit, which will be a leading-edge research platform and European centre of excellence.

Looking forward our interdisciplinary and collaborative approach to research means that we are well-positioned to attract research funding through both the Global Challenges Research Fund (GCRF), which aims to ensure that UK research takes a leading role in addressing the problems faced by developing countries, and the Industrial Strategy Challenge Fund (ISCF), which aims to bring together the UK's world leading research with business to meet the major industrial and societal challenges of our time. It is too early to report any successful awards for the ISCF but we have already been successful with our GCRF applications, winning 16 new awards totalling £4.4m.

**£131m**  
research grants and contracts

### Other income

Other income increased by £6m, mainly due to external funding for capital projects, including £3m Local Enterprise Funding to support the Nexus building, Heritage Lottery funding of £0.9m for the Library Treasures Gallery and £0.8m from British Cycling and the English Sports Council to co-fund the Brownlee Triathlon Centre.

Income from subsidiary undertakings – notably Weetwood Hall Ltd, Leeds Innovation Centre Ltd, University of Leeds IP Ltd and Bright Beginnings Childcare Centre Leeds – was £8m in the year (2015/16: £7m).

The Making a World of Difference Campaign aims to raise £100m by 2020. In 2016/17 £10m was raised with the total currently standing at £74m.

During the year we received nearly 24,000 gifts from 4,824 alumni and other donors, and we have increased the number of alumni with whom we are in touch to 256,000. Amongst other things gifts and legacies supported the extension of the Reach for Excellence widening participation scheme, the building of a new visitors centre for the University Farm and The Wolfson Centre for Applied Healthcare Research, a joint project that will bring together researchers from the Universities of Leeds and Bradford with clinicians from Bradford Teaching Hospitals NHS Foundation Trust.

Gifts to the Footsteps Fund totalled £0.9m in 2016/17 (2015/16: £0.6m). These donations have continued to support a range of activities that enhance the student experience; an example of this is the Writing Back scheme which matches current students as pen-pals with older Yorkshire residents. The project has quadrupled in size over the last three years to involve over 340 writers and in November 2016 was a finalist in the Individual-led Project category at the National Coordinating Centre for Public Engagement Awards.

### Expenditure

An increase in staff costs of £23m (7%) was largely driven by the continuation of the programme of academic investment that is underpinning our strategy to be a globally leading institution for research and education, and also by increases relating to pay awards and increments. Investments of particular note, in addition to the top performing academics and academic fellows, include new senior appointments to support the delivery of our research strategy (specifically leading the institutional approach to research quality and impact, innovation integration and advancement, and interdisciplinary research). Investments supporting our student education strategy focused on student education processes and systems and the new Leeds Pearson partnership for the development of Online Distance Learning programmes. These programmes will focus on developing masters level courses to allow thousands of students globally to access our world-class degree programmes.

The increase in other operating expenditure of £8m (4%) includes planned new investments in scholarships and student recruitment costs as well as other inflationary and activity driven cost increases.

An increase of £5.1m in depreciation reflects the impact of the recent investment in our capital programme, whilst the £3.7m increase in interest payable and similar charges largely relates to the first full year servicing costs of the bond.

# £119m

capital expenditure

### Balance Sheet

Our Balance Sheet remains strong and continues to provide a secure financial platform that enables us to make the necessary academic and infrastructure investments which will continue to support the delivery of our ambitious strategic plan.

We have seen an increase in net assets of £46m from £704m to £750m. This is due in the main to an increase in fixed assets (£66m) and a decrease in the pension liability (£29m) which has been partly offset by a reduction in working capital (£53m).

The net book value of tangible fixed assets (including heritage assets) has increased significantly by £66m to £876m. The University has invested £119m, predominantly in new academic facilities and infrastructure improvements in the year (2015/16: £125m).

Major capital schemes completed in 2016/17 or due for completion in 2017/18 include:

- £37m School of Medicine consolidation and refurbishment
- £38m refurbishment of the Engineering building
- £24m Edward Boyle library refurbishment
- £20m Leeds University Union redevelopment.

Major capital schemes under development or planned to begin in the next two years include:

- £96m Engineering and Physical Sciences development including the Bragg Centre
- £38m Nexus, the new University innovation and enterprise centre
- £53m Generating Station Complex replacement shared with Leeds Teaching Hospitals Trust
- £31m refurbishment of the Faculty of Biological Sciences
- £31m Leeds Engineering Technology Campus including a new Institute for High Speed Rail and System Integration and National Centre for Infrastructure Materials
- £30m redevelopment of the Western campus to support the expansion of the Leeds University Business School.

To support its capital investment programme, in February 2016 the University issued its debut public bond of £250m for a term of 34 years securing a low coupon of 3.125%. This supports ongoing investment in high-quality facilities in order to enhance student education and in cutting-edge science, technology and innovation platforms that will drive progress in our world-leading research.

Following Moody's recent downgrade of the UK's government bond rating as a result of its decision to leave the EU Single Market and customs union as of March 2019, Moody's reviewed and updated its ratings across UK sub-sovereign issuers including the ratings for seven UK universities in September 2017, one being the University of Leeds. The one notch downgrade to AA3 and negative outlook reflects the close institutional, operational and financial linkages between central government and UK universities as well as Brexit-specific sector risks. Potential impacts that leaving the EU could have on universities include loss of EU funding for research, reduced EU student recruitment as a result of a change to the fees and immigration curbs affecting recruitment of student and staff.

The University retained £304m of cash investments at 31 July 2017 of which £116m was held on deposit with remaining terms of up to 6 months; £121m was held in three separate sterling liquidity funds; £50m was held in a cash plus fund; and the remaining £17m was held on-call. We focus on the most secure institutions and funds, with a deposit limit of £50m for AAA rated institutions or funds, £30m for AA, and £15m for A.

After standard loan repayments of £5m this year, the gearing ratio (calculated as external borrowing including service concession liabilities as a percentage of unrestricted reserves and unrestricted endowments) decreased to 44% (from 49%) at 31 July 2017, which is not an outlier compared to the rest of the Russell Group.

At £73m, the value of the endowment portfolio increased its value by £5m year-on-year (2016: £68m) and generated the planned income level of £2m.

Working capital has decreased by £53m, primarily as a result of the reduction in cash of £33m as the capital investment programme continues, as well as a reduction in receivables of £18m, £15m of which related to the receipt of the Research and Development Expenditure Credit (RDEC).

**Pensions**

The University of Leeds Pension and Assurance Scheme (PAS) reports a Balance Sheet deficit of £18m at 31 July 2017, representing an improvement of £29m from the prior year deficit position.

The main factor contributing to the improvement was strong returns on the Scheme's assets. Increases in the Scheme's liabilities due to rising inflation expectations were broadly cancelled out by an increase in the discount rate and reductions in life expectancies.

The deficit is estimated using actuarial assumptions to value the liabilities of the PAS. These include the discount rate, inflation rate and mortality assumptions. The deficit is also dependent on the value of the Scheme's assets, which is linked primarily to movements in the equity market. The level of Balance Sheet surplus/deficit in future is therefore subject to fluctuation, and may indeed vary widely from year to year.

The PAS and the Universities Superannuation Scheme (USS) were subject to full actuarial valuations as at 31 March 2014, and both are in the process of carrying out valuations as at 31 March 2017.

The 2014 PAS valuation showed a surplus of £35m, equivalent to a funding position of 111%, and initial indications are that the scheme will be in surplus as at March 2017.

The results of the USS 2014 valuation showed a deficit of £5.3bn after taking into account changes to the benefit structure and the plan to reduce risk in the investment strategy. The deficit was largely driven by falling bond yields, reduced optimism about investment returns, and increasing longevity assumptions. Initial changes were made to the benefit structure of USS with effect from 1 April 2016, followed by the introduction of a hybrid structure from 1 October 2016.

The USS is currently carrying out a consultation on the 2017 valuation, but the indications are that the scale of the scheme's assets and liabilities, combined with uncertain longevity, investment returns and inflation, place significant financial risk on the University. The University will work with Universities UK (UUK), which represents the participating employers, to conclude the valuation with USS and establish a plan to reduce the risk and manage future costs to a sustainable level, whilst maintaining attractive pension scheme benefits.

The new HE SORP requires that universities recognise a provision for the present value of payments to be made under the deficit recovery agreement for USS. The provision for the University of Leeds stood at £69.9m at the 2017 year end (2016: £69.9m).

**Risks**

The University continues to take action to mitigate those risks that threaten the achievement of its strategic objectives. Six key risks which could directly threaten financial sustainability are described below.

- **Risk that political, policy and funding uncertainty results in changes that reduce the competitiveness of the sector**

Universities are operating in a period of significant uncertainty and change and within a new regulatory framework. The future of student fees and funding, the creation of the Office for Students and UK Research and Innovation, and development of the Teaching and Research excellence frameworks (TEF and REF) bring uncertainty and change to the sector.

We continue to work with the Russell Group and UUK to lobby government and regulators on policy decisions, and have established Teaching and Research action plans that align with the TEF and REF requirements.

- **Risk that Brexit results in a reduction in research funding, and fewer EU students and staff**

Working with the Russell Group and UUK, we are lobbying government to ensure that the UK continues to welcome talented EU students and staff, that we can continue to access collaborative European research networks and programmes, and that we can access Erasmus+ and other mobility programmes. The most urgent priority for the negotiations is to provide certainty on work and residency rights for all EU staff currently working in UK universities.

We are mitigating the financial risk by growing research income from other sources and International students from outside the EU.

- **Risk of failure to optimise student cohort mix to create sustainable income streams**

Work is under way to deliver a rebalanced and sustainable student cohort mix which will increase the proportion of international students, and further to develop our teaching excellence which will enrich the student experience and ensure global relevance and employability.

The International strategy and delivery plan have been established and enhancements to the leadership structure and capacity have been made. Our focus is on increasing institutional capability to engage in transnational education and teaching partnerships, scaling up international pathways provision, and increasing in-country recruitment activity.

Our most notable transnational education development of the year was the launch of four dual degree programmes with Southwest Jiaotong University in Chengdu, China, which offer a unique UK-Chinese engineering curriculum via a joint school, our first such venture. For the 2016/17 academic year we recruited 195 high quality students and have recruited 285 for the coming year. This is a model for international expansion that we may look to replicate for other faculties and with other international partners in the future.

Major investments supporting our student education plans include the systematic upgrading of teaching accommodation and digital resources, and ongoing investment to provide exceptional facilities for study, sport, leisure and creative activities.

- **Risk of failure to deliver increase in research income, quality and impact**

We aim to be an outstanding research university, securely placed in the UK's top ten and achieving significant increases in research income, quality and impact. There has been much progress in initiatives to deliver these objectives, including the appointment of new University Academic Fellows and top performers, significant investment in research infrastructure and the environment to support world-leading research, significant funding for PhD scholarships, the formation of sector-facing research themes to address global challenges, and plans to enhance support for research bidding and knowledge exchange.

We have created the Leeds Academic Health Partnership to drive research to improve health outcomes, and the Cultural Institute to enhance collaboration in the creative industries across the region; and we are developing Nexus, the new innovation centre to drive collaborative innovation with business.

Our research and innovation delivery plan includes specific actions to increase the quality and impact of our research, maximise interdisciplinary opportunities to address societal grand challenges, maximise growth and diversification of funding, promote a vibrant postgraduate and early career researcher community, to support academics to reach their full potential, and enhance local, national and global engagement and impact.

“The University continues to take action to mitigate those risks that threaten the achievement of its strategic objectives.”



- **Risk of failure to afford required levels of investment in the estates and IT infrastructure to provide leading edge research and education opportunities alongside an excellent student experience**

A long-term cash generation target has been established to provide a sufficient level of capital, equipment, IT and strategic investment on a recurrent basis.

The issuance of the public bond during 2016 and forecast cash generation means that we will be secure on the level of cash required to finance the capital programme through until 2019/20; and our integrated planning process is designed to ensure that academic plans will deliver the long term cash generation target.

At the same time we are increasing our focus on seeking out and pursuing external funding opportunities for capital investment.

- **Risk of pensions and pay pressures becoming unsustainable**

We are actively monitoring the USS valuation position and are engaging in employer consultations concerning the level of risk and affordability of the existing scheme and options to reform it.

Strong interaction is in place between the University and local PAS Trustees, and we are able to influence the future benefits and investments strategy of the Scheme.

We continue to provide appropriate input into national employer-side bargaining around pay awards.

### **Conclusion**

There are many factors within the current landscape that create uncertainty and potential income volatility or cost pressure for Higher Education Institutions (HEIs).

However, delivering a financial position ahead of plan, and making good progress on delivering our academic plans in both research and education means we are confident to continue with our ambitious investment plans, albeit in a measured way.

Being named as University of the Year 2017 by The Times and Sunday Times Good University Guide, showing continued progress in the domestic league tables alongside strong NSS scores, and our TEF Gold rating all provide clear evidence and recognition of the excellent student education and experience we offer.

In addition, strong student recruitment in 2016/17 and our highest number of applications for the coming year, combined with underlying research income growth and a strong pipeline of new research awards, give us optimism for the future.

However, we are not complacent and have delivery plans to support further improvement in the quality of education, and to increase the quality, impact and scale of our research. We continue to monitor our plans against the external risks, and are prepared to take mitigating action should the policy and financial risks arise.

**Jane Madeley**  
Chief Financial Officer

“We... have delivery plans to support further improvement in the quality of education, and to increase the quality, impact and scale of our research.”

The Brownlee Centre, the UK's first purpose-built triathlon training centre at the University's Bodington playing fields, which opened in April 2017.





“... we undertake research not just to improve our understanding of the world but also to have a positive impact on global society.”

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The work of the University – a charity – is by its nature directed to the public benefit. We educate students so that they can fulfil their personal potential and so that they can make a better contribution to society; and we undertake research not just to improve our understanding of the world but also to have a positive impact on global society.

The attainment of these objectives is underpinned by the Strategic Plan agreed by our Trustees as the University Council. The way in which public benefit is achieved is illustrated more explicitly in the following sections, which go on to exemplify the University's commitment to accountability, openness and transparency.

### Students

In 2016/17, over 34,220 students benefited from the delivery of 1,780 programmes; more than 10,800 students graduated in the year. Our confidence in the quality of our delivery of student education is underpinned by external validation by the HEFCE's independent Quality Committee during the Annual Provider Review, as well as by our high scores in the 2017 National Student Survey (NSS).

Like all other universities, the University of Leeds charges tuition fees to students: the annual tuition fee for most full-time undergraduates has been £9,000 since 2012. The Higher Education and Research Bill that passed through Parliament in 2017 permits institutions that participate successfully in year 1 of the Teaching Excellence Framework to apply a 2.8% inflationary fee uplift. At Leeds, this uplift means new Home/EU undergraduate entrants will pay £9,250 from 2017/18.

Leeds is committed to encouraging students from all backgrounds and has made one of the largest investments in the higher education sector producing an innovative package of financial support targeted at students from lower income families. Alongside government loans, students from disadvantaged backgrounds can access non-repayable financial support, scholarships and the Access to Learning fund, in tandem with non-financial support to ease transition and maximise engagement – the benefits of which are reflected in our student success rates. As the external environment continues to change, this package of support is reviewed regularly to measure impact and identify refinements. In 2016/17, the University committed £18 million towards financial support, access, student success and progression activity.

We engage with communities, families, more than 100,000 learners and over 1,000 schools to support progression to higher education as part of our commitment to recruiting the brightest and best students regardless of background. Our partnership with IntoUniversity provides intensive and targeted support to some of the most disadvantaged communities in the city, in Harehills and Beeston. As the lead partner for the Go Higher West Yorkshire partnership of twelve regional Higher Education (HE) providers, the University provides additional support for local schools and colleges by delivering a comprehensive programme of outreach to raise aspirations and aid decision-making at key transition points. As part of our work on sustainability recorded on page 17, we also work closely with learners and their families to welcome them onto campus, enhancing their knowledge of sustainability by, for example, planting student designs for biodiversity-rich flower beds on campus and interactive sessions in the Bike Hub.

### Research

The University is a major research-intensive institution, and its research benefits the public directly or indirectly. Our medical researchers are investigating new drugs and surgical robots to help to tackle 21st century healthcare needs; our engineers and scientists are pushing back the boundaries of scientific knowledge; our research into the arts continues to enrich the nation's cultural life; and our social scientists are addressing key political, social, environmental and economic issues. In the 2014 assessment of research – the Research Excellence Framework (REF) – nearly 83% of research at Leeds during the review period was rated as 'world-leading' or 'internationally excellent'. Leeds was ranked 9th within the sector for the impact of its research.

Once concluded, and unless contractual restrictions apply, research completed by our staff is placed in the public domain, via refereed journals and other print or online publications and via an institutional repository. Where our research has commercial applications, we ensure that the benefits that accrue from the intellectual property are divided fairly between staff and the University.

### Cultural activity

The University plays an active role in the cultural life of the city, facilitated through the work of the newly-launched Cultural Institute, which aims to increase pioneering research collaborations with creative sector partners, to widen cultural engagement and participation and to build the skills of our students. We support the Manifesto for Public Engagement and our work here has been enhanced by catalyst seed funding from Research Councils UK (RCUK).

We aim to ensure that our campus is a vibrant and welcoming environment, and to engage all our stakeholders in both the physical and intellectual elements of our work. Through the Cultural Institute, we are developing a coordinated approach to the cultural activity on campus that is publicly accessible via performances, recitals and workshops. In 2016/17 the Yorkshire Year of the Textile celebrated and showcased the University's and the region's rich cultural heritage: funded by Arts Council England, it delivered artistic commissions and workshops for a wide range of audiences across the region. We continued to mark the 400th anniversary of the death of William Shakespeare with public events commemorating his global legacy, including an international tour of A Midsummer Night's Dreaming Under the Southern Bough by students from Leeds and Beijing, performing at Edinburgh Fringe and at locations across China. Our Legacies of War project, which explores different histories of the First World War and examines its multiple historical, cultural and social legacies, will continue to its fourth year with a series of events and activities in theatres, cinemas, museums, galleries and on campus.

We continue to work with Leeds City Council, Ilkley Literature Festival and other partner organisations to bring new audiences to campus and demonstrate the breadth and scale of the cultural activity that takes place at the University. This year, we celebrated the 10th anniversary of DARE, our collaborative partnership with Opera North, with a programme of special activities. In March 2017, the University and partners across the city co-ordinated the 12th annual Leeds Festival of Science, which offered an extensive programme of events and workshops for schools and the general public. The University's Festival of Arts and Humanities celebrated the City's rich heritage of arts and culture through a programme of public events and activities for schools throughout June and July 2017.

We provide further benefit to the public through access to exhibitions in, for example, the Stanley and Audrey Burton Art Gallery, the Brotherton Gallery and the University of Leeds International Textiles Archive. The Michael Marks Building, which houses the Marks & Spencer Company Archive, is freely available to all.



### Sustainability and the community

Our commitment to making a positive impact on society is underpinned by a University Sustainability Strategy that sets out our vision to 2020. Annual reports track our progress. Fundamental to our approach is the Leeds Sustainability Living Lab, within which operations, student education and research work together to develop sustainable innovation on campus. Our approach is articulated within four, holistic, themes.

*Embedding Sustainability through Collaboration* places sustainability at the core of our processes and systems. Collaborative networks are vital to the way that our Living Lab and Green Impact teams operate; we have attained whole university accreditation to the most recent ISO14001 (2015) environmental management standard, and continue to integrate sustainability into our procurement activity.

*Building Knowledge and Capacity* encompasses both the University's core academic mission and the foundations for a sustainable society. Over 5,000 undergraduates took up opportunities to study sustainability as part of their formal curriculum this year; students engage in wider sustainability activities; and via training we help integrate sustainability into staff decision-making. Our world-class research builds knowledge beyond the campus: locally, work with Leeds City Council is investigating city-wide recycling behaviour; and Leeds has been cited by the Times Higher Education as the leading UK HEI in environmental research impact.

Partnership-focused initiatives underpin *Being a Positive Partner in Society*, our approach to social responsibility. Leeds for Life, our institution-wide programme integrating academic and co-curricular opportunities, was developed and is delivered in partnership with Leeds University Union: around 3,000 students are actively involved in volunteering and community work. Generous support from our alumni and Santander has funded 540 student-led projects since the Leeds for Life Foundation began in 2008, enabling students to make a positive, world-wide, contribution to society.

The Volunteering Hub continues to act as a conduit for developing partnerships with local community organisations, with around 200 distinct opportunities available to students at any one time. An increasing number of such partnerships are leading to longer-term industrial year or internship placements. During 2016/17 over 400 students took up voluntary and accredited placements in local schools, delivering an estimated 12,000 contact hours of classroom assistance through our Students into Schools programme, which continues to form part of our commitment to widen participation throughout West Yorkshire. The 'Societies Into Schools' initiative and the student Intercultural Ambassadors project continue to grow.

Our Student Citizenship programme, which supports our students to be responsible citizens and create positive social change during their time at Leeds and beyond, engaged with over 1,900 local households and 3,000 students in 2016/17. In partnership with the other universities and colleges in the city, we run the Neighbourhood Helpline to help resolve neighbourhood issues involving our students; and we work with the police and Leeds City Council to tackle inconsiderate behaviour.

Staff contribute via the Positive Impact Partners scheme, which facilitates effective partnerships with Third-Sector organisations with the aim of building capacity and encouraging positive social change.

*Making the Most of Resources* constitutes a key fourth theme. We are currently on track to meet our 35% carbon reduction target and divert no general waste to landfill. This year, we increased the number of electric vehicle charging points on campus and continue to support active travel: 95% of students and 77% of staff travel sustainably. Our new Sustainable Construction Standard sets the minimum standards that we will meet when developing new buildings; and we have made a commitment to be an exemplar of urban biodiversity, working in partnership with local, regional and national groups.

After detailed consideration last year of a request from the Leeds University Union that the University divest itself of shareholdings in companies which extract or produce fossil fuels, the University Council decided against divestment in the short-term. This decision was based on factors that included the need to maintain consistency in the University's dealings with the fossil fuel sector and other industries that profit from fossil fuels; and concerns about the challenge of fuel security and affordability for developing countries in particular. The position remains under review.

### Equality and inclusion

The University's Equality and Inclusion Framework and Strategy sets out four priorities to support the University's Equality Mission, which is to be a beacon of excellence within the sector to promote a culture of inclusion, respect and equality of opportunity for all. Our activities are guided by these priorities, which are to develop a University-wide culture which promotes equality and inclusion; integrate and embed equality into all aspects of University business; attract, retain, support and develop an excellent workforce from across the world; and ensure a world-class student experience through inclusion and academic excellence.

Staff-related activities supporting the attainment of the University's Equality Mission include renewing our institutional Athena SWAN award: all our Science, Technology, Engineering, Mathematics and Medicine faculties and departments hold a Silver or Bronze award – a significant University achievement. We supported the participation of 15 women on the 2016/17 Leadership Foundation for Higher Education programme for Women in Leadership ('Aurora'); and a review of our promotions criteria focused on removing any perceived gender bias. These and other initiatives have contributed to an increase in the proportion of female leaders at Leeds: female professors at Leeds currently comprise 24% of our professoriate; and the University was cited recently in the Times Higher Education as one of a small number of institutions continuing to make progress in this area. We are strengthening recruitment, support and progression for other under-represented staff groups and increasing the consideration of 'intersectionality' within our work; we are engaging with the sector's Race Equality Charter and with Stonewall; and are developing a more holistic approach to supporting staff with disabilities.

Following the introduction of changes by Government to the Disabled Students' Allowance, we have strengthened our new model of student engagement and support for disabled students which focuses efforts to provide more inclusive opportunities, support, curricula and learning and teaching practices.

We support the needs of our diverse staff, students and visitors by continuing to invest in campus accessibility and infrastructure: we have improved signage; and increased the numbers of prayer spaces, breastfeeding and baby changing areas, and gender-neutral toilets.

The University continues to address areas of under-representation. Students from less advantaged backgrounds have the opportunity to progress through our Access to Leeds scheme, which supports the recruitment of the brightest and best students regardless of background; and the University's Plus Programme has been designed to promote their retention, academic success and employability.

Detailed equality monitoring data are published at <https://equality.leeds.ac.uk/equality-data>: a snapshot of data for 2016/17 (at 1 December 2016) follows:

#### University of Leeds student diversity profile

Where information is known	Home and EU students	Overseas
Female	61%	58%
Age (21 and over)	11%	21%
Black and minority ethnic	16%	94%
Disabled	11%	2%
Low SEC participation	21%	–
<b>Total student headcount</b>	<b>33,028*</b>	–

\*Excludes certain students for diversity monitoring purposes.

Staff in post by protected characteristic

Characteristic	Protected characteristic	% where known
Gender	Female	54%
	Male	46%
Age	50–59	22%
	60+	8%
Ethnicity	Black and minority ethnic	10%
Disability	Disabled	4%
Caring responsibilities	Carers	22%
Sexual orientation	Bisexual	1%
	Gay man/woman	2%
Faith/belief	Christian	25%
	Muslim	2%
	Hindu	1%
	Jewish	1%
	No faith	31%
<b>Total staff headcount</b>	<b>8,334</b>	–

Maintaining standards

As part of our commitment to maintaining and supporting the highest standards in research, the University supports and upholds the principles articulated in the Concordat to Support Research Integrity. Our Research Ethics Policy and ethical review procedures seek to protect all groups involved in research – including participants, researchers, funders and the University itself. Developmental support and training for researchers includes dedicated research ethics training provision for both staff and students, comprising workshops, individual drop-in sessions and supplementary online resources.

We have an established University Research Ethics Committee (UREC), supported by a network of faculty-level research ethics committees that engage staff and students. UREC has oversight of matters of general policy and principle on research; approval of proposals for research with significant ethical dimensions (including research carried out on human subjects or using their data); and consideration of the impact of research upon the natural environment. Other activity in this area includes work to support comprehensive engagement with ethics policy. Following a review that concluded this year, adjustments have been made to the Committee’s membership and *modus operandi*.

The University has a protocol for investigating and resolving allegations of misconduct in academic research. We are committed to ensuring that any such allegations are subject to full, fair and quick investigation. Screening of an allegation raised towards the end of session 2015/16 suggested that there was a *prima facie* case to answer and, although it could not be pursued via formal investigation as the individual concerned had left the country, appropriate action was taken. Of the two allegations lodged in session 2016/17, one related primarily to staff at other, overseas, institutions. It was investigated by another institution and found to have no substance. The other was upheld following formal investigation, and a subsequent appeal rejected.

Our Code of Practice on Whistleblowing sets out how we will handle complaints of suspected malpractice or impropriety. Consideration of an anonymous allegation lodged in 2015/16 under the Code concluded in 2016/17: it was judged to be not well-founded.

Similarly, the University operates a complaints procedure which provides for both informal and formal resolution of concerns about any aspect of a student’s academic or pastoral experience. During 2016/17 the University received 40 formal student complaints (31 in 2015/16), which included complaints about the standard of academic provision, the standards of other key services affecting a student’s studies or general welfare, and failure to meet obligations.

The majority of complaints received in 2016/17 have been resolved satisfactorily (though the deadline for seeking a review externally with the Office of the Independent Adjudicator (OIA), the higher education ombudsman, has not yet been reached in all cases).

During the year the University also dealt with 176 appeals from taught students against academic judgements relating to results declared for the 2015/16 Semester 2 or 2016/17 Semester 1 examinations (139 in 2015/16). Of these 95 were conceded by their school or upheld (in full or in part), 73 were rejected and in 8 cases the appeals were withdrawn by the student. A further 9 appeals were submitted by research students (17 in 2015/16): of which four have been conceded by their school or upheld (in full or in part), four were rejected and one was under consideration at the year end.

Twelve students lodged petitions with the OIA during 2016/17, four arising from complaints decisions, three against academic appeals dismissed by the University, and five arising from the University’s decision to exclude the students for unsatisfactory academic progress or academic malpractice. One case was settled (the matter was considered under the appeal stage of the complaints procedure); one case was upheld (the OIA recommended that the University offered an apology and compensation for administrative delays in the processing of the complainant’s appeal); one case was withdrawn by the complainant; and eight cases have been dismissed while one was under review by the OIA at the end of the year.

Of the 4 OIA cases outstanding from the 2015/16 Annual Report, the OIA dismissed three cases and upheld one case due to an identified procedural shortcoming: the OIA recommended that the case be reviewed by the University through its academic appeals process.

Use of animals in research

The University of Leeds carries out research on animals mainly to improve the health and welfare of human beings and animals, but also in some circumstances to provide a better understanding of the animals themselves. It uses animals only when there are no alternatives, and is firmly committed to the replacement, reduction and refinement of the use of animals in research (‘the 3Rs’).

Research using animals is driving fundamental advances in understanding, treating and curing a range of health problems including cancer, heart disease, diabetes and mental illness, and it continues to enable fundamental advances in our understanding of diseases. For example, research carried out at Leeds using small and large animal models has contributed to the development, commercialisation and clinical use of novel regenerative acellular biological scaffolds which enable tissue regeneration in the body by the patient’s own cells. Use of animal models in Leeds has also led to the first significant improvement in the recovery of voluntary control of movement in people with severe spinal cord injury.

Where the use of animals is unavoidable, all research is carried out to high standards of humane care and treatment within a strict framework of legal controls. Projects must be approved by an ethical review committee; and researchers are trained in the ethical dimensions of their work and in standards of animal care, welfare and accommodation.

By way of improving transparency of reporting – and to enhance our governance arrangements – the committee which has oversight of work that falls under the Animals (Scientific Procedures) Act 1986 now reports directly to the University’s Council. Its minutes are published on the University’s website, alongside other information about the University’s use of animals.



### Freedom of information and data protection

During 2016/17 we received 363 requests explicitly under the Freedom of Information Act. This represents a small increase on the number (320) received in 2015/16. There is a continuing trend towards broader and more complex requests; and a recent development towards 'clusters' of requests associated with events or themes being explored in the media. Almost a quarter of requests emanated from journalists. Common themes related to the Government's Prevent strategy; IT systems and security; student mental health and well-being; and HR and procurement statistics. We responded to the vast majority of requests within the twenty-day period required by the Act, with extensions negotiated in a very small number of complex cases. One complaint lodged with the Information Commissioner's Office (ICO) was resolved in the University's favour.

The University's arrangements for meeting its responsibilities under data protection legislation are set out in a detailed Code of Practice and associated guidance, which is also available online. During 2016/17 the University received the same number (12) of data subject access requests as in the previous year. The requests originated from staff, and from students who were not progressing on or had failed their courses. One complaint was lodged with the ICO, which found that the University had not breached data protection legislation. Work is ongoing to ensure that the University is compliant with the General Data Protection Regulations that will replace the Data Protection Act in May 2018.

### Fundraising

The University fundraises from alumni, corporates, trusts and foundations and other individuals. Activities include major gifts fundraising, which involves fundraisers engaging personally with potential donors and usually involves small events; face-to-face meetings and visits to campus; and grant applications to charitable trusts and foundations. Our direct marketing programme circulates two direct mail fundraising appeals a year, together with occasional legacy appeals; and we run three telephone fundraising appeals annually.

We do not use third parties to fundraise on our behalf but do use a third party design and print agency for our direct mail appeal. Calling is undertaken on campus by a team of trained and supervised student callers. Our work is supported by guidance on working with vulnerable people in a fundraising context, which specifies compliance with the Institute of Fundraising Code of Practice. All fundraisers are required to be knowledgeable about this guidance.

We have paid the voluntary £1k levy to the Fundraising Regulator and have signed up to its Code of Fundraising Practice. No complaints have been lodged during the year.

This statement covers the period 1 August 2016 to 31 July 2017 and up to the date of approval of the audited financial statements.

The University is an independent corporation established by Royal Charter 'as a teaching and examining body ... to cultivate and promote arts, science and learning'. These objects, and its powers and framework of governance, are set out in the Charter and its supporting Statutes, amendments to which must be approved by the Privy Council. It receives substantial public funding and, by virtue of the educational nature of its objectives, is an exempt charity under Schedule 2 of the Charities Act 1993.

The Council is satisfied that the University has had regard to, and materially complies with, the Higher Education Code of Governance published by the Committee of University Chairs in December 2014, and that it also complies with relevant provisions in the First (1995) and Second (1996) Reports of the Committee on Standards in Public Life. The University is in any case committed to upholding the highest standards of corporate governance and continues to work to secure best practice in all aspects of governance, with support from the Nominating and Governance Committee in particular (see below).

### Structure of governance

Periodic review of the effectiveness of the University's governance arrangements was initiated towards the end of the session and is expected to conclude during 2017–18.

#### The Council

The Council is the governing body of the University. As such, it has a collective responsibility to promote the University's wellbeing and to ensure its sustainability. The specific responsibilities of the Council are outlined in its Statement of Primary Responsibilities as set out on page 26 but, in essence, it is responsible for approving corporate strategy and associated plans and budgets; for determining major business decisions and corporate policy; for the framework of governance and management; and for monitoring institutional and executive performance. These responsibilities are 'reserved' to the Council and, as a general rule, cannot be delegated. Other responsibilities have been delegated to committees and officers in accordance with a scheme of delegation ([www.leeds.ac.uk/secretariat/documents/scheme\\_of\\_delegation.pdf](http://www.leeds.ac.uk/secretariat/documents/scheme_of_delegation.pdf)).

The Council, which meets a minimum of six times a year, has 23 members, the majority of whom are lay members. (Lay members are those who are neither employees nor students of the University.) Also included in its membership are representatives of the staff and students. For the purposes of charity law, members of the Council are the trustees of the University and, in this connection, they have had regard to the Charity Commission's guidance on public benefit. They do not receive fees or other remuneration for serving as members or trustees.

As the (lay) Chair of the Council, the Pro-Chancellor, Mr David Gray, plays a key role in the governance of the institution while remaining outside the day-to-day executive management. Members of the Council are listed in the table on page 25, which also shows other trusteeships held by members and members' attendance at meetings. The University maintains a Register of Interests of members of the Council (and senior officers) which may be consulted by arrangement with the Secretary to the University, Mr Roger Gair.

#### The Senate

The Senate is responsible to the Council for academic governance, and especially for regulating the admission of students; the curriculum and assessment; maintenance and enhancement of academic standards; and the award of degrees and other qualifications. The Senate consists of some 160 members of the academic staff and 19 student members; slightly over half of the staff members are elected.

In addition to its responsibility for academic governance, the Senate has an advisory role extending across most aspects of the University's work. It also serves as a two-way channel of communication, thus underpinning collegiality; and is responsible in particular for advising the Council on academic and related strategies.

The Senate may discuss and declare an opinion on any matter whatsoever relating to the University, and is given the opportunity to comment on policy questions and other matters (including the allocation of general revenue) affecting the academic work of the University.

#### University Committees

The principal committees of the Council include the following.

- The Audit and Risk Committee (chaired by Mr Ed Anderson), which meets five times a year, has a significant role in reviewing the effectiveness of the systems of internal control, including financial procedures and risk management (see below), taking into account advice from the University's auditors. The Committee also
  - › reviews the control and quality assurance of data returned to external authorities and for meeting the compliance demands of various agencies
  - › reviews aspects of the University's financial statements, including the audit report, the statement of primary responsibilities of the Council and the statement of internal control
  - › provides the Council with assurances, including on compliance with the terms of the HEFCE's Memorandum of Assurance and Accountability
  - › considers and advises the Council on the appointment of the internal and external auditors, and monitors annually their performance and effectiveness.
- The Nominating and Governance Committee (chaired by the Pro-Chancellor),
  - › brings forward to the Council nominations to fill vacancies for lay members of the Council and its Committees;
  - › is required in this respect to have regard to the need to draw members from a wide variety of backgrounds, and also to strike an appropriate balance between continuity and rotation in the membership of the governing body; and
  - › considers annually the potential for improvements in governance.
- The Health and Safety Committee (chaired by the Vice-Chancellor), maintains an overview of the University's arrangements for securing the health and safety of staff, students and visitors.
- The Remuneration Committee is chaired by the Pro-Chancellor, and its other members are Ed Anderson, Caroline Johnstone and Amanda Mellor (all members of the Council). The Committee's main responsibility is to determine the salaries of the Vice-Chancellor and other members of the University Executive Group. The Committee makes an annual report to the Council, copies of which may be obtained on request from the Director of Human Resources.

- The Gift Acceptance Committee (chaired by the Pro-Chancellor), scrutinises and – after considering any strategic, financial, legal, ethical and reputational issues – approves or otherwise solicitation or acceptance of gifts with a value over £100,000 (increased to £150,000 in 2017/18).
- The Equality and Inclusion Committee (chaired by the Vice-Chancellor), reviews the strategy and processes by which the University encourages good practice and innovation in securing equality and inclusion across all of its activities.
- The Animal Welfare and Ethical Review Committee promotes the welfare of animals held or used by the University under the Animals (Scientific Procedures) Act 1986 and monitors compliance with relevant legislation.

Committees of the Senate include the Taught Student Education Board, the Graduate Board and the Research and Innovation Board.

### The Court

The University Court, which has some 80 members (the majority lay) and which meets at least twice a year, stands beyond the University's main decision-making machinery. The Court serves as a symbol of – and indeed a mechanism for – the University's accountability to the wider community and to different constituencies of stakeholder: it is empowered to ask questions about, and express an opinion on, any matter whatsoever concerning the University; and to convey such opinions to the Council.

The Court is responsible for the appointment of the Chancellor and for the award of honorary degrees.

### Senior officers and executive management

As the chief executive and senior academic officer of the University, the Vice-Chancellor, Sir Alan Langlands, exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. He is formally responsible to the Council – within a prescribed framework – for the operational management of all aspects of the University's work; and, under the terms of a Memorandum of Assurance and Accountability, is the 'accountable officer' who reports to the HEFCE on behalf of the University.

The University's Executive Group (UEG) consists of the Vice-Chancellor, the Deputy Vice-Chancellors, the Pro-Vice-Chancellor, the faculty executive deans, the Chief Financial Officer, the Marketing Director, the Director of Human Resources, the Director of Facilities Management and the Secretary. The Vice-Chancellor delegates responsibility for specific aspects of the University's management to his colleagues on the UEG but retains ultimate responsibility for their work: executive deans and senior officers are responsible to the Council (through the Vice-Chancellor) for the leadership and overall management of the faculties and the corporate services.

The UEG's formal terms of reference include protecting and promoting the interests of students; nurturing the wider University community in furtherance of the education and research mission of the institution; ensuring the academic development of the University and securing its academic and financial sustainability; formulating the University's Strategic Plan, and ensuring its implementation and the achievement of key objectives and performance targets; identifying and managing risks; and resource allocation. Members of the UEG are listed on page 25.

### Internal control

The Council is responsible for ensuring a sound and effective system of internal control that supports the fulfilment of the University's policies, aims and objectives whilst safeguarding public and other funds and assets. The system of internal control is designed to manage rather than eliminate these risks of failure: it can provide reasonable but not absolute assurance.

Detailed review and monitoring of the system of internal control is carried out on behalf of the Council by the Audit and Risk Committee, from which the Council receives periodic reports. The Committee itself receives regular reports from the internal auditors; those reports include an independent opinion on the adequacy and effectiveness of the University's arrangements for risk management, governance, internal control, and securing value for money, with recommendations for improvement where appropriate. The Committee also seeks assurance that the University has in place adequate and effective arrangements for the management and quality assurance of data provided to the Higher Education Funding Council for England (HEFCE), Higher Education Statistics Agency (HESA) and other bodies.

Review of the system of internal control is informed too by the work of executive managers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

### Financial control

The Council is required to secure the economical, efficient and effective management of the University's resources and expenditure and to safeguard its assets (including preventing and detecting fraud). In so doing, it has to ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability agreed with HEFCE, and that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.

The University discharges these responsibilities through a system of internal financial control. Key elements of this system include a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets, together with monthly reviews of financial results involving variance reporting and updates of forecast out-turns.

Requirements for approval and control of expenditure are clearly defined and formalised, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council and recorded in the University's Scheme of Delegation. The Scheme of Delegation also includes clear definitions of the responsibilities of, and the authority delegated to, academic and administrative heads. This system is underpinned by comprehensive Financial Regulations which detail financial controls and procedures; and by a professional internal audit team whose annual programme is approved by the Audit and Risk Committee.

The Council is also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which ensure that the financial statements are prepared in accordance with the University's Charter, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant law and UK Accounting Standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability, the Council, through its accountable officer, is required to ensure annually that financial statements are prepared, audited and presented which give a true and fair view of the state of affairs of the University at the end of the financial year, and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that suitable accounting policies are selected and applied consistently; applicable accounting standards have been followed (subject to any material departures disclosed and explained in the financial statements); and that judgements and estimates are made that are reasonable and prudent.

### Risk management

The management of risk is integral to the work of the Council and constitutes a significant part of the University's system of internal control. As part of this process, the Council regularly considers the strategic direction of the University and institutional plans, and receives regular reports on progress against key performance indicators (KPIs), strategic initiatives and other significant projects and risk factors. The Council also requires regular reports via the Audit and Risk Committee on the steps that executive leads are taking to manage the risks associated with the achievement of the University's strategic objectives. These reporting mechanisms are underpinned by a robust methodology for identifying and prioritising risks. An institutional risk register is maintained; annual risk returns are received from executive deans of faculty; and risk awareness training is provided from time to time. A refreshed approach to training is currently being considered.

This process, which accords with the HEFCE guidance, was further tested in 2016/17 as part of the Audit and Risk Committee's rolling programme of risk review. The Committee reviewed the University's risk management arrangements and the institutional risk appetite statement. Overall, the Committee was content that an appropriate framework to identify, assess and manage risk was in place.

Key risks which could directly threaten financial sustainability are described on page 11–13 in the Chief Financial Officer's report.

### Going concern

The Council is satisfied that the University has significant financial resources, a strong underlying financial performance, the flexibility to cope with reasonable financial pressures, and a longer-term financial forecast that underpins the delivery of a broader strategic plan.

The Council is satisfied therefore that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Annual Report and Accounts.



Members of the University Council 2016/17

Member of Council	Brief pen-portrait	Charity Trusteeships	Attendance (6 Ordinary meetings, 2 Away Days)
David Gray	Pro-Chancellor and Chair of Council since 2013; former CEO and Chairman of Eversheds International; member of the DWF LLP Board		6 + 2
Sir Alan Langlands	Vice-Chancellor since 2013 and Chair of the Health Foundation; former Chief Executive of the HEFCE (2009–13); previously Principal and Vice-Chancellor of the University of Dundee; Chair of UK Biobank Ltd and, before entering the higher education sector, Chief Executive of the NHS	The Health Foundation; Leeds International Piano Competition	6 + 2
Nick Allen	Programmes and Assessment Operations Team, Student Education Service; Chair, local branch of UNISON		6 + 1
Ed Anderson	Chairman of the Airport Operators Association; Chairman of National Savings and Investments; Non-Executive Director of Tablet Publishing Company; former Managing Director of Leeds Bradford International Airport; former Chairman of Yorkshire Building Society; Deputy Lieutenant of West Yorkshire; County President (South and West Yorkshire), St John Ambulance	Leeds International Piano Competition; Opera North; Friends of Opera North	6 + 1
Liz Barber	Director of Finance, Regulation and Markets for Kelda Group, owners of Yorkshire Water; previously Partner with Ernst & Young for 9 years; Non-Executive Director and Chair of Audit Committee of KCOM plc		4 + 1
Helen Billington	Education Service Manager, Online Distance Learning Centre; Fellow, Association of University Administrators; Vice-Chair of Governors, Selby High School		6 + 2
Cathy Cassell	Deputy Dean, Faculty of Business; Professor of Organisational Psychology		3 + 2
Neil Clephan	Roundhay School – all through education from 4 to 18; National Leader of Education	Jigsaw (HMP Armley)	4 + 1
Seb Elsworth	Chief Executive of Access – the Foundation for Social Investment		6 + 1
Nigel Foster	Director and an owner of Fore Consulting Limited; Director and owner of Colbaran Ltd; former Director, Ove Arup and Partners; Director of Leeds and Partners; Director of Ahead Partnership; Former President and Director of West & North Yorkshire Chamber of Commerce; Chair and Non-Executive Director of the Centre for Low Carbon Futures; Chair, Sustainable Economy and Culture Board, Leeds		4 + 2
Paul Gittins	Director, Strategy and Competitive Intelligence, Capgemini		2 + 2
Jeremy Higham	Executive Dean of the Faculty of Education, Social Sciences and Law and Professor of Post-14 Education Policy and Curriculum		6 + 2
Michael Howell	Engineer; former business executive; former Master of the Clothworkers' Company of London (2014–15); and former Chairman of the City & Guilds of London Institute (2006–12)		6 + 1
Caroline Johnstone	Non-Executive Director and Chair of Audit Committee of Synthomer plc; Non-Executive Director and Chair of Audit Committee of Shepherd Group Ltd; Director of CA Johnstone Limited, consulting services; Non-Executive Director, Deputy Chair and Chair of Audit Committee, Leeds Teaching Hospitals Trust; Chartered Accountant (former partner with PricewaterhouseCoopers)		6 + 1
Roger Marsh	Chartered Accountant; business recovery specialist; Chair, Leeds City Region Enterprise Partnership; member, West Yorkshire Combined Authority; Transport for the North Partnership Board; Chair of Strategic Oversight Board, Northern Powerhouse Investment Fund; Council Member, Institute of Directors; former Senior Partner for Yorkshire & The Humber, PricewaterhouseCoopers	The Iraq/Afghanistan Memorial Project; The Piece Hall Trust	2 + 1
Armanda Mellor	Group Secretary and Head of Corporate Governance, Marks & Spencer Group plc		5 + 0
Yvette Oade	Chief Medical Officer of Leeds Teaching Hospitals NHS Trust; formerly Chief Medical Officer of Hull and East Yorkshire Hospitals NHS Trust and Deputy Chief Executive, and Consultant Paediatrician in Calderdale and Huddersfield Foundation NHS Trust	Yorkshire Cancer Research	6 + 1
Melissa Owusu	Education Officer (LUU)	Leeds University Union	4 + 0
Jack Palmer	Union Affairs Officer (LUU)	Leeds University Union	6 + 1
Geoff Potter	Director and founder, Avebury Public Relations Ltd; Senior Partner with Instinctif Partners; formerly responsible for worldwide Corporate Communications for Glaxo/Glaxo Wellcome/ GlaxoSmithKline; Deputy Chairman, Ryedale Festival	Ryedale Festival Trust; Royal Institution of Great Britain	5 + 2
Mark Taylor-Batty	Senior Lecturer in Theatre Studies, School of English; President – UCU, University of Leeds Branch		4 + 1
Jo Westerman	Manager, LOGIK and Staff Centre		4 + 2
Quentin Woodley	Deputy Pro-Chancellor; Director Emeritus, McKinsey & Company; Director, Woodley Pension Trustees Ltd; Chartered Accountant		5 + 2

One LUU Officer and Trustee of LUU (Melissa Owusu (Education Officer)) was a member from 1 July 2016 to 30 June 2017. She was replaced on 1 July 2017, initially by Zak Kaf Al-Ghazal and subsequently (in September 2017) by Natasha Mutch-Vidal (Equality and Diversity Officer and Trustee of LUU). Cathy Cassell stepped down from the Council's membership on 30 March 2017 and Jeremy Higham and Jo Westerman on 31 July 2017; they were replaced on 1 August 2017 by Rachael Brown, Pam Jones and Luke Windsor.

Members of the University Executive Group 2016/17

<b>Sir Alan Langlands</b> Vice-Chancellor (Chair)
<b>Francesca Fowler</b> Director of Human Resources
<b>Roger Gair</b> University Secretary
<b>Martin Holmes</b> Marketing Director
<b>Dennis Hopper</b> Director of Facilities Management
<b>Jane Madeley</b> Chief Financial Officer
<b>Professor Lisa Roberts</b> Deputy Vice-Chancellor: Research and Innovation
<b>Professor Tom Ward</b> Deputy Vice-Chancellor: Student Education
<b>Professor Hai-Sui Yu</b> Pro-Vice-Chancellor: International
<b>Professor Andy Dougill</b> Executive Dean, Faculty of Environment
<b>Professor Frank Finlay</b> Executive Dean, Faculty of Arts, Humanities and Cultures
<b>Professor Jeremy Higham</b> Executive Dean, Faculty of Education, Social Sciences and Law
<b>Professor Peter Jimack</b> Executive Dean, Faculty of Engineering
<b>Professor John Ladbury</b> Executive Dean, Faculty of Biological Sciences
<b>Professor Peter Moizer</b> Executive Dean, Faculty of Business
<b>Professor Stephen Scott</b> Executive Dean, Faculty of Mathematics and Physical Sciences
<b>Professor Paul Stewart</b> Executive Dean, Faculty of Medicine and Health

Statement of Primary Responsibilities of the Council

Within the framework laid down by the Charter and Statutes, the primary responsibilities of the Council are as follows:

Corporate strategy

Having regard to the interests of stakeholders:

- to approve or modify the University's mission and objectives, the strategic and operational plans designed to secure those objectives (including academic, financial, physical, staffing and capital strategies), and the underlying values and principles that shape the work of the University;
- to approve the University's annual general revenue budget and the main features of the mechanisms for allocating resources within that budget; and to ensure that the University remains solvent and that, taking one accounting period with another, its total expenditure is not greater than its total income;
- to take steps to ensure that all individuals within the University are treated fairly, with dignity and respect; that the opportunities the University provides are open to all; and that the University provides a safe, supportive and welcoming environment for staff, students and visitors;
- to make such provision as it thinks fit for the general welfare of students, in consultation with the Senate; and
- to initiate remedial action in the event of a systematic failure within the institution to respond adequately to a deterioration in the University's performance, management or reputation.

Corporate policies

To exercise overall responsibility for the University's assets, property and estate, and specifically:

- as the employing authority for all staff within the institution, to approve or modify the main features of the University's employment policies and procedures;
- to approve or modify the University's policy on health and safety, and other significant University policies and to satisfy itself that arrangements are in place for the implementation of those policies;
- to approve major projects and business proposals, including in particular any projects or proposals with a value of over £3m (or £5m in respect of the University's estate) and any proposals for educational provision overseas;
- to approve the annual statement of accounts; and
- to act as trustees for, or to make appropriate alternative arrangements for the trusteeship of, any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

Operational management and systems

To approve or modify the main features of the University's overall governance and management structures, its systems of risk management, internal financial management and control and accountability, and its financial regulations and procedures; and in that regard:

- to approve or modify the overall constitutional and organisational structure and shape of the University, including, subject to the approval of the Privy Council, amendments to the Charter and Statutes;
- to ensure that systems are in place for meeting all of the University's legal obligations, including those arising from contracts and other commitments made in the University's name;

- to direct the form, use and custody of the common seal;
- to appoint the Vice-Chancellor; and, when necessary, to propose his or her removal from office in accordance with the provisions of Statute VII;
- to make nominations to the office of Chancellor;
- to appoint the Pro-Chancellor and Deputy Pro-Chancellors;
- to appoint – and where appropriate, remove from office – deputy vice-chancellors and pro-vice-chancellors;
- to appoint – and where appropriate, remove from office – a secretary to the Council, to safeguard the secretary's ability to carry out the responsibilities of that office, and, having regard to any other managerial responsibilities undertaken by the secretary, to ensure an appropriate separation in the lines of accountability;
- to appoint lay members of the Council;
- to remove members of the Council on the basis set out in Statute II;
- to ensure that University business is conducted in accordance with best practice in corporate governance within higher education, and with the principles of public life laid down by the Committee on Standards in Public Life;
- to ensure that funds provided by the Funding Council are used in accordance with the terms and conditions specified in the Memorandum of Assurance and Accountability;
- to ensure that reasonable arrangements are in place to safeguard the good name and values of the University and to ensure compliance with the University's constitution;
- to ensure that proper books of accounts are kept, to appoint the University's external and internal auditors and the University's bankers, and to approve the University's banking mandates;
- to establish, and as necessary review, procedures for handling internal grievances and for managing conflicts of interest;
- to approve or to amend, as necessary, the terms of the Trust Deeds of any University trusts; and
- to determine the basis on which any of the Council's functions shall be delegated to committees and individuals, and thereafter to satisfy itself as to the proper and effective discharge of any delegated functions.

Monitoring of institutional performance

To monitor and evaluate the performance and effectiveness of the University against approved plans, key performance indicators agreed by the Council and benchmarking data for comparable institutions, and also:

- to monitor the progress of major business projects;
- to confirm that the performance of the Vice-Chancellor and other executive officers is systematically monitored against institutional objectives and plans; and likewise
- to establish processes to monitor and evaluate the performance and effectiveness of the Council itself.

## Opinion on financial statements

### In our opinion the financial statements:

- give a true and fair view of the state of the group's and University's affairs as at 31 July 2017 and of the Group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.
- We have audited the financial statements of the University of Leeds and its subsidiaries (the 'group') which comprise:
  - the consolidated and University statement of comprehensive income and expenditure;
  - the consolidated and University balance sheets;
  - the consolidated and University statements of changes in reserves;
  - the consolidated statement of cash flows;
  - the statement of accounting policies; and
  - the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent entity.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Summary of our audit approach

#### Key audit matters

The key audit matters that we identified in the current year were:

- the cut-off of deferred research grant income and the cut-off and occurrence of other one-off income;
- the accounting for capital projects; and
- the valuation of defined benefit obligations.

#### Materiality

The materiality that we used in the current year was £5.4m which was determined on the basis of 1% of total income.

#### Scoping

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of misstatement at the group level. The group audit, including audit of the consolidation, the University and the subsidiaries is performed primarily at the University of Leeds.

#### Significant changes in our approach

There were no significant changes in our approach compared to prior years.

## Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Council's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**We have nothing to report in respect of these matters.**

## Our assessment of key audit matters of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Income recognition

#### Key audit matter description

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in income recognition, evaluate which types of income, income transactions or assertions give rise to such risks.

There is judgement in applying the income recognition policy for one-off income in relation to donations and endowments around the period end. This is driven by the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (HE SORP) requiring them to be recognised on a performance obligation model. We consider the significant risk in relation to one-off income to be specific to cut off and occurrence of donations and endowments around the year end.

We have also identified a significant risk in relation to deferred research grant income totalling £60m at the year end (2016: £55m) as disclosed in note 20 of the accounts. There is a risk around the year end that the judgements taken could lead to a cut off error and that income is recognised in the incorrect period.

Sector expectations may place pressure on management to influence the recognition of income. This could result in the overstatement of the deferral of revenues to assist in meeting current and future expectations.

Details of the accounting policies applied are set out on page 39.

#### How the scope of our audit responded to the key audit matter

- We evaluated the design and implementation of key controls relating to income recognition for one-off income;
- We performed focused testing on a sample of research grants and other one-off items to validate that income has been recognised in line with fulfilment of the associated performance conditions;
- We have challenged management's assessment of the classification of these items and the completeness of their impact on the income recognised in the year; and
- We have reviewed correspondence and contracts to assess the risk of clawback of funding.

#### Key observations

Based on the work performed, we are satisfied that the balances recognised in relation to one-off income, and the related disclosures given, are satisfactory.



### Accounting for capital projects

#### Key audit matter description

The University is midway in a £520m investment programme committed between 2015–2020. At the balance sheet date, costs totalling £119m have been capitalised in relation to this programme in the year (2016: £125m) as per note 12.

There are a number of judgements related to the capitalisation of capital projects to meet the requirements set out in the 'Property, Plant and Equipment' section of the HE SORP.

Key judgements include whether the expenditure meets the criteria for capitalisation; whether replaced and derecognised assets have been appropriately accounted for; whether accounting for assets under construction is appropriate; and the existence of finance leases or service concession arrangements which may be complex.

The accounting policies adopted have been disclosed on page 39 of the accounts.

#### How the scope of our audit responded to the key audit matter

- We evaluated the design and implementation of key controls relating to accounting for capital projects;
- We have challenged management's judgements in relation to a sample of assets capitalised in the year, understanding the substance of the transaction, agreeing through to supporting documentation and physical verification of the asset; and
- We have made enquiries of the Estates department and reviewed the capital programme timetable to understand the nature of capital projects and assessed any indications of impairment of other assets scheduled to be replaced.

#### Key observations

Based on the work performed, we are satisfied that the balances recognised in relation to the accounting for capital projects and the related disclosures given, are satisfactory.

### Valuation of defined benefit obligations

#### Key audit matter description

As described in the Council's statement of accounting policies, the group operates a defined benefit pension plan, the University of Leeds Pension and Assurance Scheme ('PAS'), which is closed to new entrants, and participates in the Universities Superannuation Scheme ('USS').

As per note 28 in the accounts, in respect of PAS, at 31 July 2017 the group recorded a net defined benefit deficit of £18m, being net of scheme assets of £461m and scheme liabilities of £480m. In respect of USS, at 31 July 2017 the group recognised a liability of £70m in relation to future deficit recovery payments the University is contractually bound to make.

We have identified a significant risk in relation to the valuation of defined benefit obligations, accounted for in line with the 'Employee Benefits' section of the HE SORP.

The accounting policies adopted by the University have been disclosed on page 39 of the accounts.

#### How the scope of our audit responded to the key audit matter

- We evaluated the design and implementation of key controls relating to the valuation of PAS and USS defined benefit obligations;
- We evaluated management's assessment of the assumptions made in the valuation of the PAS scheme liabilities and evaluated the information contained in the actuarial valuation reports for the PAS scheme;
- We tested the membership data used in the valuation of the PAS scheme and, with the support from our own actuarial specialists, we considered the valuation process applied by the group's actuaries, the scope of the valuation performed and the key assumptions applied, and evaluated their expertise.
- We evaluated and benchmarked the key variables used in the valuation models for the PAS scheme, including:
  - Salary increases.
  - Inflation rates.
  - Mortality rates.
  - Discount rates.
- We have reviewed the methodology applied in valuing the USS liabilities recognised, with reference to the British Universities Finance Directors Group guidance and models, and evaluated the key assumptions around salary inflation and future headcount.

#### Key observations

Based on the work performed, we are satisfied that the balances recognised in relation to the valuation of defined benefit obligations and the related disclosures given, are satisfactory.

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Group materiality</b>	£5.4m (2016: £5.1m)
<b>Basis for determining materiality</b>	1% of total income (2016: 1% of total income)
<b>Rationale for the benchmark applied</b>	We continue to use total income as the benchmark for determining materiality as we deem this reflects the underlying performance of the business and is a key metric for users of the financial statements.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.3m (2016: £0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

The component materiality applied ranged from 50% to 95% of Group materiality (£2.7m to £5.1m) dependent on our assessment of risks specific to each component and based on the component's income.

### An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. The group audit, including audit of the consolidation, the University, the subsidiaries, joint ventures and associates is performed primarily at the University of Leeds.

At the group level we also tested the consolidation process, including carrying out procedures on the joint venture and associate entities which were not subject to audit. Full scope audits were performed on the University and its subsidiaries covering 100% of the group's total income (2016: 100%), and 100% of the group's total net assets (2016: 100%). There have been no significant changes in our scoping compared to prior year.

### Other information

The Council is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

**We have nothing to report in respect of these matters.**

## Responsibilities of the Council

As explained more fully in the Council's statement of primary responsibilities, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group's and the 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 the Council either intend to liquidate the group or the University or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)  
This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Council, as a body, in accordance with the memorandum of assurance and accountability effective August 2016. 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 Council as a body, for our audit work, for this report, or for the opinions we have formed.

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)

In our opinion, in all material respects:

- income from HEFCE and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2017 have been applied for the purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

## Other matters

### Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Council in April 2004 to audit the financial statements for the year ending 31 July 2005 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 13 years, covering the years ending 2005 to 2017.

### Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

Paul Thomson (Senior statutory auditor)  
For and on behalf of Deloitte LLP, Statutory Auditor  
Leeds, United Kingdom

# ANNUAL ACCOUNTS



## Consolidated and University Statement of Comprehensive Income and Expenditure

for the year ended 31 July 2017

	Notes	2016/17		2015/16	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	322,977	321,539	290,267	290,039
Funding body grants	2	82,391	82,391	85,104	85,104
Research grants and contracts	3	131,062	131,062	128,326	128,326
Other income	4	129,811	122,935	124,035	116,264
Investment income	5	3,342	3,386	3,651	3,676
Donations and endowments	6	5,335	5,889	5,288	5,935
<b>Total income</b>		<b>674,918</b>	<b>667,202</b>	<b>636,671</b>	<b>629,344</b>
<b>Expenditure</b>					
Staff costs	7	371,414	367,483	348,691	345,203
Other operating expenses	9	229,664	226,674	221,613	218,793
Depreciation and amortisation	11, 12	50,003	49,304	44,801	44,142
Interest and other finance costs	8	12,551	12,524	8,877	8,872
<b>Total expenditure</b>	9	<b>663,632</b>	<b>655,985</b>	<b>623,982</b>	<b>617,010</b>
<b>Surplus before other gains losses and share of operating surplus/deficit of jointly controlled entities and associates</b>		<b>11,286</b>	<b>11,217</b>	<b>12,689</b>	<b>12,334</b>
Realised (loss)/gain on disposal of fixed assets		(1,957)	(1,963)	688	688
Unrealised gain/(loss) on investments		1,631	1,631	(2,133)	(2,133)
Share of operating deficits in jointly controlled entities	16	–	–	(26)	–
Share of operating (deficits)/surpluses in associates		(856)	–	293	–
<b>Surplus before tax</b>		<b>10,104</b>	<b>10,885</b>	<b>11,511</b>	<b>10,889</b>
Taxation	10	(241)	(152)	(118)	33
<b>Surplus for the year</b>		<b>9,863</b>	<b>10,733</b>	<b>11,393</b>	<b>10,922</b>
Actuarial gain/(loss) in respect of pension schemes	28	36,000	36,000	(18,310)	(18,310)
<b>Total comprehensive income/(expenditure) for the year</b>		<b>45,863</b>	<b>46,733</b>	<b>(6,917)</b>	<b>(7,388)</b>
Represented by:					
Endowment comprehensive income for the year		5,070	5,070	941	941
Restricted comprehensive income for the year		1,676	1,676	1,201	1,201
Unrestricted comprehensive income/(expenditure) for the year		39,117	39,987	(9,059)	(9,530)
		<b>45,863</b>	<b>46,733</b>	<b>(6,917)</b>	<b>(7,388)</b>

All items of income and expenditure relate to continuing activities.

## Consolidated and University Statement of Changes in Reserves

for the year ended 31 July 2017

	Notes	Income and expenditure account			Total £000
		Endowment £000	Restricted £000	Unrestricted £000	
<b>Consolidated</b>					
<b>Balance at 1 August 2015</b>		<b>66,736</b>	<b>3,681</b>	<b>640,712</b>	<b>711,129</b>
Surplus from the income and expenditure statement		941	1,201	9,251	11,393
Other comprehensive expenditure		–	–	(18,310)	(18,310)
<b>Total comprehensive income/ (expenditure) for the year</b>		<b>941</b>	<b>1,201</b>	<b>(9,059)</b>	<b>(6,917)</b>
<b>Balance at 31 July 2016</b>		<b>67,677</b>	<b>4,882</b>	<b>631,653</b>	<b>704,212</b>
Surplus from the income and expenditure statement		5,070	1,676	3,117	9,863
Other comprehensive income	28	–	–	36,000	36,000
<b>Total comprehensive income for the year</b>		<b>5,070</b>	<b>1,676</b>	<b>39,117</b>	<b>45,863</b>
<b>Balance at 31 July 2017</b>		<b>72,747</b>	<b>6,558</b>	<b>670,770</b>	<b>750,075</b>

	Notes	Income and expenditure account			Total £000
		Endowment £000	Restricted £000	Unrestricted £000	
<b>University</b>					
<b>Balance at 1 August 2015</b>		<b>66,736</b>	<b>3,645</b>	<b>639,076</b>	<b>709,457</b>
Surplus from the income and expenditure statement		941	1,201	8,780	10,922
Other comprehensive expenditure		–	–	(18,310)	(18,310)
<b>Total comprehensive income/ (expenditure) for the year</b>		<b>941</b>	<b>1,201</b>	<b>(9,530)</b>	<b>(7,388)</b>
<b>Balance at 31 July 2016</b>		<b>67,677</b>	<b>4,846</b>	<b>629,546</b>	<b>702,069</b>
Surplus from the income and expenditure statement		5,070	1,676	3,987	10,733
Other comprehensive income	28	–	–	36,000	36,000
<b>Total comprehensive income for the year</b>		<b>5,070</b>	<b>1,676</b>	<b>39,987</b>	<b>46,733</b>
<b>Balance at 31 July 2017</b>		<b>72,747</b>	<b>6,522</b>	<b>669,533</b>	<b>748,802</b>

# Consolidated and University Balance Sheet

for the year ended 31 July 2017

	Notes	2016/17		2015/16	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Intangible assets	11	2,825	2,825	3,968	3,968
Fixed assets	12	847,183	835,331	782,189	771,171
Heritage assets	13	28,603	28,603	27,813	27,813
Investments	15	78,266	86,755	77,038	82,707
Investments in jointly controlled entities	16	295	–	295	–
Investments in associates	17	2,765	–	801	–
		<b>959,937</b>	<b>953,514</b>	892,104	885,659
<b>Current assets</b>					
Stock		577	281	454	256
Trade and other receivables	18	76,276	81,801	93,978	98,161
Investments	19	99,859	99,859	179,514	179,514
Cash and cash equivalents		204,251	202,885	157,430	155,661
		<b>380,963</b>	<b>384,826</b>	431,376	433,592
Less: Creditors: amounts falling due within one year	20	(187,830)	(186,557)	(184,878)	(182,938)
<b>Net current assets</b>		<b>193,133</b>	<b>198,269</b>	246,498	250,654
<b>Total assets less current liabilities</b>		<b>1,153,070</b>	<b>1,151,783</b>	1,138,602	1,136,313
Creditors: amounts falling due after more than one year	21	(307,351)	(307,337)	(312,925)	(312,779)
<b>Provisions</b>					
Pension provisions	22	(88,291)	(88,291)	(117,155)	(117,155)
Other provisions	22	(7,353)	(7,353)	(4,310)	(4,310)
<b>Total net assets</b>		<b>750,075</b>	<b>748,802</b>	704,212	702,069

	Notes	2016/17		2015/16	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowment reserve	23	72,747	72,747	67,677	67,677
Income and expenditure reserve – restricted reserve	24	6,558	6,522	4,882	4,846
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – unrestricted		670,770	669,533	631,653	629,546
<b>Total Reserves</b>		<b>750,075</b>	<b>748,802</b>	704,212	702,069

The financial statements were approved by Council on 30 November 2017 and were signed on its behalf on that date by:

**Sir Alan Langlands**  
Vice-Chancellor

**David Gray**  
Pro-Chancellor and Chair of Council

**Jane Madeley**  
Chief Financial Officer



## Consolidated Statement of Cash Flows

for the year ended 31 July 2017

	Notes	2016/17 £000	2015/16 £000
<b>Cash flow from operating activities</b>			
Surplus before tax		10,104	11,511
<b>Adjustment for non-cash items</b>			
Depreciation	12	48,748	44,149
Amortisation of intangibles	11	1,255	652
Donated heritage assets		(790)	(1,500)
(Gain)/Loss on investments		(1,631)	2,133
PAS adjustment		5,927	3,776
(Increase)/Decrease in stock		(123)	60
Decrease/(Increase) in debtors		17,742	(7,443)
Increase in creditors		9,211	18,489
(Decrease)/Increase in pension provision		(1,219)	1,654
Increase in other provisions	22	3,043	436
Share of operating deficit in jointly controlled entities	16	–	26
Share of operating deficit/(surplus) in associates		856	(294)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(3,342)	(3,651)
Interest payable	8	12,551	8,877
Endowment income	6	(430)	(51)
Loss/(Gain) on the disposal of fixed assets		1,957	(688)
Capital grant income		(17,414)	(15,799)
<b>Net cash inflow from operating activities</b>		<b>86,445</b>	<b>62,337</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		363	3,951
Capital grant receipts		17,368	17,750
Disposal of non-current asset investments		2,372	2,832
Withdrawal/(Addition) of deposits		79,655	(124,808)
Investment income		3,274	3,401
Payments made to acquire fixed assets	12	(118,031)	(123,253)
Payments made to acquire intangible assets	11	(112)	(1,815)
New non-current asset investments	15, 17	(2,820)	(950)
		<b>(17,931)</b>	<b>(222,892)</b>

	Notes	2016/17 £000	2015/16 £000
<b>Cash flows from financing activities</b>			
Interest paid		(11,532)	(1,278)
Interest element of service concession payments	14	(1,173)	(1,211)
Endowment cash received	6	430	51
Increase in borrowings	21	112	246,632
Repayments of amounts borrowed		(4,727)	(4,515)
Capital element of service concession payments		(660)	(1,320)
		<b>(17,550)</b>	<b>238,359</b>
<b>Tax paid</b>		<b>(4,143)</b>	<b>(661)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>46,821</b>	<b>77,143</b>
Cash and cash equivalents at beginning of the year		157,430	80,287
Cash and cash equivalents at end of the year		<b>204,251</b>	157,430
<b>Analysis of net funds</b>			
Cash and cash equivalents		204,251	157,430
Investments		99,859	179,514
Unsecured fixed rate public bond		(246,745)	(246,642)
Secured loans		(28,111)	(32,840)
<b>Net funds at 31 July</b>		<b>29,254</b>	<b>57,462</b>

# Statement of Accounting Policies

for the year ended 31 July 2017

## 1. University Information

The University is an independent corporation established by Royal Charter in 1904 'as a teaching and examining body... to cultivate and promote arts, science and learning'. These objects, and its powers and framework of governance, are set out in the Charter and its supporting Statutes, amendments to which must be approved by the Privy Council. It receives substantial public funding and, by virtue of the educational nature of its objectives, is an exempt charity under Schedule 3 of the Charities Act 2011.

**Address: University of Leeds, Woodhouse Lane, Leeds, England LS2 9JT**

**Royal Charter Number: RC000658**

## 2. 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 as modified by the revaluation of endowment asset investments, listed fixed asset investments, heritage assets and certain other fixed assets.

## 3. Basis of consolidation

The consolidated financial statements combine the financial statements of the University, its subsidiary undertakings with a 31 July year-end, and one subsidiary undertaking, University of Leeds Farms Limited, with a 30 April year-end. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive 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 as the University does not exert control or dominant influence over policy decisions.

Associated companies and jointly controlled entities are accounted for using the equity method.

## 4. 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 and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive 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.

The University had no significant income or operating surplus from activities other than its principal activity or from outside activities of the United Kingdom and as a result, no segmental reporting is presented.

### Grant funding

Grant funding including funding council block grant, research grants from government sources, grants (including research grants) from non government sources are recognised as income when the University is entitled to the income. 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

Donations and endowments are non-exchange transactions without performance related conditions. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. The 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 movement in the fair value of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

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

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

### Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met. Where grant funded assets are in the course of construction, we consider on a case by case basis whether their construction constitutes a performance related condition. In the event that it does, income will be recognised as the expenditure to complete the asset is incurred.

## 5. Accounting for retirement benefits

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and, for support staff, there is a choice between the University of Leeds Defined Contribution Plan (DC Plan) and the University of Leeds Pension and Assurance Scheme (PAS). Under auto enrolment regulations the DC Plan is the default scheme for support staff. USS and PAS are defined-benefit schemes which are externally funded and contracted out of the State Second Pension Scheme. The funds are valued every three years by actuaries using the Projected Unit Method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to institutional members due to the mutual nature of the Scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme, as required by Section 28 of FRS102 "Employee benefits". As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into a deficit recovery agreement, a liability is recognised for the discounted present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit. For the other defined benefit scheme, PAS, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The pension deficit recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and the pension asset represents the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refund and reductions in future contributions to the scheme.

### Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, 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 Group recognises a liability for its obligations under defined benefit plans net of plan 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 plan 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 plan.

### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company 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 plans are recognised as an expense in the Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees.

## 6. Employment benefits

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

## 7. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

## 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 Sterling 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 Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit.



## Statement of Accounting Policies

for the year ended 31 July 2017

### 10. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Residential buildings have been revalued to fair value prior to the date of transition to the 2015 FE HE SORP, and are measured on the basis of deemed cost, being the revalued amount. Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets. Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed.

Buildings are depreciated in equal instalments over their expected useful lives as follows:

Academic buildings	50 years
Residences	30 years
Laboratories, lecture theatres and other major building refurbishment	30 years
Other building refurbishment	10 years

### Equipment

In the accounts of the University, but not the subsidiary undertakings, individual items or groups of related items costing less than £25,000 are written off in the year of acquisition. All other equipment is capitalised.

In the accounts of the University, capitalised equipment is stated at cost and depreciated in equal instalments over its expected useful life as follows:

Computing equipment	4 years
Equipment acquired for specific research projects	project life
Other equipment	10 years
Motor vehicles	4 years
Furniture	5 years

### Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred and are not separately identified and capitalised.

### 11. Heritage assets

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at their cost or value where reasonably obtainable.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

### 12. Intangible assets

Intangible assets which cost more than £25,000 are capitalised at cost and amortised over four years representing the estimated economic life of the assets.

Intangible assets are subject to periodic impairment reviews as appropriate.

### 13. Investments

Non current asset investments are held on the Balance Sheet at amortised cost less impairment where the shares are unlisted and hence the fair value cannot be reliably determined. Listed investments are held at fair value with movements recognised as surplus or deficit. Investments in jointly controlled entities, associates and 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.

### 14. Stock

Except for farming stock which is professionally valued, stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct costs incurred. Net realisable value is based on estimated selling price allowing for all further costs.

### 15. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits, either repayable on demand or with a maturity of up to three months from the initial investment.

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

### 16. Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment. In the University Balance Sheet, investments (including investments in associates) are measured at cost less impairment. For investments in subsidiaries acquired for consideration, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

### Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

### 17. Provisions

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.

## Statement of Accounting Policies

for the year ended 31 July 2017

### 18. Taxation

The University is an exempt charity within the meaning of Chapter 1 Section 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of Section 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiaries are liable to Corporation Tax in the same way as other commercial organisations.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

The University's principal activities are exempt from VAT but certain ancillary supplies and services are liable to VAT at various rates. Expenditure includes irrecoverable VAT charged by suppliers to the University. The University does not have to pay Stamp Duty Land Tax when buying and leasing a property.

Deferred tax is provided in full on timing differences that exist at the Balance Sheet date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the Balance Sheet date. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against future taxable profits. Deferred tax assets and liabilities are not discounted.

### 19. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a restricted fund which the University invest to generate a return.

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. Significant estimates and judgements

Significant estimates and judgements used in the preparation of the financial statements are as follows:

#### Retirement benefits obligations

The University operates its own defined benefit scheme, the University of Leeds Pension and Assurance Scheme (PAS), and participates in the Universities Superannuation Scheme (USS). Actuarial valuations are carried out as determined by the trustees at intervals of not more than three years.

PAS pension costs under FRS102 are calculated by the University's actuary based upon the latest actuarial valuation and assumptions agreed by management following actuarial advice. These assumptions are documented in note 28.

The USS scheme is accounted for as a defined contribution scheme as insufficient information is available to use defined benefit accounting. 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 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 profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by 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.

The USS deficit recovery plan defines the deficit payment required as a percentage of future salaries until 2031. These deficit contributions will be reassessed with each triennial valuation of the scheme. The provision is sensitive to the salary inflation and the size of University's membership, and these assumptions are established by management with reference to the University's agreed strategic plan.

#### Assets under construction

The University is undergoing a period of significant capital expenditure. A judgement must be made as to when an asset ceases to be classified as under construction and is available for use. Assets under construction are held at cost and depreciation commences once the asset is available to use. This judgement therefore affects both the classification of the asset in note 12 and the depreciation charge for the year.

## Notes to the accounts

for the year ended 31 July 2017

### 1 Tuition fees and education contracts

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time Home/EU students	181,803	181,803	167,767	167,767
Full-time Students from outside the EU	103,383	103,383	85,189	85,189
Part-time Home/EU students	4,588	4,588	4,340	4,340
Part-time Students from outside the EU	666	666	706	706
Research Training Support Grants	12,378	12,378	11,459	11,459
Short Course Fees	8,694	7,256	9,200	8,972
NHS Teaching Contract	11,465	11,465	11,606	11,606
	<b>322,977</b>	<b>321,539</b>	290,267	290,039

### 2 Funding body grants

	2016/17		2015/16	
<b>Recurrent grants:</b>				
HEFCE	69,190	69,190	69,951	69,951
HEFCE Capital	6,292	6,292	9,514	9,514
<b>Specific grants:</b>				
Higher Education Innovation Fund	3,489	3,489	2,593	2,593
Widening Participation	2,040	2,040	1,930	1,930
Postgraduate Support Scheme	39	39	816	816
Revolving Green Fund	147	147	100	100
Collaborative Outreach	1,013	1,013	212	212
Other (less than £0.5m each)	181	181	(12)	(12)
	<b>82,391</b>	<b>82,391</b>	85,104	85,104



## Notes to the accounts

for the year ended 31 July 2017

### 3 Research grants and contracts

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
Research Councils (UK)	53,327	53,327	52,655	52,655
UK Based Charities	21,699	21,699	19,928	19,928
UK Government	19,250	19,250	17,975	17,975
UK Industry	8,913	8,913	8,840	8,840
European Commission	19,945	19,945	18,383	18,383
Other Grants and Contracts	7,928	7,928	10,545	10,545
	<b>131,062</b>	<b>131,062</b>	128,326	128,326

### 4 Other income

	2016/17 Consolidated £000	2016/17 University £000	2015/16 Consolidated £000	2015/16 University £000
Residences, Catering and Conferences	57,712	52,766	54,043	49,237
Health Authorities	12,696	12,696	12,844	12,844
Subscriptions	3,216	3,216	3,040	3,040
Grants	3,250	3,250	7,739	7,739
Other Income	52,937	51,007	46,369	43,404
	<b>129,811</b>	<b>122,935</b>	124,035	116,264

### 5 Investment income

	2016/17 Consolidated £000	2016/17 University £000	2015/16 Consolidated £000	2015/16 University £000
Income from expendable endowments	(6)	(6)	4	4
Income from permanent endowments	1,935	1,935	2,091	2,091
Income from short-term investments	1,390	1,434	1,509	1,535
Other investment income	23	23	47	46
	<b>3,342</b>	<b>3,386</b>	3,651	3,676

### 6 Donations and endowments

	2016/17 Consolidated £000	2016/17 University £000	2015/16 Consolidated £000	2015/16 University £000
New endowments	430	430	51	51
Donations with restrictions	2,922	2,922	1,992	1,992
Unrestricted donations	1,983	2,537	3,245	3,892
	<b>5,335</b>	<b>5,889</b>	5,288	5,935

### 7 Staff costs

	Consolidated	
	2016/17 Number	2015/16 Number
<b>Average staff numbers (full-time equivalents) by major category</b>		
Academic/Teaching	2,135	2,037
Research	988	988
Management/Professional	1,268	1,243
Support	2,579	2,655
	<b>6,970</b>	6,923

	Consolidated £000	University £000	Consolidated £000	University £000
<b>Staff costs</b>				
Wages and salaries	288,216	284,714	276,503	273,412
Social security costs	30,983	30,764	23,021	22,823
Movement on USS provision due to changes in deficit recovery plan and assumptions	2,890	2,890	3,999	3,999
Other pension costs	45,820	45,684	41,600	41,467
Apprenticeship levy	441	441	–	–
Severance payments	3,064	2,990	3,568	3,502
	<b>371,414</b>	<b>367,483</b>	348,691	345,203

	2016/17 £000	2015/16 £000
<b>Emoluments of the Vice-Chancellor</b>		
Salary	281	278
Employer contributions to defined benefit scheme	13	9
Benefits in kind	–	–
<b>Total</b>	<b>294</b>	287

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff and represent in year earnings. The change to emoluments consists of a 1.1% increase in salary (the only salary increase taken since appointment in 2013), and an increase to employer pension contributions arising from USS required changes.

## Notes to the accounts

for the year ended 31 July 2017

	Consolidated	
	2016/17 Number	2015/16 Number
<b>Remuneration of other higher paid staff, excluding employer's pension contributions</b>		
£100,000 – £109,999	41	35
£110,000 – £119,999	23	22
£120,000 – £129,999	21	13
£130,000 – £139,999	8	10
£140,000 – £149,999	5	6
£150,000 – £159,999	8	10
£160,000 – £169,999	9	15
£170,000 – £179,999	15	6
£180,000 – £189,999	10	6
£190,000 – £199,999	3	1
£200,000 – £209,999	2	3
£210,000 – £219,999	1	2
£220,000 – £229,999	5	2
£230,000 – £239,999	3	6
£240,000 – £249,999	1	–
£270,000 – £279,999	–	1
	<b>155</b>	<b>138</b>

Higher paid staff included 67 clinical staff and 88 non-clinical staff. The majority of clinical academic staff also work within the local NHS Trusts and their salaries are recharged proportionally to the time spent on clinical duties. The above figures reflect their gross remuneration before any recharge.

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and are represented by the University's Executive Group (UEG). UEG consists of the Vice Chancellor, Deputy Vice Chancellor, Pro-Vice Chancellors, faculty deans, Chief Financial Officer, Marketing Director, Director of Human Resources, Director of Facilities Management and the Secretary. Staff costs include compensation paid to key management personnel including any employer's pension contribution.

	£000	£000
Key management personnel compensation	<b>3,337</b>	3,323

## 8 Interest and other finance costs

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest payable on bank loans	<b>1,115</b>	<b>1,088</b>	1,265	1,260
Interest payable on bond	<b>7,835</b>	<b>7,835</b>	3,499	3,499
Pension scheme charges	<b>2,428</b>	<b>2,428</b>	2,902	2,902
Service concessions finance charge	<b>1,173</b>	<b>1,173</b>	1,211	1,211
	<b>12,551</b>	<b>12,524</b>	8,877	8,872

## 9 Analysis of total expenditure by activity

Academic departments	<b>272,282</b>	<b>272,282</b>	265,878	265,878
Research grants and contracts	<b>129,337</b>	<b>129,337</b>	125,354	125,354
<b>Total teaching and research</b>	<b>401,619</b>	<b>401,619</b>	391,232	391,232
Admin and Corporate Services	<b>92,187</b>	<b>90,423</b>	81,996	80,179
Premises	<b>77,130</b>	<b>76,748</b>	76,122	75,647
Residences, catering and conferences	<b>69,946</b>	<b>65,237</b>	63,929	59,723
Other expenses	<b>18,637</b>	<b>17,845</b>	6,234	5,760
Pensions provisions not allocated to departments	<b>4,113</b>	<b>4,113</b>	4,469	4,469
	<b>663,632</b>	<b>655,985</b>	623,982	617,010

### Other Operating Expenditure

Equipment purchases and maintenance	<b>20,929</b>	<b>20,797</b>	21,095	20,878
Estate repairs and maintenance	<b>7,928</b>	<b>7,620</b>	9,544	9,280
Consumables and laboratory expenditure	<b>25,972</b>	<b>25,972</b>	24,666	24,624
Printed materials, books and periodicals	<b>9,240</b>	<b>9,240</b>	9,167	9,167
Printing, stationary and office expenses	<b>5,659</b>	<b>5,627</b>	4,005	3,954
Travel and subsistence	<b>13,213</b>	<b>13,124</b>	12,019	11,983
Fellowships, scholarships and prizes	<b>53,214</b>	<b>53,214</b>	52,103	52,103
Heat, light, water and power	<b>13,311</b>	<b>13,120</b>	11,313	11,145
Rent, rates and insurance	<b>16,191</b>	<b>16,246</b>	13,602	13,862
Grants to Student Union	<b>2,850</b>	<b>2,850</b>	2,525	2,525
Fees and expenses	<b>51,533</b>	<b>51,992</b>	52,431	52,666
Recruitment, training and welfare	<b>4,997</b>	<b>4,956</b>	4,505	4,470
Auditors remuneration in respect of audit	<b>104</b>	<b>74</b>	158	127
Auditors remuneration in respect of tax services	–	–	58	58
Auditors remuneration in respect of other services	<b>77</b>	<b>77</b>	103	103
Other expenses	<b>4,446</b>	<b>1,765</b>	4,319	1,848
	<b>229,664</b>	<b>226,674</b>	221,613	218,793

Fees and expenses include contracted internal audit fees of £167k (2016: £173k).



## Notes to the accounts

for the year ended 31 July 2017

### Trustees

During the year, no trustee received or waived any remuneration for serving as a trustee. The total expenses paid to six trustees was £4k (2015/16: £5k to three trustees). This represents travel and subsistence expenses incurred in attending Council meetings, conferences and events in their official capacity as Council members.

### 10 Taxation

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Recognised in the statement of comprehensive income</b>				
<b>Current Tax</b>				
UK Corporation tax on profit for the year	13	–	105	–
Adjustment in respect of previous years	–	–	38	–
	<b>13</b>	<b>–</b>	<b>143</b>	<b>–</b>
<b>Deferred Tax</b>				
Origination and reversal of timing differences	76	–	8	–
	<b>89</b>	<b>–</b>	<b>151</b>	<b>–</b>
UK Corporation tax on Research and Development Expenditure Credit (RDEC) adjustment in respect of previous years	152	152	(33)	(33)
<b>Total tax charge in the year</b>	<b>241</b>	<b>152</b>	<b>118</b>	<b>(33)</b>

### 11 Intangible assets

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Software</b>				
Opening balance	3,968	3,968	2,805	2,805
Additions in the year	112	112	1,815	1,815
Amortisation charge for the year	(1,255)	(1,255)	(652)	(652)
Closing balance	<b>2,825</b>	<b>2,825</b>	<b>3,968</b>	<b>3,968</b>

### 12 Fixed Assets

	Freehold land and buildings £000	Equipment £000	Assets under construction £000	Service concession arrangement land and buildings (Note 14) £000	Heritage assets £000	Total £000
	<b>Consolidated</b>					
<b>Cost or valuation</b>						
At 1 August 2016	795,747	132,448	117,791	36,103	27,813	<b>1,109,902</b>
Additions	31,833	25,888	59,568	742	790	<b>118,821</b>
Disposals	(4,868)	(6,650)	–	–	–	<b>(11,518)</b>
Transfers	63,119	–	(63,119)	–	–	<b>–</b>
<b>At 31 July 2017</b>	<b>885,831</b>	<b>151,686</b>	<b>114,240</b>	<b>36,845</b>	<b>28,603</b>	<b>1,217,205</b>
<b>Depreciation</b>						
At 1 August 2016	211,191	85,122	–	3,587	–	<b>299,900</b>
Charge for the year	36,904	10,036	–	1,808	–	<b>48,748</b>
Disposals	(1,496)	(5,733)	–	–	–	<b>(7,229)</b>
<b>At 31 July 2017</b>	<b>246,599</b>	<b>89,425</b>	<b>–</b>	<b>5,395</b>	<b>–</b>	<b>341,419</b>
<b>Net book value</b>						
<b>At 31 July 2017</b>	<b>639,232</b>	<b>62,261</b>	<b>114,240</b>	<b>31,450</b>	<b>28,603</b>	<b>875,786</b>
At 31 July 2016	584,556	47,326	117,791	32,516	27,813	<b>810,002</b>
<b>University</b>						
<b>Cost or valuation</b>						
At 1 August 2016	782,033	127,392	117,791	36,103	27,813	<b>1,091,132</b>
Additions	30,804	25,375	59,568	742	790	<b>117,279</b>
Disposals	(4,868)	(6,617)	–	–	–	<b>(11,485)</b>
Transfers	63,119	–	(63,119)	–	–	<b>–</b>
<b>At 31 July 2017</b>	<b>871,088</b>	<b>146,150</b>	<b>114,240</b>	<b>36,845</b>	<b>28,603</b>	<b>1,196,926</b>
<b>Depreciation</b>						
At 1 August 2016	206,986	81,575	–	3,587	–	<b>292,148</b>
Charge for the year	36,596	9,645	–	1,808	–	<b>48,049</b>
Disposals	(1,496)	(5,709)	–	–	–	<b>(7,205)</b>
<b>At 31 July 2017</b>	<b>242,086</b>	<b>85,511</b>	<b>–</b>	<b>5,395</b>	<b>–</b>	<b>332,992</b>
<b>Net book value</b>						
<b>At 31 July 2017</b>	<b>629,002</b>	<b>60,639</b>	<b>114,240</b>	<b>31,450</b>	<b>28,603</b>	<b>863,934</b>
At 31 July 2016	575,047	45,817	117,791	32,516	27,813	<b>798,984</b>

Included in consolidated freehold land and buildings is land valued at £44.1m which is not depreciated (2016: £44.1m).  
Included in University freehold land and buildings is land valued at £42.8m (2016: £42.8m) which is not depreciated.

## Notes to the accounts

for the year ended 31 July 2017

### 13 Heritage assets

The University has been fortunate to receive donations of a variety of cultural items and collections for over 100 years. Many items have also been purchased to augment existing collections and/or add to the variety of items within a special area of interest. Most of these purchases have been funded by benefaction.

Heritage Assets are held at market value established by specialist University personnel. Heritage Assets include many unique items (and collections), such as hand-written manuscripts and original art works, the current value of which can only be estimated, as they cannot be matched to identical items available on the market. Many other items are extremely rare, though not unique, and identical items may not appear on the market for decades.

Heritage Assets are classified into three main categories: Special collections, Art collections and University of Leeds International Textile Archive (ULITA).

#### Special collections

The Special collections contain individual items and constituent collections consisting primarily of books and manuscripts. Constituent collections are characterised as such when their contents are acquired together from a single source or when they are generally used in association with each other, for example, the 'archive' of an organisation or person.

#### Art collections

The Art collections consist of individual paintings and drawings, collections of drawings, and sculptures.

#### ULITA

This category consists of tapestries, pattern books, stencils and fibre collections.

#### Preservation and management

The custodianship of these items has been given to specific areas and persons for their care and maintenance.

All the collections are valued for insurance purposes at £32m. In addition, collections are held for other organisations for custodial purposes, notably Ripon Cathedral's heraldry collection, and these are insured separately.

Consolidated and University					
	Special Collections £000	Art collections £000	ULITA £000	2016/17 Total £000	2015/16 Total £000
At 1 August	21,608	5,680	525	27,813	26,128
Additions	35	755	–	790	1,685
<b>At 31 July</b>	<b>21,643</b>	<b>6,435</b>	<b>525</b>	<b>28,603</b>	<b>27,813</b>

	2016/17 £000	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000
<b>Purchases</b>					
Special collections	–	185	298	65	115
Art collections	–	–	133	–	–
<b>Donations</b>					
Special collections	35	1,500	–	–	–
Art collections	755	–	25	–	–
<b>Total additions</b>	<b>790</b>	<b>1,685</b>	<b>456</b>	<b>65</b>	<b>115</b>

### 14 Service concession arrangements

#### Movement in service concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31 July 2017 is £31,450,000 (2016: £32,516,000). The reduction of £1,066,000 is as a result of depreciation £1,808,000 less additions of £742,000.

#### Movement in service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2017 were £32,865,000 (2016: £33,524,000). The sum of £2,574,000 was repaid during the year.

	Consolidated and University 2016/17 £000
At 1 August	33,524
Additions in the year	742
Interest charge for the year	1,173
Repayments made during the year	(2,574)
At 31 July	32,865

#### Future commitments

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

	Payable in 1 year £000	Payable in 2–5 years £000	Payable in 6+ years £000	Total £000
Liability repayments	1,508	4,900	26,457	32,865
Finance charge	1,150	4,150	6,732	12,032
	2,658	9,050	33,189	44,897

On 8 July 2002 the University entered into a 30 year contract with a third-party provider for the provision and maintenance of James Baillie Park, providing accommodation to 563 students. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet.

Service commenced on 20 September 2003 and the contract will finish on 19 September 2033. The University has an annual occupancy guarantee amounting to committed occupancy of 80% (100% occupancy has been agreed for 2017/18) recorded within other operating expenses.



## Notes to the accounts

for the year ended 31 July 2017

### 15 Non-current investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
<b>Consolidated</b>			
Cost or valuation at 1 August 2016	–	77,038	<b>77,038</b>
Additions	–	–	–
Disposals	–	(1,864)	<b>(1,864)</b>
Revaluation of listed investments	–	3,092	<b>3,092</b>
Cost or valuation at 31 July 2017	–	78,266	<b>78,266</b>
<b>University</b>			
Cost or valuation at 1 August 2016	4,644	78,063	<b>82,707</b>
Additions	–	2,820	<b>2,820</b>
Disposals	–	(1,864)	<b>(1,864)</b>
Revaluation of listed investments	–	3,092	<b>3,092</b>
Cost or valuation at 31 July 2017	4,644	82,111	<b>86,755</b>

#### Listed investments

Name of company	Nature of business
Tissue Regenix Plc	International medical technology company
Tracsis Plc	A technology provider to the rail industry
Xeros Plc	Laundering systems and cleaning technologies
Avacta Group Plc	Provides analytical and diagnostic technology, consumables and reagents to the drug development and healthcare sectors
IP Group Plc	Commercial development of research generated intellectual property
Getech Group Plc	Oil services business specialising in the provision of exploration data and petroleum systems studies and evaluations
Gunsynd Plc (formerly Evocutis Plc)	Investing in the natural resources sector

In addition to the above investments the University also has a mixed portfolio of listed investments which is managed to support the endowment funds of £64.5m (2016: £62.2m).

### Subsidiary companies

Details of the trading companies, all registered in England, in which the University held directly or indirectly more than 50% of the voting rights are as follows:

Name of company	Percentage voting rights	Nature of business
<b>Subsidiary Undertakings</b>		
Bright Beginnings Childcare Centre Leeds	100%	Childcare facilities and services
Leeds Innovation Centre Ltd	100%	Business accommodation and facilities management
Leeds Ventures Ltd	100%	Advisory services for the University's customers in China
Leeds Ventures Malaysia Sdn Bhd	100%	Advisory services for the University's customers in Malaysia
University of Leeds Consulting Ltd (Dormant)	100%	Consulting management
University of Leeds Farms Ltd	100%	Farming
University of Leeds IP Ltd	100%	Intellectual property management
Weetwood Hall Ltd	100%	Hotel and conference centre

Leeds Ventures Malaysia Sdn Bhd is a wholly owned subsidiary of Leeds Ventures Ltd. All other subsidiaries are directly owned by the University.

### 16 Investments in jointly controlled entities

The University holds shares of jointly controlled entities as follows:

Name of company	Percentage holding	Nature of business
<b>Jointly controlled entities</b>		
Stem Learning Ltd (formerly Myscience.co Ltd)	25%	Continuous professional development for science teachers and technicians
Leeds Boathouse Ltd	25%	Rowing club partnership
N8 Ltd	13%	Enabling northern businesses to access world-class knowledge to gain a significant competitive advantage
Worldwide Universities Network	4%	Collaboration of Universities to achieve international objectives in research and graduate education

#### Jointly controlled entities' financial summary - University share

	2016/17 £000	2015/16 £000
<b>Income and Expenditure Account</b>		
Income	<b>4,207</b>	2,872
Deficit before tax	–	(26)
<b>Balance Sheet</b>		
Non-current assets	<b>489</b>	584
Current assets	<b>1,207</b>	657
<b>Total assets</b>	<b>1,696</b>	1,241
Creditors: amounts falling due within one year	<b>(1,143)</b>	(603)
Creditors: amounts falling due after more than one year	<b>(258)</b>	(343)
<b>Total creditors</b>	<b>(1,401)</b>	(946)
Share of net assets	<b>295</b>	295

## Notes to the accounts

for the year ended 31 July 2017

### 17 Investment in associates

Details of the other trading companies, all registered in England, in which the University holds directly or indirectly 20% or more of the voting rights are as follows:

Name of company	Percentage voting rights	Nature of business
Redbrick	50.0%	Provision of chemical building blocks and fragments
Keracol Ltd	49.8%	Functional, natural, sustainable cosmetics
Dietary Assessment	49.7%	Data processing, hosting and related activities
Ultramatis Ltd	30.0%	Ultrafast lasers to functionalise glass
Celltron Network	30.0%	Ultrafast communications in optical networks
Relitect Ltd	24.0%	Multiplexed electrochemical biosensors
Vitritech Ltd (formerly Glass Manufacturing Services Ltd)	24.0%	Specialist glass supplier for commercial and industrial use
C-Capture Ltd	22.8%	CO2 green technology for coal-powered stations
Creavo Ltd	22.2%	Medical magnetometry

#### Movement in share of net assets/(liabilities) in the year

	Consolidated	
	2016/17 £000	2015/16 £000
Balance at 1 August	801	(443)
Investment in Associate	2,820	950
Dilution of shareholding	–	(43)
Disposal of shareholding	46	–
Share of (loss)/profit in year	(902)	337
Balance at 31 July	2,765	801

### 18 Trade and other receivables

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Amounts falling due within one year</b>				
Research grant receivables	28,009	28,009	27,358	27,358
Other trade receivables	28,850	28,212	25,277	24,624
Prepayments and accrued income	19,354	19,286	41,247	41,023
Amounts due from subsidiary companies	–	6,294	–	5,156
Deferred tax asset	24	–	96	–
Corporation tax	39	–	–	–
	76,276	81,801	93,978	98,161

Included within the University's amounts due from subsidiary companies is £4.7m which is due after more than one year (2016: £3.7m).

### 19 Current investments

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
Short term deposits	99,859	99,859	179,514	179,514

At 31 July 2017 the weighted average interest rate of these fixed rate deposits was 0.4% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 32 days. The fair value of these deposits was not materially different to the book value.

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with between three and twelve months maturity remaining at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

### 20 Creditors: amounts falling due within one year

Secured loans	4,246	4,246	4,582	4,174
Unsecured public bond	936	936	3,489	3,489
Service concession arrangements (note 14)	1,508	1,508	1,401	1,401
Trade payables	33,842	33,100	35,560	35,060
Social security and other taxation payable	8,094	7,903	8,458	8,252
Amounts due to subsidiary companies	–	228	–	28
Corporation tax	–	–	3,930	3,970
Accruals and deferred income	139,204	138,636	127,458	126,564
	187,830	186,557	184,878	182,938

#### Deferred income

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

Research grants received on account	60,428	60,428	55,294	55,294
Grant income and donations	16,214	16,214	17,978	17,976
	76,642	76,642	73,272	73,270



## Notes to the accounts

for the year ended 31 July 2017

### 21 Creditors: amounts falling due after more than one year

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
Deferred income	5,383	5,369	5,902	5,902
Service concession liabilities due after one year (note 14)	31,358	31,358	32,123	32,123
Secured loans	23,865	23,865	28,258	28,112
Unsecured fixed rate public bond	246,745	246,745	246,642	246,642
	<b>307,351</b>	<b>307,337</b>	312,925	312,779

Analysis of secured and unsecured loans:

	2016/17 Consolidated £000	2016/17 University £000	2015/16 Consolidated £000	2015/16 University £000
<b>Due within one year or on demand (note 20)</b>	<b>5,182</b>	<b>5,182</b>	8,071	7,663
Due between one and two years	4,330	4,330	4,393	4,247
Due between two and five years	9,132	9,132	11,497	11,497
Due in five years or more	257,148	257,148	259,010	259,010
<b>Due after more than one year</b>	<b>270,610</b>	<b>270,610</b>	274,900	274,754
<b>Total secured and unsecured loans</b>	<b>275,792</b>	<b>275,792</b>	282,971	282,417

In February 2016 an unsecured fixed rate public bond was issued for the sum of £250 million over a 34 year term with a coupon rate of 3.125%. It is listed on the London Stock Exchange. There are no capital repayments to be made over the term, with the bond maturing in 2050.

The bond transaction costs of £3.4m are being amortised over the life of the bond and charged to interest and other finance costs.

Bank loans at commercial rates are repayable by instalments falling due between 1 August 2017 and 10 February 2030 and are secured either on a portion of the freehold land and buildings of the Group or by a negative pledge over the University's assets.

Included in the above are the following:

Lender	Amount (£000)	Term	Interest rate (%)	Borrower
Barclays	7,477	25 years to 2025	0.7	University of Leeds
Barclays	12,750	20 years to 2030	4.7	University of Leeds
Barclays	4,500	10 years to 2020	1.5	University of Leeds
RBS	3,384	25 years to 2021	9.4	University of Leeds
	<b>28,111</b>			

### 22 Provisions for liabilities

	Consolidated and University				Total £000
	Obligation to fund deficit on USS Pension £000	Defined Benefit Obligations (Note 28) £000	Total Pensions Provisions £000	Other Provisions £000	
At 1 August 2016	69,881	47,274	117,155	4,310	121,465
Utilised in year	(4,114)	(46,742)	(50,856)	(2,438)	(53,294)
Additions	4,118	17,874	21,992	5,481	27,473
<b>At 31 July 2017</b>	<b>69,885</b>	<b>18,406</b>	<b>88,291</b>	<b>7,353</b>	<b>95,644</b>

#### USS deficit

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 assessed future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision, which will be utilised by 2031. The projected payments have been discounted at the rate of 1.80% (2016: 1.75%).

The increase to the USS provision comprises £2.9m (2016: £4.0m) due to changes in assumptions and £1.2m (2016: £2.0m) due to the unwinding of the discounted cash flows.

Other provisions comprise restructuring, early retirement and other items expected to be utilised within the next three years.

## Notes to the accounts

for the year ended 31 July 2017

### 23 Endowment reserves

Restricted net assets relating to endowments are as follows:

	Consolidated and University			2016/17 Total £000	2015/16 Total £000
	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Expendable endowments £000		
Capital	40,556	20,895	2,016	<b>63,467</b>	62,806
Accumulated income	4,173	–	37	<b>4,210</b>	3,930
At 1 August	44,729	20,895	2,053	<b>67,677</b>	66,736
New endowments	344	1	85	<b>430</b>	51
Investment income	1,272	663	(6)	<b>1,929</b>	2,095
Expenditure	(721)	(663)	(46)	<b>(1,430)</b>	(1,813)
Increase in market value of investments	2,686	1,373	82	<b>4,141</b>	608
At 31 July	48,310	22,269	2,168	<b>72,747</b>	67,677
<b>Represented by:</b>					
Capital	43,586	22,269	2,131	<b>67,986</b>	63,467
Accumulated income	4,724	–	37	<b>4,761</b>	4,210
	48,310	22,269	2,168	<b>72,747</b>	67,677
<b>Analysis by type of purpose:</b>					
Chairs	8,415	–	23	<b>8,438</b>	7,865
Lectureships	3,522	1,055	–	<b>4,577</b>	4,313
Fellowships	10,580	170	–	<b>10,750</b>	9,979
Scholarships	12,947	1,745	479	<b>15,171</b>	14,196
Prizes	5,489	394	50	<b>5,933</b>	5,208
Specific funds	12	–	877	<b>889</b>	821
General funds	7,345	18,905	739	<b>26,989</b>	25,295
	48,310	22,269	2,168	<b>72,747</b>	67,677
<b>Analysis by asset:</b>					
Non current investments				<b>64,468</b>	62,174
Cash and cash equivalents				<b>8,279</b>	5,503
				<b>72,747</b>	67,677

### 24 Restricted reserves

	2016/17		2015/16	
	Consolidated £000	University £000	Consolidated £000	University £000
Balances at 1 August	<b>4,882</b>	<b>4,846</b>	3,681	3,645
New restricted grants and donations	<b>4,755</b>	<b>4,755</b>	2,980	2,980
Expenditure	<b>(3,079)</b>	<b>(3,079)</b>	(1,779)	(1,779)
<b>Balances at 31 July</b>	<b>6,558</b>	<b>6,522</b>	4,882	4,846

### 25 Capital commitments

Provision has not been made for the following capital commitments at 31 July:

Commitments contracted for	<b>61,981</b>	<b>61,981</b>	73,329	73,329
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### 26 Lease obligations

Total rentals payable under operating leases:

	Consolidated and University			
	Buildings £000	Equipment £000	2016/17 Total £000	2015/16 Total £000
<b>Payable during the year</b>	12,689	480	<b>13,169</b>	11,402
<b>Future minimum lease payments due:</b>				
Not later than 1 year	11,578	519	<b>12,097</b>	11,113
Later than 1 year and not later than 5 years	26,362	961	<b>27,323</b>	23,325
Later than 5 years	12,759	–	<b>12,759</b>	15,514
<b>Total lease payments due</b>	50,699	1,480	<b>52,179</b>	49,952

### 27 Connected charitable institutions

Bright Beginnings Childcare Centre Leeds is a connected charitable institution of the University. Its charitable objects are the advancement of education through the provision of nursery education and childcare facilities for the staff and students of the University of Leeds.

	2016/17 £000	2015/16 £000
<b>Bright Beginnings Childcare Centre Leeds:</b>		
Member's funds at 1 August	<b>286</b>	189
Income	<b>1,712</b>	1,642
Expenditure	<b>(1,644)</b>	(1,545)
<b>Member's funds at 31 July</b>	<b>354</b>	286

28 Pension schemes

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and, for support staff, there is a choice between The University of Leeds Defined Contribution Plan (DC Plan) or the University of Leeds Pension and Assurance Scheme (PAS). The assets of the schemes are held in separate trustee-administered funds. USS is a hybrid scheme, comprised of a mixture of defined benefit and defined contribution benefits. PAS is a defined-benefit scheme. Both are externally funded and are valued every three years by actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

The DC Plan, which was introduced from 1 March 2013, is the main auto-enrolment vehicle for University support staff. The investment of scheme contributions for the DC Plan is managed by The People's Pension.

The University also contributes to the Teachers' Pension Scheme (TPS) which has 14 members, and the National Health Service (NHS) Pension Scheme which has 170 members, both multi-employer schemes.

**Total pension costs for the University and its subsidiary undertakings (excluding USS provision movement)**

	2016/17 £000	2015/16 £000
USS	30,076	27,716
PAS	13,810	11,813
DC Plan	756	688
Other pension schemes	1,178	1,383
<b>Total pension cost</b>	<b>45,820</b>	41,600

**The Universities Superannuation Scheme**

USS is a hybrid scheme, being a mixture of defined benefit and defined contribution benefits, and the assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited. The scheme is in the main for Academic, Academic-Related and Professional Staff of all pre-1992 UK Universities and some other employers. It is a multi-employer scheme for which it is not possible to accurately identify assets and liabilities to institutional members due to the mutual nature of the scheme, and therefore has been accounted for as a defined contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period, except for payments under the agreed deficit recovery plan. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2017 the percentage was 18% (2016: 16% until 31 March 2016, 18% from 1 April 2016). A provision is held for the estimated present value of the amounts expected to be payable under the agreed deficit recovery plan (see note 22).

The appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest actuarial valuation for the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings. The valuation as at 31 March 2017 is still being finalised and full results will not be available until later in the year.

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

	2017	2016
Discount rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.20%

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

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

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted.

**The current life expectancies on retirement at age 65 are:**

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

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



## Notes to the accounts

for the year ended 31 July 2017

### University of Leeds Pension and Assurance Scheme (PAS)

PAS is a defined benefit scheme for support and technical staff within the University. Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2014. The results of the PAS valuation showed a funding level of 111% and a surplus of £35.1m. A further valuation was carried out as at 31 March 2017. The results of this will be available later in the year.

PAS contributions	Final salary		Career Revalued Benefit	
	Employee	Employer	Employee	Employer
Pre 1 April 2016	7.50%	18.15%	6.50%	18.15%
Post 1 April 2016	7.50%	16.00%	6.50%	16.00%

A contribution rate of 0.5% applies to provide death in service cover within PAS for members of the DC Plan. The University will continue to pay the PPF levy, the cost of benefit augmentations and the cost of any ill health early retirements.

PAS final salary members who are promoted to a USS eligible grade are now permitted, under USS rules, and with the agreement of the University, to remain in PAS. Members are made aware of this choice.

### Assumptions

The financial assumptions used to calculate scheme liabilities under FRS 102 are:

	At 31 July 2017		At 31 July 2016	
		%p.a.		%p.a.
Price Inflation (RPI)		3.15		2.75
Price Inflation (CPI)		2.15		1.75
Rate of increase in salaries		3.90		3.50
Rate of increase of pensions in payment		2.15		1.75
Discount rate		2.60		2.40
Mortality assumption (pre and post retirement)	S2NA rated by +1 year CMI 2016 with a long term rate of 1.5% pa for both males and females		S1NA rated by +1 year CMI 2013 with a long term rate of 1.5% pa for both males and females	

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 60.

	2017	2016
Male Pensioner	26.3	26.6
Male Non-pensioner (currently aged 40 in 2017)	28.2	29.0
Female Pensioner	28.4	29.2
Female Non-pensioner (currently aged 40 in 2017)	30.3	31.7

### Scheme assets

The assets in the scheme were:

	Fair value as at		
	31 July 2017 £000	31 July 2016 £000	31 July 2015 £000
Equities	341,962	295,339	274,495
Property	74,033	45,752	39,196
Bonds and cash	45,319	70,970	68,380
<b>Total</b>	<b>461,314</b>	<b>412,061</b>	<b>382,071</b>

	2016/17 £000	2015/16 £000
<b>Analysis of the amount shown in the balance sheet for PAS</b>		
Scheme assets	461,314	412,061
Scheme liabilities	(479,720)	(459,335)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 22)</b>	<b>(18,406)</b>	<b>(47,274)</b>
Current service cost	16,068	14,278
Non-investment expenses	601	446
<b>Total operating charge</b>	<b>16,669</b>	<b>14,724</b>
<b>Analysis of the amount charged to interest payable/credited to other finance income</b>		
Interest on net deficit	1,205	915
<b>Net charge to other finance income</b>	<b>1,205</b>	<b>915</b>
<b>Total charge before deduction for tax</b>	<b>17,874</b>	<b>15,639</b>
<b>Analysis of other comprehensive income</b>		
Actuarial loss on defined benefit obligation	(4,172)	(35,994)
Actuarial gain on assets	40,172	17,684
<b>Amount recognised in Other Comprehensive Income</b>	<b>36,000</b>	<b>(18,310)</b>
<b>Analysis of movement in deficit</b>		
<b>Deficit at beginning of year</b>	<b>47,274</b>	<b>24,273</b>
Contributions or benefits paid by the University	(10,742)	(10,948)
Current service cost	16,068	14,278
Non-investment expenses	601	446
Net Interest	1,205	915
(Gain)/loss recognised in other comprehensive income	(36,000)	18,310
<b>Deficit at end of year</b>	<b>18,406</b>	<b>47,274</b>

## Notes to the accounts

for the year ended 31 July 2017

	2016/17 £000	2015/16 £000
<b>Analysis of movement in the present value of liabilities</b>		
<b>Present value of liabilities at the start of the year</b>	<b>459,335</b>	406,344
Current service cost (net of member contributions)	<b>16,068</b>	14,278
Actual member contributions	<b>303</b>	299
Interest cost	<b>11,085</b>	14,269
Actuarial loss	<b>4,172</b>	35,994
Actual benefit payments	<b>(11,243)</b>	(11,849)
<b>Present value of liabilities at the end of the year</b>	<b>479,720</b>	459,335

### Analysis of movement in the fair value of scheme assets

<b>Fair value of assets at the start of the year</b>	<b>412,061</b>	382,071
Interest income on assets	<b>9,880</b>	13,354
Non-investment expenses	<b>(601)</b>	(446)
Actuarial gain on assets	<b>40,172</b>	17,684
Actual contributions paid by University	<b>10,742</b>	10,948
Actual member contributions	<b>303</b>	299
Actual benefit payments	<b>(11,243)</b>	(11,849)
<b>Fair value of scheme assets at the end of the year</b>	<b>461,314</b>	412,061

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

### Actual return on Scheme assets

Interest income on assets	<b>9,880</b>	13,354
Asset gain	<b>40,172</b>	17,684
	<b>50,052</b>	31,038

### University of Leeds Defined Contribution Pension Plan (DC Plan)

To comply with Pensions Automatic Enrolment legislation, from 1 March 2013 the University introduced a new defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan). This is the default scheme for all new eligible support staff employees, although they can still opt to join the CARE section of PAS within 12 months of joining the University.

The DC Plan had 700 contributing members at 31 July 2017 (2016: 604). The default contribution rate is 3% member and 6% employer. Some members pay a higher contribution rate and this is matched by the University, up to a maximum 10% employer contribution.

## 29 Related parties

Due to the nature of the University's operations it is inevitable that transactions will take place with organisations, from the public and private sectors, in which a University member of staff may have an interest. Any such transactions are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

A number of senior staff and Council members exercised budgetary control during the year over research and teaching projects within the University as well as related expenditure within NHS Trusts, in their capacities as subsidiary undertaking directors, committee members and managers. Professor Paul Stewart, the Executive Dean of the Faculty of Medicine and Health, was a non-executive director of Leeds Teaching Hospitals NHS Trust during the year; Jane Madeley, the Chief Financial Officer, is a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust; and Caroline Johnstone, member of Council, is a non-executive director and Chair of the Audit Committee of Leeds Teaching Hospitals NHS Trust.

Sir Alan Langlands, Vice-Chancellor, was a board member of a number of organisations which had transactions with the University during the year as follows:

	Paid by the University		Paid to the University	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Yorkshire Universities	<b>56</b>	56	<b>173</b>	210
N8 Ltd	<b>40</b>	40	–	3
The Worldwide Universities Network	<b>42</b>	58	<b>36</b>	36
Myscience Ltd	–	5	–	23
Russell Group of Universities	<b>69</b>	69	–	–
Universities UK	<b>66</b>	56	–	–

Ed Anderson, member of Council and Chair of the Audit and Risk Committee, is a former Chair of Governors (and currently Pro-Chancellor) at Leeds Trinity University, and during 2016/17 the University received £49,000 (2015/16: £53,000) from it, and paid £109,000 (2015/16: £35,000) to it for its services. He is also a director of Opera North, to which the University paid £110,000 (2015/16: £88,000).

Liz Barber, member of Council, is a director of Yorkshire Water. In 2015/16 the University received £257,000 (2015/16: £179,000) from Yorkshire Water and paid £620,000 (2015/16: £651,000) for services provided. She is a Director at Kcom plc and in 2016/17 the University paid £90,000 (2015/16: £89,000) to it for its services. She is also a director at Kelda Group Limited, from which the University received £257,000 (2015/16: £178,000).

Nigel Foster, member of Council, is the owner and director of Colbaran Ltd. In 2016/17 the University paid £4,000 (2015/16: £13,000) to it for services provided. He is also a director and owner of Fore Consulting Ltd: in 2015/16 the University paid the company £2,000 (2015/16: £15,000) for services.

Michael Howell, member of Council, is a member of Court for the Clothworkers Company. In 2016/17 the University received £112,000 (2015/16: £90,000) from it.

Caroline Johnstone, member of Council, is a vice-chairman, director and chair of the audit committee of Leeds Teaching Hospitals NHS Trust. During 2016/17 the University received £13,983,000 (2015/16: £18,039,000) from it and paid £7,151,000 (2015/16: £6,421,000) for services provided. She is also a director of Shepherd Group Ltd, to which the University paid £492,000 (2015/16: £2,117,000).

Amanda Mellor, member of Council, is a director of Marks & Spencer Group plc. During 2015/16 the University paid £6,000 (2015/16: £6,000) for services provided and received £64,000 (2015/16: £166,000).

Yvette Oade, member of Council, is a trustee of Yorkshire Cancer Research. During 2015/16 the University received £1,722,000 (2015/16: £1,456,000) from it.

Two Members of Council are officers of Leeds University Union (LUU): Jack Palmer, Union Affairs Officer served until 30 June 2017 and was re-elected to serve until 30 June 2018. Melissa Owusu, Education Officer, served until 30 June 2017 and Zaki Al-Ghazal served from 1 July 2017 to 31 July 2017. During 2015/16 the University paid £2,550,000 (2015/16: £2,525,000) grant to LUU and £732,000 (2015/16: £605,000) for services provided. The University received £145,000 (2015/16: £604,000) from LUU.



## Notes to the accounts

for the year ended 31 July 2017

Martin Holmes, Marketing Director, is a director of NCUK Ltd. During 2016/17 the University paid £301,000 (2015/16: £330,000) to it for services provided.

Dennis Hopper, Director of Facilities Management, is a director of Southern Universities Management Services. During 2016/17 the University paid £38,000 (2015/16: £41,000) to it for services provided.

Jane Madeley, the Chief Financial Officer, was an independent member of the Audit Risk and Assurance Committee of the Engineering and Physical Sciences Research Council (EPSRC) during the year. In 2016/17, the University received £27,425,000 (2015/16: £26,020,000) and paid £44,000 (2015/16: £nil) to it. She is also a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust. In 2016/17 the University received £52,000 (2015/16: £137,000) from it and paid £75,000 (2015/16: £21,000) to it.

Professor Paul Stewart, Executive Dean of the faculty of Medicine and Health, is a non-executive director of the Leeds Teaching Hospitals NHS Trust. During 2016/17 the University received £13,983,000 (2015/16: £18,039,000) from it and paid £7,151,000 (2015/16: £6,421,000) for services provided. He is also a director of the Northern Health Science Alliance, to which the University paid £18,000 (2015/16: £18,000).

Professor J Colyer, professor in the Faculty of Biological Sciences, is a director of Badrilla Ltd. During 2016/17 the University received £Nil (2015/16: £1,000) from it and paid £7,000 (2015/16: £Nil) for services provided.

Professor J Hayes, emeritus professor in Leeds University Business School, is Managing Partner of John Hayes and Associates. During 2016/17 the University paid £7,000 (2015/16: £2,000) to it for services provided.

Professor David Hogg, professor in the School of Computing, is a director of Medilink. In 2016/17 the University paid £14,000 (2015/16: £6,000) for services provided.

Mr O A Johnson, senior teaching fellow in the School of Computing, and Dr S E Clamp, Senior Lecturer in the School of Medicine, are directors of X-Lab Ltd. During 2016/17 the University paid £83,000 (2014/15: £80,000) to it for services provided.

Dr D M Ross, director of the Centre of Innovation in Health Management, is a director of Southwood Associates Ltd. During 2016/17 the University paid £20,000 (2015/16: £108,000) to it for services provided.

### 30 Amounts disbursed as agent

#### The National College for Teaching and Leadership (NCTL)

	2016/17 £000	2015/16 £000
At 1 August	13	193
Funding in the year	1,937	63
Disbursed to students	(1,857)	(50)
Returns	(13)	(193)
<b>At 31 July</b>	<b>80</b>	<b>13</b>

The above training bursaries from the NCTL are available solely for students in Initial Teacher Training; the University acts only as a paying agent. The bursaries and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.



Artist's impression of Nexus, a new £40m innovation and enterprise centre, which is part of the University's £520m investment in its campus to position Leeds as one of the UK's top higher education institutions.





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