
ANNUAL REPORT AND ACCOUNTS 2017/18



UNIVERSITY OF LEEDS



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“...WE WILL CONTINUE TO MOVE FORWARD WITH CONFIDENCE AND AN UNRELENTING FOCUS ON OUR CORE MISSION OF CREATING KNOWLEDGE AND OPPORTUNITY.”

Alan Langlands
Vice-Chancellor

Many new challenges have emerged in higher education over the past year, including uncertainties about student funding policy, concerns about the sustainability of the Universities Superannuation Scheme (USS), and a lack of clarity about Brexit and immigration policy – all issues which could affect the direction and funding of universities.

Throughout this period, the University has held fast to its core mission: to create knowledge and opportunity through the pursuit of excellence in student education and globally-recognised research. Both work in tandem, so that each reinforces the other, and both have a strong international focus.

By any measure, the University has made significant strides in these key areas, whilst maintaining high standards of governance and financial stewardship. This is testament to the commitment and ingenuity of our students and staff, and the wisdom, diligence and insight of our Council and Court. This year, we were delighted to welcome our inspirational new Chancellor, Professor Dame Jane Francis, a polar researcher who will enrich the life and work of the University and enhance all that it stands for. The University also enjoys tremendous loyalty from a wide network of alumni and friends from across the world who support our students and researchers with great generosity of spirit.

In education, the University continues to put its students front and centre, encouraging them to be independent, critical thinkers, ready to make a difference in the world. Following on from our success as the Times and Sunday Times University of the Year and the award of a Gold rating in the Teaching Excellence Framework, the University broke into the top 10 of the Good University Guide for the first time. We also performed the same feat in the Guardian University Guide and achieved third place in the Times Higher Education (THE) Student Experience Survey, whilst maintaining our leading position amongst Russell Group universities in the National Student Survey (NSS). As ever, we should be wary of reading too much into any one survey or ranking, but taken in the round over the past five years, a clear story emerges of ever increasing quality in the education and experience we provide to our students.

In part this reflects the considerable investments we have made in digital and physical infrastructure, including our libraries, the students' union and collaborative lecture theatres – the latter winning a prestigious AV News Award during the year. However, of greater importance is our unswerving belief in the benefits of research-based learning and the expertise and commitment of our academic staff in delivering it. We continue to have had more staff appointed as National Teaching Fellows than any other university, and the Leeds Institute for Teaching Excellence (LITE) is developing as a force for innovation at the cutting edge of good practice in education.

It has also been a year of considerable achievement in research and innovation. The University has received more than a thousand new awards with a value of £175m, a 20% increase over the past two years. According to Research Fortnight, the University was ranked in the top three in the UK for winning research grants to tackle global challenges, with £36m awarded from the Global Challenges Research Fund and the Newton Fund. This success is enabling us to make a tangible difference to the lives and life chances of people in developing countries, by tackling disease, building sustainable communities, and enabling the development of essential, life-changing skills. According to a THE analysis published during the year, we saw the highest percentage increase in success rate for research council awards amongst top ranked universities.

To further improve our research quality, impact and income, we have been making unparalleled investments in our people and facilities. These include our ongoing £100m drive to recruit academic leaders of the future, our £38m investment in our Nexus innovation centre, which will transform our business partnerships, and our new Sir William Henry Bragg Building, part of a £96m project to galvanise the links between physical sciences and engineering, including the state of the art Bragg Centre for materials research.

We have also laid the foundations for future progress, in part through our active involvement in the prestigious Royce, Rosalind Franklin and Turing national research institutes, alongside our deepening relationship with the Met Office Academic Partnership. This reflects our world-leading expertise in growth areas such as the characterisation and application of new materials, bio-nanotechnology, structural biology, data science and atmospheric science.

The University is proactive in identifying areas where our expertise can make a difference. A good example is our decision to co-invest in developing the UK's first dedicated Institute for High Speed Rail and Systems Integration. This has strong backing from industry, Leeds City Council and the West Yorkshire Combined Authority and will play an essential role in the Government's flagship HS2 project to improve connectivity between London and the North of England.

The University has also made real progress in delivering its international strategy, with a continued focus on the recruitment of international students and staff, boosting international research collaborations, and stepping up targeted engagement with our worldwide alumni, global companies, NGOs and other partnerships. This is particularly important as we prepare for Brexit, and developments like our new environmental research partnership with Shanghai Jiao Tong University and our renewed commitment to the world-renowned Leeds International Piano Competition, clearly signpost the importance of working across continents.

This more systematic and planned approach to our international activities led to the University being named as one of the world's top 100 universities in the QS World Rankings for 2018, whilst we rose to number 47 in the rankings of the world's most international universities using data from the Times Higher Education World University Rankings.

The University – like many other parts of the economy – is plotting a course through uncertain times. The Chief Financial Officer sets out the main risks in her report and the University is poised to act in a considered and timely way if any of these crystallise. The University Council has agreed that we should continue with our programme of growth and investment, but that we should mitigate risk wherever possible and be ready to act incisively if circumstances change. The underlying academic and financial strength of the University means that, whilst we must proceed with caution, we will continue to move forward with confidence and an unrelenting focus on our core mission of creating knowledge and opportunity.

Alan Langlands
Vice-Chancellor



“WE ARE PLEASED TO BE ABLE TO REPORT THAT WE HAVE MADE SIGNIFICANT PROGRESS AGAINST RESEARCH AND STUDENT EDUCATION TARGETS.”

Jane Madeley
Chief Financial Officer

£715m

Total Income (2016/17: £675m)

Overview

In considering this year's financial results it is important to remember that they reflect the stage at which we are in the implementation of our strategic plan for 2015–20. In our plan, the level of operating surplus runs at a quite modest level as a result of the significant levels of academic and capital investment in recent years, with the academic and financial benefits of those investments forecast to build over the coming 5 year period.

In the meantime, we use lead indicators where possible to monitor progress against the ambitious targets of the current strategic plan, and we are pleased to be able to report that we have made significant progress against research and student education targets. Our favourable performance against the financial plan for the year also gives some evidence that we are hitting the growth trajectory that we have set for ourselves. We are however cognisant of the increased level of external risks that we face.

In 2017/18, an 8% growth in fees income, including a 14% growth in international fee income, coupled with a 5% growth in research income, has delivered total income growth of 6%.

As we approach the final stages of the negotiations for the UK to leave the European Union, EU student recruitment remains strong, and research new awards have actually grown year on year; but we are acutely aware that both of these income streams could be materially affected by Brexit, depending on the terms of the deal which is still being negotiated. The delays in agreeing an exit deal and rules for the transition period, alongside political uncertainty, require us to remain vigilant: the exit of the UK from the EU in March 2019 not only carries risks specific both to the HE sector but also significant economic risks for the country.

The increase in staff costs of 4% reflects our investments to support growth in research and student education activity including our double digit growth in international student numbers. The majority of the 8% increase in other operating expenditure is attributable to investment to support our increased activity levels and a number of one-off items including our 5-year commitment to the Alan Turing Institute; the 16% increase in depreciation and amortisation reflects the increased scale of capital investment in recent years.

Consolidated Financial summary	2017/18 £000	2016/17 £000	Change %	Change £000
Summary				
Total income	714,584	674,918	6%	39,666
Total expenditure	(704,648)	(663,632)	6%	(41,016)
Operating Surplus	9,936	11,286	(12%)	(1,350)
Other items	(2,300)	(1,423)	62%	(877)
Surplus	7,636	9,863	(23%)	(2,227)
Actuarial gain	58,090	36,000	61%	22,090
Total Comprehensive Income	65,726	45,863	43%	19,863
Tuition fee and education contracts				
Home and EU students	196,672	186,391	6%	10,280
International students	118,890	104,049	14%	14,841
Other fees incl NHS teaching contract	33,651	32,537	3%	1,115
Total	349,213	322,977	8%	26,236
Research grants and contracts				
Research Councils, UK Charities and Government	102,562	94,276	9%	8,286
Industry, overseas and other	34,586	36,786	(6%)	(2,200)
Total	137,148	131,062	5%	6,086
Capital expenditure				
Externally funded	(17,188)	(18,204)	(6%)	1,016
University funded	(77,161)	(100,617)	(23%)	23,456
Total	(94,349)	(118,821)	(21%)	24,472
Cash and borrowings				
Cash and short-term investments	301,723	304,110	(1%)	(2,387)
Borrowings	(271,938)	(275,792)	(1%)	3,854
Net funds	29,785	28,318	5%	1,467

“The operating surplus... is favourable to the plan, primarily attributable to our strong student recruitment performance in both Home/EU and international markets”

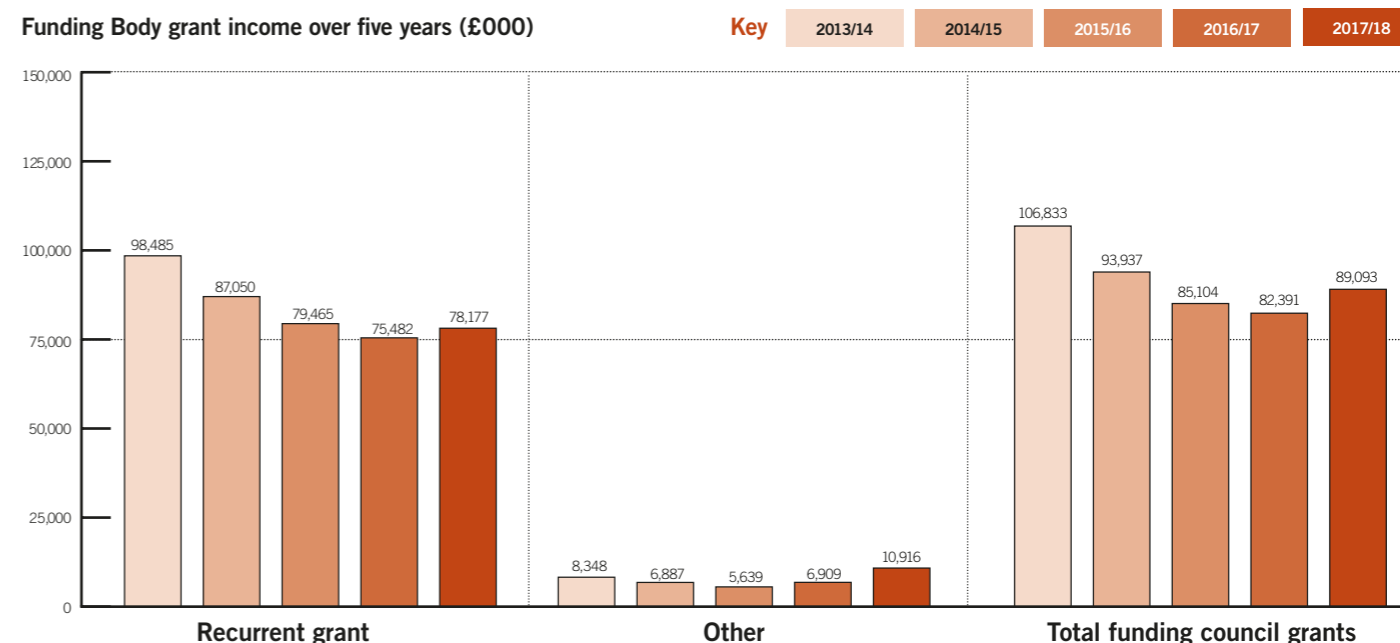
The operating surplus for the year of £10m (1% of total income) is favourable to the plan for the year though slightly lower than the level of surplus reported last year. Improvement compared to plan is primarily attributable to our strong performance in both Home/EU and international markets. As noted above, and as was the case last year, the University operating surplus plans remain modest in the short term because of the scale of academic investment, from which we will realise increasing levels of academic and financial benefits in the medium to long term.

Capital investment of £94m is in line with recent increased levels (2016/17: £119m) and includes most significantly Nexus, the new University innovation and enterprise centre (now nearly complete) and the significant groundworks that mark the commencement of the William Bragg Building development, formerly referred to as the Integrated Campus for Engineering and Physical Sciences.

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 £146m in strategic developments and £525m in the capital programme through the period 2018–2023.

Our current strategic plan takes us through until 2020 and it is timely that, despite the short and medium term volatility impacting the University, we are now setting about the development of a longer term vision and strategy for the University. The aim over the next year is to develop a compelling vision for the future development of the University, a clear articulation of strategic direction for the 2020s, and a strategic plan for the period 2020–25.

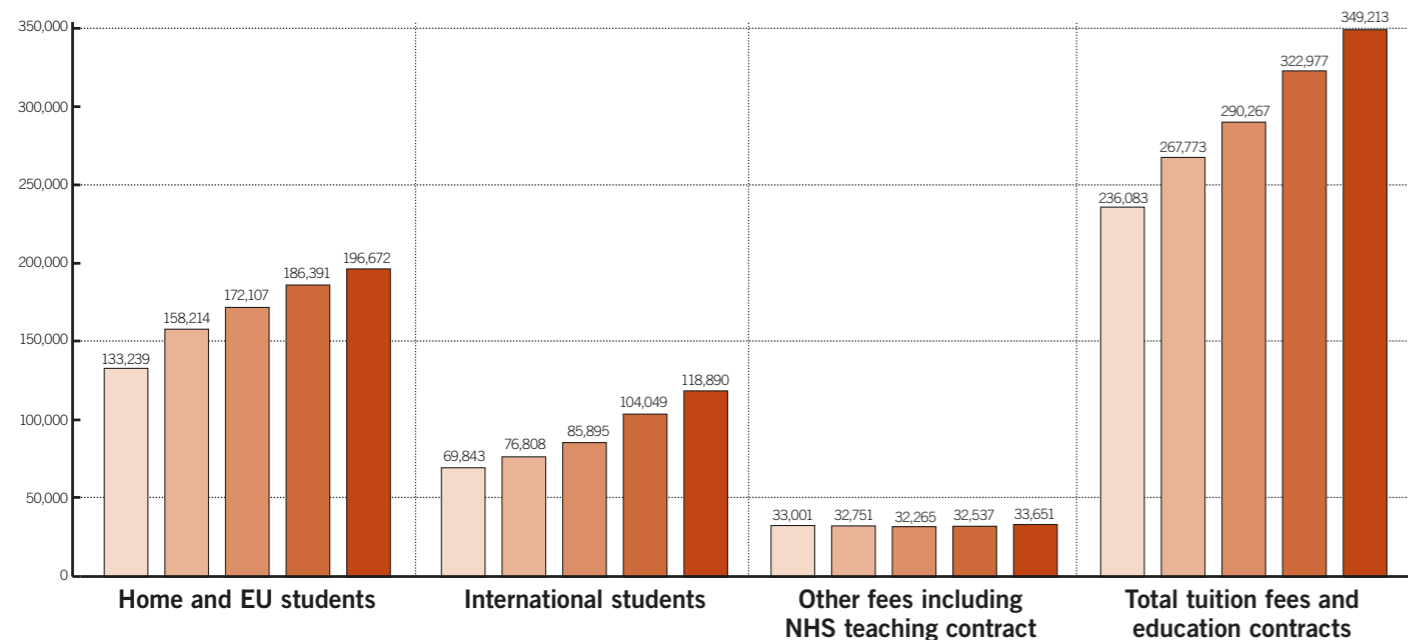
Funding Body grant income over five years (£000)



Funding Council grants

At £89m (12% of total income), Funding Council grant income shows an increase of £7m from 2016/17 (£82m). The year on year increase mainly relates to increased funding for the National Collaborative Outreach Programme, for the Global Challenges Research Fund and for capital. The recurrent teaching and research grant now standing at £69m is broadly the same as last year and we forecast that Funding Council grant income will remain relatively static over the next 5 years. As our research and fees income grow this funding stream will however represent only around 9% of total income by 2022/23.

Tuition fees and education contracts income over five years (£000) **Key** 2013/14 2014/15 2015/16 2016/17 2017/18



Tuition fees and education contracts

At £349m (8% higher than 2016/17), tuition fee income now accounts for 49% of total income (2016/17: 48%).

Fee income from our Home/EU students has increased by £10m (6%). Despite an increasingly competitive market and demographic pressures, we continue to report modest growth in overall undergraduate students, with nearly 800 more students than the previous year. In the 2017/18 recruitment cycle we again secured one of the largest Home/ EU undergraduate intakes of high quality students.

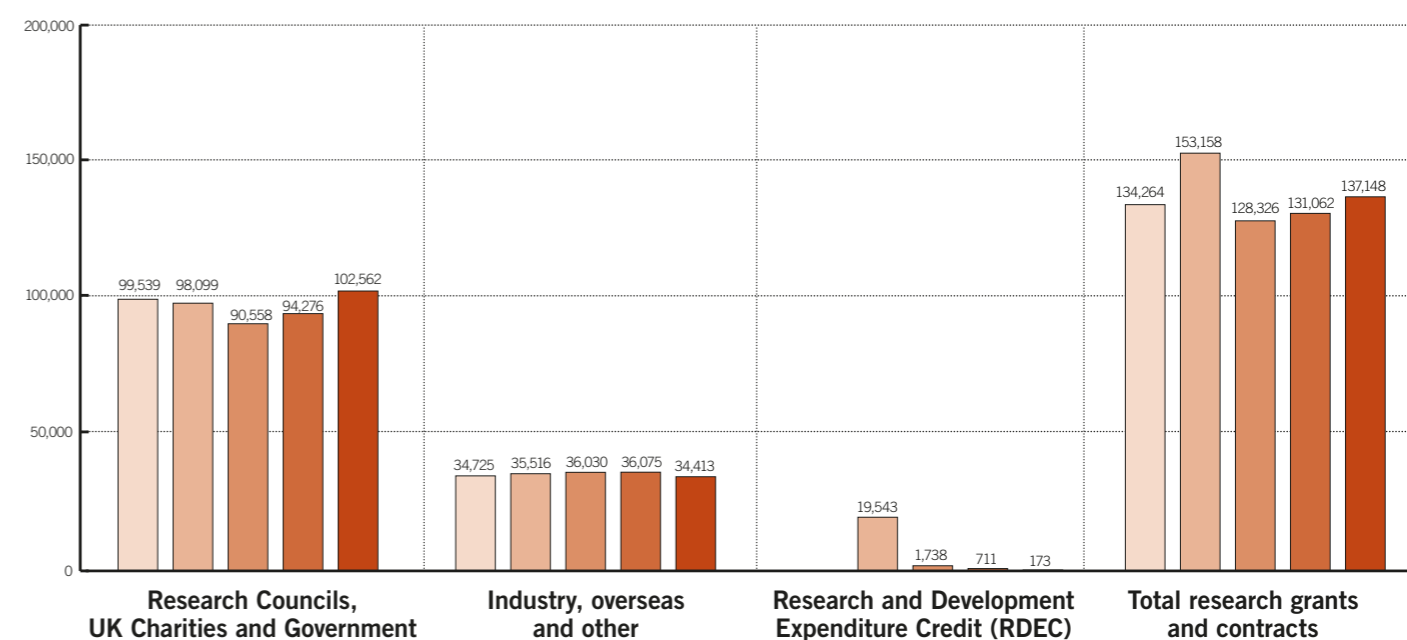
A focus on optimizing our recruitment of high quality international students helped deliver a 14% growth in international fee income. International student numbers across all cohorts increased by 12% from last year. It was particularly encouraging to see a 19% growth in undergraduate taught student numbers compared to last year; with the faculties of Engineering, of Business and of Arts, Humanities and Cultures contributing most to that increase. Alongside the growth in student numbers, we continue to experience further benefits of favourable discipline mix and price increases for some of our programmes.

As noted earlier, levels of EU student recruitment have to date continued to hold up despite the decision of the UK to leave the EU; and international student recruitment does not appear to have been adversely impacted by the uncertain political environment. We are conscious that this position may change as the UK approaches its planned departure date from the EU, particularly while the terms of the exit deal and trade thereafter are still not agreed, and the risk of adverse impacts on student recruitment are being monitored carefully.

Meanwhile we remain focused on delivering a new and more ambitious international strategy, which will give us an increasingly diverse student community – reflecting our intent to be a leading international university – and also increased revenue per full-time equivalent student (fte). This additional revenue can then be invested to support further development of the Leeds student experience.

14%
growth in international fee income

Research grants and contracts income over five years (£000) **Key** 2013/14 2014/15 2015/16 2016/17 2017/18



Research grants and contracts

Research income of £137m shows underlying growth of £6m (5%).

In 2017/18 we were particularly successful in growing research funding from the UK Government (12%), Research Councils (9%) and UK based charities (5%).

In terms of the lead indicator of research performance, it is pleasing to report that once again we have seen year on year growth in new awards with an increase of 5% from £167m in 2016/17 to £175m in 2017/18, and with the overall number of awards secured this year increasing to over 1,000 (as compared with 780 last year).

For the time being, growth in new awards from the EU appear to be unaffected by the UK's decision to exit the EU: in 2017/18 we achieved a 48% growth in new awards, when compared to 2016/17.

£175m
research grants and contracts new awards

The three largest awards by value are £8m from the Biotechnology and Biological Sciences Research Council (BBSRC), for an investigation into agricultural and food-system resilience involving local partners in Malawi, South Africa, Tanzania and Zambia; £8m from the Natural Environment Research Council (NERC) for a global project to improve African weather forecasting.; and £5.7m from the Engineering and Physical Sciences Research Council (EPSRC), a supplement to an existing grant for the Sir Henry Royce Institute of Advanced Materials for research into the performance of existing and novel infrastructure materials. Both of the two £8m grants are funded through the Global Challenges Research Fund (GCRF).

In 2017/18, we were awarded funding from the Economic and Social Research Council (ESRC) for a new Centre for Doctoral Training in Data Analytics and Society. Funding was also awarded for the renewal of a Doctoral Training Partnership which is delivered by the White Rose College of the Arts and Humanities, of which Leeds is a member.

It is pleasing to see the continued success of our University Academic Fellows. With the 2 cohorts that we have recruited to date we now have 163 fellows and in 2017/18 they were successful in securing new awards worth £21m compared to £12m in 2016/17.

We are one of a carefully selected group of universities playing a central role in developing major new national institutes in data science and artificial intelligence (Turing); the physical sciences/life sciences interface (Rosalind Franklin); research and innovation in materials science (Henry Royce); and climate and atmospheric sciences (the Met Office Academic Partnership). Investment in new or updated research platforms – for example, in medical and biological engineering, structural biology, data analytics, robotics, and pre-clinical and clinical imaging – will support skills training for PhD students, encourage interdisciplinary research projects, and provide a great foundation for industry partnerships.

As highlighted last year our interdisciplinary and collaborative approach to research has positioned us well to succeed in attracting research funding through both the 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. Building on our early success with GCRF awards in 2016/17 we have now won a total of 35 new awards with a total value of £25m, an achievement which places us as the third highest value recipient in the sector in the year. Two of our new awards are highlighted above and it is also pleasing to report that staff in the Arts and Social Sciences have also enjoyed good success with this funding scheme.

Other income

Other income including other operating income, investments, donations and endowments is in line with last year and incorporates £7m (2016/17: £7m) income from subsidiary undertakings – notably Weetwood Hall Ltd, Leeds Innovation Centre Ltd, University of Leeds IP Ltd and Bright Beginnings Childcare Centre Leeds.

The University's 'Making a World of Difference' fundraising Campaign aims to raise £100m by 2020. In 2017/18 a further £9m was pledged and the Campaign total now stands at £83m.

During the year we received gifts from 4,123 alumni and other donors, and we have increased the number of alumni with whom we are in touch to over 260,000. The gifts include a legacy of £2m to establish the Gosden Endowment, which will support students studying plant biology and related subjects. A Campaign gift of £0.5m will expand a donor-funded pilot to better access patient data to support medical research. Other donations will enable the expansion of the successful IntoUniversity partnership to support educational achievement in disadvantaged communities in Leeds, the continuation of the Laidlaw Research and Leadership Scholarships, 179 widening participation (WP) scholarships and 14 PhD Scholarships.

In addition to scholarships, the Footsteps Fund supports a range of activities that enhance the student experience. Examples of activities funded this year include; supporting student volunteers to help them conserve green areas around Leeds, providing equipment for Leeds Medical Student Community First Responders to provide training in basic life support, and enabling members of the LUU 'Mentality' Society to attend a retreat which supported positive change in their mental health and wellbeing.

Expenditure

The increase in staff costs of £15m (4%) shows a slower rate of growth compared to last year (7%) as our major academic investments, including the recruitment of 2 cohorts of University Academic Fellows, are now embedded and delivering against our strategic plan. The growth from last year largely reflects planned investment to support growth in research and student education.

An 8% (£18m) increase in other operating expenditure, of which 5% relates to one-off items including our 5 year commitment to the Alan Turing Institute and a provision for the improvement of laboratory facilities within the Faculty of Biological Sciences and also includes planned new investments in scholarships and student recruitment costs, and other inflationary and activity driven cost increases.

An increase of £8m in depreciation reflects the increased scale of investment in our capital programme in recent years.

£94m

capital expenditure

Balance Sheet

Our Balance Sheet remains strong and positions us well to manage our way through any significant income or cost risks that might crystallise in the short to medium term. Given the current scale of economic and political uncertainty, we will be cautious about major new commitments in this period, but we can be confident in continuing with the investments to which we are already committed, knowing that each is supported by a strong business case, the benefits of which will contribute to the delivery of our ambitious strategic plan, and knowing that the scale of the commitments are underpinned by our strong asset base.

We have seen an increase in net assets of £65m from £750m to £815m; this is attributable in the main to an actuarial gain of £58m, which contributes to an overall improvement in the value of the University of Leeds Pension and Assurance Scheme (PAS) of £52m, and an increase in fixed assets of £20m which has been partly offset by a reduction in working capital of £12m.

The net book value of tangible fixed assets (including heritage assets) has increased by £20m to £896m. The University has invested £94m predominantly in new academic facilities and infrastructure improvements in the year (2016/17: £119m).

Major capital schemes completed in 2017/18 or due for completion in 2018/19 include:

- £53m Generating Station Complex redevelopment joint with Leeds Teaching Hospitals Trust
- £38m Nexus, the new University innovation and enterprise centre

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

- £96m William Bragg building development, formerly referred to as the Integrated Campus for Engineering and Physical Sciences
- £43m redevelopment to support the expansion of the Leeds University Business School
- £39m Leeds Engineering Technology Campus including a new Institute for High Speed Rail and System Integration and the National Centre for Infrastructure Materials both of which we are confident will be supported by a variety of external funding sources
- £31m refurbishment of the Faculty of Biological Sciences, the first phase of an overarching programme of development of the Faculty estate, which includes reconfiguration of research and teaching laboratories
- £11m Development of the Centre of Innovation Excellence in Livestock (CIEL) at the University farm to provide livestock research facilities

The University retained £302m of cash investments at 31 July 2018 of which £104m was held on deposit with remaining terms of up to 10 months, £120m was held in three separate sterling liquidity funds, £50m was held in a cash plus fund and the remaining £28m was held on-call. The University treasury policy determines that we focus on the most secure institutions and funds, with a deposit limit of £50m for AAA rated institutions or funds, of £30m for AA, and of £15m for A.

Moody's undertook a review of its credit opinion in April 2018 and the credit rating of University of Leeds was retained at AA3.

After standard loan repayments of £4m this year, the gearing ratio (calculated as external borrowing including service concession liabilities as a percentage of unrestricted reserves and unrestricted endowments) decreased to 40% (from 44%) at 31 July 2018, placing us near average across the Russell Group.

At £77m, the value of the endowment portfolio increased by £4m year on year (2017: £73m) and generated the planned income level of £2m.

Working capital has decreased by £12m, primarily as a result of an increase in accruals and deferred income, £9m of which was generated by an increase in research grants received in advance.

Pensions

The University of Leeds Pension and Assurance Scheme (PAS) reports a Balance Sheet surplus of £34m at 31 July 2018, representing an improvement of £52m from the prior year deficit position.

The improvement was driven by growth in the scheme's asset portfolio due to strong in-year investment returns and a reduction in the scheme liabilities. The reduction in liabilities was attributable to an increase in the yield on high quality corporate bonds, the application of more recent mortality tables and updating assumptions to reflect recent scheme experience. The latter derived from the full scheme valuation as at 31 March 2017, which was completed in the year and showed a surplus of £31m, equivalent to a funding position of 107%.

The surplus is estimated using actuarial assumptions to value the liabilities of the PAS, and 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 or deficit in future is therefore subject to fluctuation, and may indeed vary widely from year to year.

The University continues to contribute to the Universities Superannuation Scheme (USS) March 2017 valuation process. The Trustee's latest valuation indicates that as at March 2017 there was a funding deficit of £7.5bn requiring a deficit recovery contribution of 6%, with the cost of providing future benefits rising substantially to 30.6%. If this were to be the finalised 2017 valuation under the cost sharing rules of the Scheme, and without significant benefits change, it would require that the total employer contribution rate increases from 18% to 19.5% in April 2019, rising to 22.5% in October 2019 and then to 24.9% from April 2020 onwards.

FRS102 and the HE SORP require that universities recognise a provision for the present value of payments to be made under the existing deficit recovery agreement for USS. On this basis, the provision for University of Leeds stood at £66m at the 2018 year end (2017: £70m).

A Joint Expert Panel, set up by the University and College Union (UCU) and Universities UK (UUK) following the recent industrial dispute, has reviewed the methodology, assumptions and process underpinning the latest 2017 valuation and suggested possible adjustments to the methodology, which if considered and supported by the USS's Joint Negotiating Committee (JNC) and other stakeholders could allow the valuation to be concluded at a deficit of £4.0bn. This could result in employer contributions of 20.1%.

Risks

We are pursuing our plans in a period of what seems to present an unprecedented scale and breadth of political, economic and funding volatility and therefore risk. With this in mind, the University continues to take action to mitigate the 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, within the new regulatory framework of both the Office for Students (OfS) and UK Research and Innovation (UKRI), and with a range of recent and ongoing government reviews that have direct relevance for the sector.

The two new regulatory bodies have been operating since April 2018 and will over time fundamentally alter the way the HE sector is regulated. The funding for financial year 2018/19 appears to follow the pattern of recent years with no obvious or immediate disadvantage to the University; however, distribution of government funding is likely to be affected in the medium to long term. The focus on regulation, value for money and widening access is likely to bring new challenges for universities; and future policy on matched funding, the dual support system of research funding and the possible concentration of investment in large-scale projects could carry some risks to the future development of our research base.

“We are pursuing our plans in a period of what seems to present an unprecedented scale and breadth of political, economic and funding volatility and therefore risk... the University continues to take action to mitigate the risks that threaten the achievement of its strategic objectives”

The Post-18 Education and Funding Review (the 'Augar review') is now expected to report early in 2019, following a report, which is due to be published in December 2018, from the Office for National Statistics (ONS), which has been reviewing the Government's accounting treatment of income contingent loans, including most significantly the student loan book. Government's consideration of the Augar review and its policy options will now be in Spring 2019 at the earliest; it seems increasingly likely that the review will include the recommendation of a reduction to the home undergraduate fee level.

Government policy on immigration continues to have an impact on the ability of UK universities to capitalise fully on growing international student mobility flows. The Migration Advisory Committee (MAC), which was commissioned to examine the impact of EU and non-EU overseas students on the UK economy, has reported recently; and, whilst it made helpful recommendations, for example that there should be no cap on the number of international students, it left the sector disappointed by not recommending the removal of students from the Government's net migration target. The result is that the UK will continue to have a relatively restrictive approach to international student recruitment compared to key international competitors but at least there is currently no obvious appetite to tighten controls further.

We are cognisant of these risks and alert both to the potential financial impact of each individually and also to the cumulative impact; we continue to monitor them with a strong focus on a range of potential mitigating options which we have reviewed with the University Council and which we will work on further to ensure that we are able to take necessary mitigating action if and when required. At the same time we continue to work with the Russell Group and UUK to lobby government and regulators on policy decisions.

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

Our Brexit Strategy Group has focused on the key strands of research funding, student recruitment and mobility, and the wellbeing and immigration impacts for staff and students, developing an institutional approach to understanding and mitigating the impact of Britain's exit from the EU. In addition to this forum, senior colleagues directly input into Russell Group and Universities UK advisory groups to ensure that the sector continues to convey clear priorities for the Government's negotiations. At the time of writing we are also actively developing contingency plans in case of a no deal exit and liaising with DfE, UKRI, UUK and RG colleagues to ensure the completeness of our plans for both the immediate departure date and beyond.

Targeted partner engagement across the EU will seek to ensure that the direct channels for research, student recruitment and mobility remain open. Also continued access to future platforms for research collaboration (H2020 and FP9) and student mobility (Erasmus 2021–2027) will be key. A Regional Advisory Group on Europe chaired by a Pro-Dean: International has been set up to gather further expertise from across the University to identify opportunities for enhanced strategic engagement with EU institutions to secure collaboration and increase our profile and reputation. During the year the Deputy Vice Chancellor (DVC): International has led delegations to Germany and the Netherlands to develop new relationships with potential partner institutions.

The University also continues to work with the sector to lobby for a reformed post-Brexit immigration policy that encourages talented international students and staff to choose to come to the UK.

We have significantly de-risked our financial plans to reflect the risk to EU income streams but we also have plans to mitigate against this by growing research income from other sources and recruitment levels of international students from outside the EU.

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

Significant work has been undertaken to deliver a rebalanced and sustainable student cohort mix which will increase the proportion of international students, and to develop our teaching excellence still further, which will enrich the student experience and ensure global relevance and employability.

Enhancements to our International leadership structure and capacity are now embedded and our focus is on maximising the recruitment of high quality international students to rebalance the student cohort mix and to mitigate the risk of over-dependency on the home undergraduate market and the Brexit risk to levels of EU student recruitment.

The DVC: International leads the University's international academic strategy with an objective to boost our global profile and standing, while generating new research and educational opportunities with overseas partners. We have already seen significant growth in international student recruitment with 12% more international students studying at the University in 17/18 than in the previous year.

• 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 with, for example, investment in research infrastructure to support world-leading research – including our £3m investment in the Farm Observatory Instrumentation. We launched our new Doctoral College in October 2017 and in addition to our success with the two DTCs mentioned earlier, there are a number of others which we are either preparing to bid for or awaiting the outcome of applications.

We continue to focus our attention on the outputs for the next Research Excellence Framework (REF) and have implemented robust REF preparation processes and monitoring mechanisms to ensure the strongest return, including the establishment of the REF Steering group, led by the DVC: Research and Innovation, of REF review sub groups for each Unit of Assessment and of a University Impact Group.

Our research and innovation delivery plan will concentrate even more on challenge-led research with a focus on collaboration, on building capacity and capability, on the impact of research, and on tackling global grand challenges systematically. We are shaping research questions in dialogue with funders, industry partners, consumers and users, and we are advancing new ideas and research findings to support economic growth. Our membership of the prestigious Alan Turing Institute for data science, for example, has already resulted in the award of 18 Alan Turing Research Fellows, and will give us privileged access to future funding streams.

Through our investment in the delivery of Major (market led) Research Initiatives we are developing new research and technology platforms, working in partnership across disciplines, institutions and continents; and building new relationships between academia and industry, for example the development of the Institute for High Speed Rail and System Integration.

NEXUS, our new Innovation and Enterprise Centre, is nearing completion. Along with our new Corporate Engagement Strategy, it will support our drive to secure a step change in the volume and diversity of collaborative research and innovation activity. It will also help us to improve research impact; to make mutually valuable connections; to form research-led partnerships locally, nationally and internationally; and to understand and respond to external public and private sector funding opportunities.

• 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. Whilst the ambition of our estates and capital equipment investment has been evident in recent years, we are also progressing well the development of business cases for significant new investment in our core underlying processes and systems to support the student lifecycle and our corporate back office services. This has been an area of under-investment in recent years, but we have ring-fenced a significant level of strategic funding to support the implementation of new technologies to future proof these critically important functions.

The issuance of the public bond in 2016 and forecast cash generation means that we are secure on the level of cash required to finance the capital programme through until 2022/23; and our integrated planning process is designed to ensure we are able to prioritise the development of new capital schemes in areas that have strong academic plans which we are confident will contribute to the long term cash generation target of the University.

At the same time we are increasing our focus on seeking out and pursuing external funding opportunities for capital investment and are already seeing some success from this.

• Risk of pensions and pay pressures becoming unsustainable

As indicated earlier in my report, we actively monitor the USS valuation position and have engaged in employer consultations throughout the valuation process. We have expressed clear and consistent messages about our core interest in ensuring that USS is a fair, stable and sustainable scheme, and we believe this requires careful consideration of the level of risk and contributions that employers can sustainably afford and of options to reform the scheme which might be necessary.

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 pay bargaining.

Conclusion

Whilst it is pleasing to deliver a financial position ahead of plan and to be able to report that we are making good progress on delivering our academic plans in both research and education, we are cognisant of the increased level of external risks that we face.

We face into such risks from a position of financial and academic strength and we believe it is important that we are not deterred from continuing with our ambitious investment plans, albeit in a measured way given the economic, political and sector uncertainty that all universities are currently facing. At the same time we will continue to monitor the risks and will work on our range of potential mitigating options so that we are ready and able to implement them if and when required.

We are confident that the investments that we have made to date will be seen to contribute to our academic and financial sustainability in the short to medium term and we will continue to be both ambitious and rigorous in assessing new investment opportunities.

Jane Madeley
Chief Financial Officer

“We face into such risks from a position of financial and academic strength... we will continue to be both ambitious and rigorous in assessing new investment opportunities.”

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

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, 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 2017/18, over 35,750 students benefited from the delivery of some 1,760 programmes; more than 11,400 students graduated in the year. Our confidence in the quality of our delivery of student education is underpinned by external validation¹, as well as by our high scores in the 2018 National Student Survey (NSS).

Like all other universities, the University of Leeds charges tuition fees to students. In 2012/13 the annual tuition fee for most full-time undergraduates was capped at £9,000. The Higher Education and Research Act 2017 permitted institutions that participated 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 are paying £9,250 from 2017/18.

Leeds is committed to encouraging students from all backgrounds to realise their potential, and has made one of the largest investments in the 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 2017/18, the University committed £17.9 million towards financial support, access, student success and progression activity.

We engage with communities, families, more than 78,000 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.

¹ Hitherto, by the HEFCE's independent Quality Committee during the Annual Provider Review: in April 2018, the Quality Assurance Agency became the designated quality body under the Office for Students' new regulatory framework.

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 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 our 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.

The Cultural Institute is developing a coordinated approach to publicly-accessible cultural activity on campus – performances, recitals and workshops. In 2017/18 over 47,000 individuals visited our galleries, museums and archives, including the Stanley and Audrey Burton Art Gallery, the Treasures of the Brotherton Gallery, ULITA – an Archive of International Textiles – and the Marks & Spencer Company Archive. The University's collections also reached new audiences through loans to nine regional, national and international exhibitions.

We continue to work with Leeds City Council and other partner organisations, in particular through the Leeds Local Cultural Education Partnership, a city-wide initiative to bring art and cultural organisations, educational institutions and local authorities together. A programme to support the development of the next generation of creative talent in Leeds included in the City's bid for European Capital of Culture 2023 – Incubating the Future – will continue in collaboration with the City Council and partners in education and arts. We work in partnership with the Ilkley Literature Festival, Leeds Digital Festival, Yorkshire Sculpture International; we are the principal partner of the world-renowned Leeds International Piano Competition; and our long-standing collaboration with Opera North (through DARE) continues to deliver benefit. Cultural events on campus included Leeds Light Night, which was celebrated with eleven free public events across campus in October 2017; and the 25th year of the International Medieval Congress, Europe's largest annual gathering in the humanities. Our cultural activity is now reaching international audiences: we supported rounds of the Piano Competition in Singapore, New York and Berlin, and were involved in sharing performances live and on-demand. The launch of an annual Leeds Piano Festival included an extensive outreach programme.

We support the Manifesto for Public Engagement and our work here has been enhanced by catalyst seed funding from Research Councils UK (RCUK). Activities to promote public engagement included the University's research open day 'Be Curious' in March 2018; and the 13th annual Leeds Festival of Science, co-ordinated by the University and partners across Leeds, which offered an extensive programme of events and workshops for schools and the general public. 1,700 students and teachers participated in the University's Festival of Arts and Humanities, which celebrated the City's rich heritage of arts and culture through a programme of public events and activities for schools.

Sustainability and the community

A commitment to economic, social, cultural and environmental development is inherent in the University's mission. We are, for example, part of a worldwide endeavour to tackle the challenges of global health; energy, food and water security and climate and cities. We also understand the importance of culture and social justice in tackling the inequalities inherent in these challenges. Closer to home, our leadership of the successful Leeds City Region bid for a place on the prestigious development programme run by Massachusetts Institute of Technology (MIT) will provide expert, evidence-based guidance to stimulate significant economic and social change in the region.

The University also continues to play an important role in helping improve the health and wellbeing of the people in Leeds. We are a key partner in the Leeds Academic Health Partnership (LAHP) and we educate and train health professionals of the future.

The University's commitment to ensuring that we create positive value for society by taking our economic, social, environmental and cultural responsibilities seriously is underpinned by our Sustainability Strategy. Our approach is articulated within four interconnected themes – annual reports track our progress.

Embedding Sustainability through Collaboration places sustainability at the core of our processes and systems. This year, we retained our University-wide ISO 14001:2015 environmental management standard accreditation; strengthened our approach to sustainable construction; and introduced our staff architect programme, which supports staff across the University in taking a sustainability leadership role within their home, school or service. Additionally, 320 student volunteers completed sustainability-related activities on campus and in the local community.

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 training helps to integrate sustainability into staff decision-making. Our world-class research builds knowledge on and beyond campus through our Living Lab Programme, which brings together research, education and operations to use the University as a test bed for sustainable solutions which can then be translated to the City and beyond.

Partnership-focused initiatives underpin *Being a Positive Partner in Society*, our approach to social responsibility. Leeds for Life, our institution-wide model for 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 Universities has funded 610 student-led projects since the Leeds for Life Foundation began in 2008, enabling students to make a positive, worldwide contribution to society.

We have developed partnerships with local community organisations, with around 200 distinct volunteering opportunities available to students at any one time. An increasing number of these partnerships are leading to longer-term paid placements or internships. During 2017/18 our undergraduate and postgraduate students offered educational support through the Students into Schools programme, which remains a key part of our commitment to widen access to Higher Education throughout West Yorkshire. The 'Societies Into Schools' initiative is flourishing: and we have improved the engagement, support and deployment of international students in meaningful and appropriate opportunities.

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 2600 households – a 41% increase on last year. 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 contributions via the Positive Impact Partners scheme, which facilitates effective partnerships with third-sector organisations to make positive social change, totalled 843 hours; and we launched our formal Schools Governors programme, bringing together 154 new and existing school governors from across the University.

Making the Most of Resources constitutes a key fourth theme. Consistent with our commitment to reduce general waste to landfill, we continue to encourage recycling at source across all our operations. Our 'reuse' scheme saved £512k and enabled donations of goods worth over £260k to local charities. Our support for City-wide activity to improve air quality in Leeds included signing an open pledge to work actively in this area. We continue to support sustainable travel: 95% of students and 77% of staff travel sustainably. Our commitment to be an exemplar of urban biodiversity was supported by the development of a biodiversity quality tracking tool; by increased and improved hedgerows; by relaxing our mowing regime; and by tree-planting. The successful fledging of three peregrine falcon chicks on the Parkinson Tower was captured via a live webcam.

The Council has agreed to adopt a climate active strategy with the University's current investment managers, the purpose of which is to drive behavioural change supporting decarbonisation via a combination of divestment and engagement.

Equality and inclusion

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

Staff-related activities supporting the attainment of the University's Equality Mission include delivery of the Leeds Gender Framework. All our Science, Technology, Engineering, Mathematics and Medicine faculties and departments now hold a Silver or Bronze Athena SWAN award – a significant University achievement. We supported the participation of a further 15 women on the 2017/18 Leadership Foundation for Higher Education programme for Women in Leadership ('Aurora'); and recruited three co-ordinators to the 'Women at Leeds Network' to accelerate support for female staff across the board. The criteria for our 'Women of Achievement' awards that recognise the contribution of our female staff were reviewed this year; and our 'Women in Leadership Roles Forum' continues to support the contribution of our senior female leaders. The impact of these measures will take time to effect change, but we are confident that they will lead to improved future gender equality outcomes. Meanwhile, consistent with statutory requirements, information on our Gender Pay Gap and a plan of action to continuously reduce our gaps overall can be found at

<https://equality.leeds.ac.uk/initiatives/leeds-gender-framework/gender-pay-gap-2017>

We are strengthening recruitment, support and progression for other under-represented staff groups and increasing the consideration of 'intersectionality' within our work; and are accelerating our efforts on LGBT inclusion, better supporting disabled staff and improving the diversity of staff at all levels of the University.

A training module, mandatory for all staff, will embed E&I in our everyday culture and all aspects of University business. We have also focused work on developing a strategic approach to addressing sexual harassment on campus; and developed a trans inclusion policy, with guidance on implementation.

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. In 2017, 983 Access to Leeds Students registered onto our undergraduate programmes. Work is also under way to provide more inclusive opportunities and support, and to develop inclusive curricula and learning and teaching practices.

Detailed equality monitoring data are published at <https://equality.leeds.ac.uk/equality-data>: a snapshot of data for 2017/18 (at 1 December 2017) follows:

University of Leeds student diversity profile

Where information is known	Home and EU students	Overseas
Female	61%	57%
Age (21 and over)	11%	17%
Black and minority ethnic	18%	95%
Disabled	12%	2%
Low SEC participation	25%	–
Total student headcount	34,598*	–

*Excludes certain students for diversity monitoring purposes.

Staff in post by protected characteristic

Characteristic	Protected characteristic	% where known
Gender	Female	55%
	Male	45%
Age	50–59	22%
	60+	8%
Ethnicity	Black and minority ethnic	10%
Disability	Disabled	4%
Caring responsibilities	Carers	23%
Sexual orientation	Bisexual	1%
	Gay man/woman	2%
Faith/belief	Christian	24%
	Muslim	2%
	Hindu	1%
	Jewish	1%
	No faith	33%
Total staff headcount	8,644	–

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.

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. One complaint made in session 2017/18 was investigated by another institution and found to have no substance. After preliminary investigation indicated that another allegation had substance, appropriate action was taken to address the complainants' concerns.

Our Code of Practice on Whistleblowing sets out how we will handle complaints of suspected malpractice or impropriety. An anonymous allegation lodged under the Code in 2017/18 in respect of a University subsidiary was judged to be well-founded; appropriate action was taken.

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 2017/18 the University received 63 formal student complaints (40 in 2016/17), 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 figure for 2017/18 excludes concerns from a significant number of students about the prospective or actual impact of the industrial action in February and March 2018.)

The majority of complaints received in 2017/18 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 199 appeals from taught students against academic judgements relating to results declared for the 2016/17 Semester 2 or 2017/18 Semester 1 examinations (176 in 2016/17). Of these 81 were conceded by their school or upheld (in full or in part), 87 were rejected and in 31 cases the appeals were withdrawn by the student. A further 10 appeals were submitted by postgraduate researchers (9 in 2016/17): of these, five 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.

Thirteen students lodged petitions with the OIA during 2017/18, four arising from complaints decisions, eight against academic appeals dismissed by the University, and one arising from the University's decision to exclude the student for unsatisfactory academic progress. One case was settled (an offer to consider any losses incurred by the complainant has been made), two cases were withdrawn by the complainants, two cases were not accepted by the OIA as they were ineligible under its rules, six cases have been dismissed and the remaining two are still under review by the OIA at the end of the year.

The OIA case outstanding from the 2016/17 Annual Report was dismissed by the OIA.

Use of animals in research

The University of Leeds carries out research using animals to improve the health and welfare of human beings and animals, to provide a better understanding of the animals themselves and for educational purposes. 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 involving animals is driving fundamental advances in understanding, treating and curing a range of health problems including cancer, heart disease, diabetes and mental illness, thus reducing unnecessary suffering. In addition, our researchers continue to develop new strands of thinking to tackle future issues.

We use alternatives to animals wherever possible – including computer modelling, synthetic tissue culture, cell and molecular biology, and research with human subjects – and we are actively involved in developing alternatives to animal tissue use. However, these alternatives cannot yet properly reproduce the complex biological characteristics of human beings and animals, and nor can they replicate the study of animals in their natural environment. Whenever animals do have to be used as part of a study, they are treated with dignity, and cared for by professionally qualified staff. All research programmes using animals are carried out to high standards and with recognition that living species are involved. Research programmes using animals operate within a strict framework of legal controls. Projects must also 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.

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 also led to the first significant improvement in the recovery of voluntary control of movement in people with severe spinal cord injury.

Freedom of information and data protection

During 2017/18 we received 418 requests explicitly under the Freedom of Information Act – a 15% increase on the number (363) received in 2016/17. There are continuing trends towards broader and more complex requests and towards 'clusters' of requests associated with events or themes being explored in the media. Almost 20% of requests emanated from journalists, and there was a small increase in the number of requests related to procurement and other commercial issues. Common themes included student mental health and well-being; sexual assault and harassment; senior staff salaries and expenses; HR statistics; and commercial data. 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. No complaints were lodged with the Information Commissioner's Office.

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 2017/18 the University received 10 data subject access requests, compared to 12 in the previous year. The requests originated primarily from students who were not progressing on or who had failed their courses. The University has achieved a reasonable level of compliance with the General Data Protection Regulation that replaced the Data Protection Act in May 2018, albeit that maintaining compliance depends to some extent on manual effort. Continuing work towards systems-based compliance is under way and subject to careful monitoring.

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 were lodged during the year.

Trade Union Facility Time

In common with other public sector organisations, the University is required under regulation 8 of The Trade Union (Facility Time Publication Requirements) Regulations 2017 to publish, in a prescribed form, specific information regarding facility time for the recognised campus trade unions. This follows below:

Table 1; relevant union officials

Total number of employees who were relevant union officials during the period 01.04.2017 to 31.03.2018.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
26	25.56

Table 2; Percentage of time spent on facility time

The number of employees who were relevant union officials employed during the period 01.04.2017 to 31.03.2018, spent the following percentage of their working hours on facility time.

Percentage of time	Number of employees
0%	
1%-50%	25
51% – 99%	
100%	1

Table 3; Percentage of pay bill spent on facility time

Information Requested	Figures
Provide the total cost of facility time	£253,777
Provide the total pay bill	£372,959,000
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time / total pay bill) x 100	0.068%

Table 4: Paid trade union activities

The number of hours spent by employees, who were relevant union officials, during the relevant period on paid trade union activities.

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (Total hours spent on paid trade union activities by relevant union officials during the relevant period / total paid facility hours) x 100	1.36%
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This statement covers the period 1 August 2017 to 31 July 2018 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 the 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.

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 (CUC) 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

A periodic review of the effectiveness of the Council and its committees concluded in 2017/18. This was informed by the work of the Good Governance Institute (GGI), which found that the University was in the upper quartile of large, complex organisations in terms of good governance practice and had no formal recommendations to make. The GGI also drew attention to exemplary areas of practice in specific areas. Following reflection on a number of developmental issues, however, changes were made to aspects of the Council's practice and policy. Reviews of the Senate and the Court will follow.

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 27 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. The Council is also responsible for confirming annually to the Office for Students that the methodologies used to secure continuous improvement of the student academic experience and student outcomes are, to the best of its knowledge, robust and appropriate; and that the standards of the University's awards have been appropriately set and maintained. 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).

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 26, 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 Accountability² or the terms and conditions of funding of the Office for Students³ and of Research England as appropriate
 - › considers and advises the Council on the appointment of the internal and external auditors, and monitors annually their performance and effectiveness.
- The Strategy and Investment Committee (chaired by the Deputy Pro-Chancellor, Mr Quentin Woodley), monitors the development and implementation of the University's strategy and advises the Council on major investment decisions. The work of the Committee includes
 - › annually reviewing progress with the student education, research and innovation, and international strategies, staffing plans, the capital plan, and the five-year financial forecasts
 - › considering, at least annually, reports from members of the executive, and on the Integrated Planning Exercise

- › maintaining an overview of changes in the strategic landscape
- › considering at each meeting the capital programme monitoring dashboard
- › reviewing, as necessary, the implementation of specific strategic initiatives
- › advising the Council on major funding and borrowing decisions, including any significant changes to treasury policy.
- 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 Deputy Pro-Chancellor, and its other members are the Pro-Chancellor, Ed Anderson, Caroline Johnstone and Amanda Mellor (all of whom are lay members of Council). The Committee's main responsibility is to determine the salaries of the Vice-Chancellor and other members of the University Executive Group: in so doing, the Committee has regard to the CUC's Higher Education Senior Staff Remuneration Code. The Committee makes an annual report to the Council; these reports will become publicly available.
- 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 £150,000.
- 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; the International Strategy 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 their respective terms and conditions of funding, is the 'accountable officer' who reports to the Office for Students⁴ and Research England on behalf of the University.

The University's Executive Group (UEG) consists of the Vice-Chancellor, the Deputy Vice-Chancellors, the Pro-Vice-Chancellor⁵, the Chief Operating Officer, the faculty executive deans, the Chief Financial Officer, the Marketing Director, the Director of Human Resources, the Director of Facilities Management⁶ 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 26.

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. On the basis of the work they carried out during 2017/18, the internal auditors were of the opinion that the University's arrangements were generally satisfactory with some improvements required (the same opinion as the one provided in 2016/17). They also confirmed that in their view there were no significant internal control issues which required inclusion in this annual governance statement.

⁴ From 1 April 2018; until 31 March 2018, the HEFCE.

⁵ To 31 July 2018: from 1 August 2018, the Pro-Vice-Chancellor: International was re-designated Deputy Vice-Chancellor.

⁶ To 31 July 2018: re-designated as Director of Campus Development from 1 August 2018.

Corporate governance

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 Statistics Agency, the OfS, Research England, the HEFCE, the Student Loans Company 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 the HEFCE, OfS, Research England and as appropriate other funders are used only for the purposes for which they have been given and in accordance with the terms and conditions of funding of those bodies; 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 funding of the HEFCE, the OfS and Research England, 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. We are currently reviewing risk management arrangements in response to current challenges posed by the environment and a greater level of scrutiny in higher education.

This process, which accords with CUC guidance, was further tested during the year 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 11–14 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 2017/18

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; former Chief Executive of the HEFCE (2009–13); previously Principal and Vice-Chancellor of the University of Dundee; former Chief Executive of the NHS in England	Leeds International Piano Competition	6 + 2
Nick Allen	Programmes and Assessment Operations Team, Student Education Service; Chair, local branch of UNISON		4 + 1
Ed Anderson	Chairman of National Savings and Investments; Chairman of the Airport Operators Association; 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; Tablet Trust; The Ryedale Festival Trust	6 + 2
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; member of HRH Prince Charles' Accounting for Sustainability CFO Network		4 + 1
Helen Billington	Education Service Manager, Digital Education Service; Fellow, Association of University Administrators; Vice-Chair of Governors, Selby High School		4 + 2
Rachael Brown	PA to Head of the School of Media and Communication; Member-nominated Director of Pension and Assurance Scheme – PAS Trustee		4 + 2
Neil Clephan	Director of School Improvement; Red Kite Learning Trust; Education and Leadership Consultant	Jigsaw (HMP Armley); Leeds Rhinos Foundation; Leeds Grand Theatre, Leeds City Varieties and Hyde Park Cinema; Brigshaw Learning Partnership	5 + 1
Seb Elsworth	Chief Executive of Access – the Foundation for Social Investment		4 + 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		6 + 1
Paul Gittins	Director, Group Strategy and Competitive Analysis, Capgemini		1 + 0
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; Chartered Accountant (former partner with PricewaterhouseCoopers)		4 + 1
Pam Jones	Professor of Biomedical Research, Director of Leeds Institute of Biomedical and Clinical Sciences, Faculty of Medicine and Health		6 + 2
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	4 + 2
Amanda Mellor	Group Secretary and Head of Corporate Governance, Marks & Spencer Group plc; Non-Executive Director, Volution Group plc		3 + 1
Natasha Mutch-Vidal	Equality and Diversity Officer (LUU)	Leeds University Union	4 + 1
Yvette Oade	Chief Medical Officer of Leeds Teaching Hospitals NHS Trust; Chief Medical Officer of Hull and East Yorkshire Hospitals NHS Trust; Deputy Chief Executive, and Consultant Paediatrician, Calderdale and Huddersfield Foundation NHS Trust	Yorkshire Cancer Research	4 + 1
Jack Palmer	Union Affairs Officer (LUU)	Leeds University Union	5 + 2
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	6 + 2
Mark Taylor-Batty	Senior Lecturer in Theatre Studies, School of English; Committee member, UCU, University of Leeds Branch		5 + 1
Luke Windsor	Professor of Music Psychology, School of Music; Deputy Dean, Faculty of Arts, Humanities and Cultures		5 + 2
Quentin Woodley	Deputy Pro-Chancellor; Director Emeritus, McKinsey & Company; Director, Woodley Pension Trustees Ltd; Chartered Accountant		6 + 1

Two LUU Officers and Trustees of LUU (Jack Palmer (Union Affairs Officer) and Natasha Mutch-Vidal (Equality and Diversity Officer)) were members from 1 July and September 2017 respectively to 30 June 2018 (Natasha replaced Zaki Al-Ghazal). They were replaced on 1 July 2018 by Christopher Morris (Union Affairs Officers) and Serene Esuruso (Education Officer). Nick Allen, Helen Billington, Neil Clephan and Nigel Foster stepped down from the Council's membership on 31 July 2018; they were replaced on 1 August 2018 by Victoria Blake, Martin Pelan and Janet Sheriff. Leyla Okhai was appointed on 27 September 2018.

Members of the University Executive Group 2017/18

Sir Alan Langlands Vice-Chancellor (Chair)
Francesca Fowler Director of Human Resources
Roger Gair University Secretary
Martin Holmes Marketing Director
Dennis Hopper Director of Facilities Management (Director of Campus Development from 1 August 2018)
Jane Madeley Chief Financial Officer
Tim Peakman Chief Operating Officer (from 1 December 2017)
Professor Lisa Roberts Deputy Vice-Chancellor: Research and Innovation
Professor Tom Ward Deputy Vice-Chancellor: Student Education
Professor Hai-Sui Yu Pro-Vice-Chancellor: International (Deputy Vice-Chancellor: International from 1 August 2018)
Professor Andy Dougill Executive Dean, Faculty of Environment
Professor Frank Finlay Executive Dean, Faculty of Arts, Humanities and Cultures
Professor Jeremy Higham Executive Dean, Faculty of Education, Social Sciences and Law
Professor Peter Jimack Executive Dean, Faculty of Engineering
Professor John Ladbury Executive Dean, Faculty of Biological Sciences
Professor Peter Moizer Executive Dean, Faculty of Business
Professor Stephen Scott Executive Dean, Faculty of Mathematics and Physical Sciences
Professor Paul Stewart 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 well-being of staff and students, for the education of students, and 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 review annually a report from the Senate on the assurance of the quality of the education provided to the University's students;
- 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 HEFCE, the Office for Students and Research England are used in accordance with their respective terms and conditions;
- to ensure that reasonable arrangements are in place to safeguard the good name and values of the University, to ensure compliance with the University's constitution and to manage risk;
- 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

In our opinion the financial statements of the University of Leeds (the 'university') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and university's affairs as at 31 July 2018 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows 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 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 principal accounting policies; and
- the related notes 1 to 31.

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 Financial Reporting Council's (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 university.

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	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • the cut-off of deferred research grant income; • the accounting for capital projects; and • the valuation of defined benefit obligations. <p>Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p>
Materiality	The materiality that we used for the group financial statements was £7.2m which was determined on the basis of 1% of 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 governing body's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the governing body 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.

Key audit matters

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.

We have identified a key audit matter in relation to deferred research grant income totalling £69m at the year-end (2017: £60m) 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.

We identified a fraud risk in relation to deferred research grant income recognition. In particular, sector expectations may place pressure on management to influence the recognition of income. This could result in the misstatement of the deferral of the income to assist in meeting current and future expectations.

Details of the accounting policies applied are set out on page 42.

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 research grants;
- We performed focused testing on a sample of research grants 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.

Key observations

Based on the work performed, we are satisfied that the balances recognised in relation deferred research grant 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 between 2015-2020. At the balance sheet date, costs totalling £94m (2017: £119m) have been capitalised in relation to this programme in the year 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 and whether replaced and derecognised assets have been appropriately accounted for.

We identified a fraud risk in relation to the accounting for capital projects, in particular to the judgements relating to the correct capitalisation of major capital projects and therefore the risk of misstating assets.

The accounting policies adopted have been disclosed on page 42 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 which became operational in the year. We have understood when the asset became operational and assessed whether it has been subsequently accounted for correctly. We have agreed the sample of assets to supporting documentation, including completion certifications and physical verification of the asset to confirm that it is operational; and
- We have made enquiries of the Estates department and reviewed the capital programme timetable to understand the nature of significant 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 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 2018 the group recorded a net defined benefit surplus of £34m, being the net of scheme assets of £494m and scheme liabilities of £461m. In respect of USS, at 31 July 2018, the group recognised a liability of £66m in relation to future deficit recovery payments the University is contractually bound to make.

We have identified a key audit matter in relation to the valuation of the defined benefit obligations, accounted for in line with the 'Employee Benefits' section of the HE SORP. Key judgements include the setting of appropriate assumptions which can be subjective and influenced by multiple complex and changing factors.

The accounting policies adopted by the University have been disclosed on page 42 of the accounts.

How the scope of our audit responded to the key audit matter	<ul style="list-style-type: none"> • 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 by their expertise. • We evaluated and benchmarked the key variables used in the valuation models for the PAS scheme, including: <ul style="list-style-type: none"> - 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 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:

	Group financial statements	University financial statements
Materiality	£7.2m (2017: £5.4m)	£7.1m (2017: £5.1m)
Basis for determining materiality	1% of total income	1% of total income
Rationale for the benchmark applied	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 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 £0.4m (2017: £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 between 40% and 98.6% of Group materiality (£2.9m to £7.1m) 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 risk 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 (2017: 100%), and 100% of the group's total net assets (2017: 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.

We have nothing to report in respect of these matters.

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.

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 determines 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 intends to liquidate the group or the university or to cease operations, or has 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the audit and risk committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
 - › identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - › detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - › the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in deferred research grant income recognition and accounting for capital projects; and
- obtaining an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the Higher Education Act and Higher Education Funding Council for England (HEFCE) or the Office for Students (OfS) regulations.

Audit response to risks identified

As a result of performing the above, we identified deferred research grant income recognition and accounting for capital projects as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit and risk committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities, including HEFCE and the OfS;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Office for Students (OfS)

"Regulatory Advice 9: Accounts Direction"

In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes during the year ended 31 July 2018 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2018; and
- the requirements of the OfS'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 14 years, covering the years ending 2005 to 2018.

Consistency of the audit report with the additional report to the audit 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).

Use of our report

This report is made solely to the Council in accordance with the Accounts Direction issued by the Office for Students dated 19 June 2018. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it 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.

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 2018

	Notes	2017/18		2016/17	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	349,213	347,800	322,977	321,539
Funding body grants	2	89,093	89,093	82,391	82,391
Research grants and contracts	3	137,148	137,148	131,062	131,062
Other income	4	127,545	120,485	129,811	122,935
Investment income	5	3,964	4,031	3,342	3,386
Donations and endowments	6	7,621	7,621	5,335	5,889
Total income		714,584	706,178	674,918	667,202
Expenditure					
Staff costs	7	386,755	382,725	371,414	367,483
Other operating expenses	9	248,111	245,160	229,664	226,674
Depreciation and amortisation	11, 12	58,025	57,433	50,003	49,304
Interest and other finance costs	8	11,757	11,757	12,551	12,524
Total expenditure	9	704,648	697,075	663,632	655,985
Operating surplus		9,936	9,103	11,286	11,217
Realised gain/(loss) on disposal of fixed assets		49	54	(1,957)	(1,963)
Unrealised (loss)/gain on investments		(862)	(862)	1,631	1,631
Share of operating deficits in jointly controlled entities		(341)	-	-	-
Share of operating deficits in associates		(1,070)	-	(856)	-
Surplus before tax		7,712	8,295	10,104	10,885
Taxation	10	(76)	(48)	(241)	(152)
Surplus for the year		7,636	8,247	9,863	10,733
Actuarial gain in respect of pension schemes	28	58,090	58,090	36,000	36,000
Total comprehensive income for the year		65,726	66,337	45,863	46,733
Represented by:					
Endowment comprehensive income for the year		4,427	4,427	5,070	5,070
Restricted comprehensive income for the year		1,068	1,068	1,676	1,676
Unrestricted comprehensive income for the year		60,231	60,842	39,117	39,987
		65,726	66,337	45,863	46,733

All items of income and expenditure relate to continuing activities.

Consolidated and University Statement of Changes in Reserves

for the year ended 31 July 2018

Notes	Income and expenditure account			Total £000
	Endowment £000	Restricted £000	Unrestricted £000	
Consolidated				
Balance at 1 August 2016	67,677	4,882	631,653	704,212
Surplus from the income and expenditure statement	5,070	1,676	3,117	9,863
Other comprehensive income	28	–	36,000	36,000
Total comprehensive income for the year	5,070	1,676	39,117	45,863
Balance at 31 July 2017	72,747	6,558	670,770	750,075
Surplus from the income and expenditure statement	4,427	1,068	2,141	7,636
Other comprehensive income	28	–	58,090	58,090
Total comprehensive income for the year	4,427	1,068	60,231	65,726
Balance at 31 July 2018	77,174	7,626	731,001	815,801

Notes	Income and expenditure account			Total £000
	Endowment £000	Restricted £000	Unrestricted £000	
University				
Balance at 1 August 2016	67,677	4,846	629,546	702,069
Surplus from the income and expenditure statement	5,070	1,676	3,987	10,733
Other comprehensive income	28	–	36,000	36,000
Total comprehensive income for the year	5,070	1,676	39,987	46,733
Balance at 31 July 2017	72,747	6,522	669,533	748,802
Surplus from the income and expenditure statement	4,427	1,068	2,752	8,247
Other comprehensive income	28	–	58,090	58,090
Total comprehensive income for the year	4,427	1,068	60,842	66,337
Balance at 31 July 2018	77,174	7,590	730,375	815,139

Consolidated and University Balance Sheet

for the year ended 31 July 2018

Notes	2017/18		2016/17		
	Consolidated £000	University £000	Consolidated £000	University £000	
Non-current assets					
Intangible assets	11	1,896	1,896	2,825	2,825
Fixed assets	12	866,515	855,132	847,183	835,331
Heritage assets	13	29,480	29,480	28,603	28,603
Investments	15	77,271	89,390	78,266	86,755
Investments in jointly controlled entities	16	236	–	295	–
Investments in associates	17	1,925	–	2,765	–
Retirement benefit asset	28	33,736	33,736	–	–
		1,011,059	1,009,634	959,937	953,514
Current assets					
Stock		641	378	577	281
Trade and other receivables	18	81,144	85,363	76,276	81,801
Investments	19	103,839	103,839	99,859	99,859
Cash and cash equivalents		197,884	193,247	204,251	202,885
		383,508	382,827	380,963	384,826
Less: Creditors: amounts falling due within one year	20	(202,139)	(200,995)	(187,830)	(186,557)
Net current assets		181,369	181,832	193,133	198,269
Total assets less current liabilities		1,192,428	1,191,466	1,153,070	1,151,783
Creditors: amounts falling due after more than one year	21	(302,113)	(302,095)	(307,351)	(307,337)
Provisions					
Pension provisions	22	(66,329)	(66,329)	(88,291)	(88,291)
Other provisions	22	(8,185)	(7,903)	(7,353)	(7,353)
Total net assets		815,801	815,139	750,075	748,802

Consolidated and University Balance Sheet

for the year ended 31 July 2018

	Notes	2017/18		2016/17	
		Consolidated £000	University £000	Consolidated £000	University £000
Restricted Reserves					
Income and expenditure reserve – endowment reserve	23	77,174	77,174	72,747	72,747
Income and expenditure reserve – restricted reserve	24	7,626	7,590	6,558	6,522
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		731,001	730,375	670,770	669,533
Total Reserves		815,801	815,139	750,075	748,802

The financial statements were approved by Council on 29 November 2018 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 2018

	Notes	2017/18 £000	2016/17 £000
Cash flow from operating activities			
Surplus before tax		7,712	10,104
Adjustment for non-cash items			
Depreciation	12	57,072	48,748
Amortisation of intangibles	11	953	1,255
Donated heritage assets		(805)	(790)
Loss/(gain) on investments		862	(1,631)
PAS adjustment		5,399	5,927
Increase in stock		(64)	(123)
(Increase)/decrease in debtors		(4,848)	17,742
Increase in creditors		15,493	9,211
Decrease in pension provision		(4,813)	(1,219)
Increase in other provisions		550	3,043
Share of operating deficits in jointly controlled entities		341	–
Share of operating deficits in associates		1,070	856
Adjustment for investing or financing activities			
Investment income	5	(3,964)	(3,342)
Interest and other finance costs	8	11,757	12,551
Endowment income	6	(2,200)	(430)
(Gain)/loss on disposal of fixed assets		(49)	1,957
Capital grant income		(17,188)	(17,414)
Net cash inflow from operating activities		67,278	86,445
Cash flows from investing activities			
Proceeds from sales of fixed assets		16,018	363
Capital grant receipts		15,283	17,368
Disposal of non-current asset investments		4,279	2,372
(Addition)/withdrawal of deposits		(3,980)	79,655
Investment income		3,896	3,274
Payments made to acquire fixed assets	12	(93,629)	(118,031)
Payments made to acquire intangible assets	11	(24)	(112)
Payments made to acquire heritage assets	13	(72)	–
New non-current asset investments	15, 17	(3,140)	(2,820)
Net cash outflow from investing activities		(61,369)	(17,931)

Consolidated Statement of Cash Flows

for the year ended 31 July 2018

	Notes	2017/18 £000	2016/17 £000
Cash flows from financing activities			
Interest paid		(8,760)	(11,532)
Interest element of service concession payments	14	(1,150)	(1,173)
Endowment cash received	6	2,200	430
Increase in borrowings		337	112
Repayments of amounts borrowed		(4,260)	(4,727)
Capital element of service concession payments		(635)	(660)
Net cash outflow from financing activities		(12,268)	(17,550)
Tax paid		(8)	(4,143)
(Decrease)/Increase in cash and cash equivalents in the year		(6,367)	46,821
Cash and cash equivalents at beginning of the year		204,251	157,430
Cash and cash equivalents at end of the year		197,884	204,251
Analysis of net funds			
Cash and cash equivalents		197,884	204,251
Investments		103,839	99,859
Unsecured fixed rate public bond		(247,736)	(246,745)
Secured loans		(24,202)	(28,111)
Net funds at 31 July		29,785	29,254

Statement of Accounting Policies

for the year ended 31 July 2018

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.

As per the going concern section of the Corporate Governance report, the University continues to adopt the going concern basis in preparing the Annual Report and Accounts.

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 activities outside 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.

Statement of Accounting Policies

for the year ended 31 July 2018

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 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 2018

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 are 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.

Statement of Accounting Policies

for the year ended 31 July 2018

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:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) 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 2018

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.

The deficit recovery plan agreed after the 2014 actuarial valuation has been used to calculate the provision in these accounts. The 2017 valuation has not yet been formally completed but does set out the potential for significant increases to deficit recovery payments. It is the judgement of the University that the 2014 plan forms the correct basis for the deficit recovery provision at the Balance Sheet date. Further information on this judgement is presented in Note 22.

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 2018

1 Tuition fees and education contracts

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time Home/EU students	191,693	191,693	181,803	181,803
Full-time Students from outside the EU	118,143	118,143	103,383	103,383
Part-time Home/EU students	4,979	4,979	4,588	4,588
Part-time Students from outside the EU	747	747	666	666
Research Training Support Grants	13,350	13,350	12,378	12,378
Short Course Fees	12,194	10,781	8,694	7,256
NHS Teaching Contract	8,107	8,107	11,465	11,465
	349,213	347,800	322,977	321,539

2 Funding body grants

	2017/18		2016/17	
Recurrent grants:				
HEFCE	47,213	47,213	69,190	69,190
OfS	6,137	6,137	–	–
UKRI	15,311	15,311	–	–
HEFCE Capital	9,516	9,516	6,292	6,292
Specific grants:				
Higher Education Innovation Fund	3,794	3,794	3,489	3,489
Widening Participation	1,525	1,525	2,040	2,040
Collaborative Outreach	3,863	3,863	1,013	1,013
Global Challenges Research Fund	1,353	1,353	–	–
Other (less than £0.5m each)	381	381	367	367
	89,093	89,093	82,391	82,391

3 Research grants and contracts

	2017/18		2016/17	
Research Councils (UK)	58,076	58,076	53,327	53,327
UK Based Charities	22,846	22,846	21,699	21,699
UK Government	21,640	21,640	19,250	19,250
UK Industry	8,186	8,186	8,913	8,913
European Commission	18,895	18,895	19,945	19,945
Other Grants and Contracts	7,505	7,505	7,928	7,928
	137,148	137,148	131,062	131,062

4 Other income

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Residences, Catering and Conferences	58,678	53,970	57,712	52,766
Health Authorities	12,160	12,160	12,696	12,696
Subscriptions	2,859	2,859	3,216	3,216
Grants	10,417	10,417	7,660	7,660
Other Services Rendered	13,746	13,746	14,962	14,801
National Institute for Health Research (NIHR)	17,918	17,918	16,840	16,840
Other Income	11,767	9,415	16,725	14,956
	127,545	120,485	129,811	122,935

5 Investment income

	2017/18		2016/17	
Income from expendable endowments	46	46	(6)	(6)
Income from permanent endowments	2,382	2,382	1,935	1,935
Income from short-term investments	1,485	1,485	1,390	1,434
Other investment income	51	118	23	23
	3,964	4,031	3,342	3,386

6 Donations and endowments

	2017/18		2016/17	
New endowments	2,200	2,200	430	430
Donations with restrictions	3,824	3,824	2,922	2,922
Unrestricted donations	1,597	1,597	1,983	2,537
	7,621	7,621	5,335	5,889

7 Staff costs

	Consolidated	
	2017/18 Number	2016/17 Number
Average staff numbers (full-time equivalents) by major category		
Academic/Teaching	2,187	2,135
Research	1,019	988
Management/Professional	1,339	1,268
Support	2,695	2,579
	7,240	6,970

Notes to the accounts

for the year ended 31 July 2018

7 Staff costs (continued)

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Staff costs				
Wages and salaries	305,494	301,738	288,216	284,714
Social security costs	29,480	29,265	30,983	30,764
Movement on USS provision due to changes in deficit recovery plan and assumptions	(653)	(653)	2,890	2,890
Other pension costs	46,806	46,747	45,820	45,684
Apprenticeship levy	1,387	1,387	441	441
Severance payments	4,241	4,241	3,064	2,990
	386,755	382,725	371,414	367,483

Severance payments were payable to 223 individuals in 2017/18 (2016/17: 264).

	2017/18 £000	2016/17 £000
Emoluments of the Vice-Chancellor		
Salary	281	281
Employer contributions to defined benefit scheme	13	13
Benefits in kind	–	–
Total	294	294

The emoluments of the Vice-Chancellor represent in year earnings.

The Remuneration Committee assessed the remuneration package of the Vice Chancellor at their July 2018 meeting. The committee reflected on the performance of the Vice Chancellor during the previous 12 months. The committee considered the feedback on the Vice Chancellor and his performance during the year, gathered by the Chair of Council from: Members of Council, the Vice Chancellor's direct reports, and some other members of the University staff. The committee then looked at the university KPIs, and concluded that the Vice Chancellor was performing at an extremely high level, during a period of significant challenge for the HE sector.

The committee acceded to the Vice Chancellor's request that he receive no salary increase. However, whilst the committee agreed that his salary would remain unchanged, concern was expressed that remuneration for the Vice Chancellor role was low relative to the comparator set, and that the current level of remuneration would be unlikely to attract a candidate of such high quality in the future.

It was also confirmed that the Vice Chancellor holds a number of external appointments (see link), but receives no income from these positions. http://www.leeds.ac.uk/secretariat/documents/council_register_of_interests_2017-18.pdf

The Office for Students requires the University to publish two key ratios to show the relationship of the remuneration of the Vice Chancellor to that of staff within the institution. The methodology is determined by the Office for Students and is structured to include not only all employees but also all other workers and agency staff that have undertaken work for the University during the year:

The Vice Chancellor's basic salary is 10.6 times the median pay of staff (2016/17: 10.8), where the median pay is calculated on a full time equivalent basis for the salaries provided by the University to its staff.

The Vice Chancellor's total remuneration is 10.4 times the median total remuneration of staff (2016/17: 10.3), where the median total remuneration is calculated on a full time equivalent basis for the total remuneration of its staff.

In the interests of transparency, the University provides two further ratios to show the relationship of the remuneration of the Vice Chancellor to that of employees within the institution (a calculation that excludes those individuals who are engaged on worker and/or agency contracts):

The Vice Chancellor's basic salary is 8.4 times the median pay of employees (2016/17: 8.5), where the median pay is calculated on a full time equivalent basis for the salaries provided by the University to its employees.

The Vice Chancellor's total remuneration is 7.6 times the median total remuneration of employees (2016/17: 7.7), where the median is calculated on a full time equivalent basis for the total remuneration of its employees.

Every effort has been made to report the ratios for all types of staff, including agency and short term assignments ('atypical' staff) on an FTE basis but we have not been able to fully comply as we have some incomplete data for some atypical staff and are not able to calculate accurate FTE information.

7 Staff costs (continued)

	Consolidated	
	2017/18 Number	2016/17 Number
Basic salary of other higher paid staff calculated on a full-time equivalent basis		
£100,000 – £104,999	46	37
£105,000 – £109,999	12	13
£110,000 – £114,999	10	8
£115,000 – £119,999	1	9
£120,000 – £124,999	16	5
£125,000 – £129,999	5	4
£130,000 – £134,999	3	2
£135,000 – £139,999	1	1
£140,000 – £144,999	2	2
£145,000 – £149,999	2	4
£150,000 – £154,999	2	2
£155,000 – £159,999	2	1
£160,000 – £164,999	2	1
£165,000 – £169,999	4	2
£170,000 – £174,999	2	1
£175,000 – £179,999	2	2
£180,000 – £184,999	0	1
£185,000 – £189,999	1	0
£190,000 – £194,999	0	1
£195,000 – £199,999	1	0
£200,000 – £204,999	1	2
£205,000 – £209,999	1	0
	116	98

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, Chief Operating Officer (appointed 1 December 2017), 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	3,489	3,337

Notes to the accounts

for the year ended 31 July 2018

8 Interest and other finance costs

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest payable on bank loans	966	966	1,115	1,088
Interest payable on bond	7,835	7,835	7,835	7,835
Pension scheme charges	1,806	1,806	2,428	2,428
Service concessions finance charge	1,150	1,150	1,173	1,173
	11,757	11,757	12,551	12,524

9 Analysis of total expenditure by activity

Academic departments	285,785	285,785	272,282	272,282
Research grants and contracts	134,561	134,561	129,337	129,337
Total teaching and research	420,346	420,346	401,619	401,619
Admin and Corporate Services	117,684	115,892	92,187	90,423
Premises	80,278	79,736	77,130	76,748
Residences, catering and conferences	70,117	65,989	69,946	65,237
Other expenses	15,618	14,507	18,637	17,845
Pensions provisions not allocated to departments	605	605	4,113	4,113
	704,648	697,075	663,632	655,985
Other Operating Expenditure				
Equipment purchases and maintenance	24,969	24,843	20,929	20,797
Estate repairs and maintenance	5,420	5,136	7,928	7,620
Consumables and laboratory expenditure	26,158	25,529	25,972	25,972
Printed materials, books and periodicals	9,860	9,860	9,240	9,240
Printing, stationary and office expenses	4,699	4,652	5,659	5,627
Travel and subsistence	14,572	14,484	13,213	13,124
Fellowships, scholarships and prizes	54,732	54,732	53,214	53,214
Heat, light, water and power	12,792	12,571	13,311	13,120
Rent, rates and insurance	18,305	18,378	16,191	16,246
Grants to Student Union	2,836	2,836	2,850	2,850
Fees and expenses	57,093	57,428	51,533	51,992
Recruitment, training and welfare	4,694	4,665	4,997	4,956
Auditors remuneration in respect of audit	118	88	104	74
Auditors remuneration in respect of tax services	–	–	–	–
Auditors remuneration in respect of other services	100	3	77	77
Other expenses	11,763	9,955	4,446	1,765
	248,111	245,160	229,664	226,674

Fees and expenses include contracted internal audit fees of £178k (2017: £167k).

9 Analysis of total expenditure by activity (continued)

Trustees

During the year, no trustee received or waived any remuneration for serving as a trustee.

The total expenses paid to 10 trustees was £7k (2016/17: £4k to six trustees). This represents travel and subsistence expenses incurred in attending Council meetings, conferences and events in their official capacity as Council members.

10 Taxation

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Recognised in the statement of comprehensive income				
Current Tax				
UK Corporation tax on profit for the year	17	–	13	–
Deferred Tax				
Origination and reversal of timing differences	11	–	76	–
	28	–	89	–
UK Corporation tax on Research and Development Expenditure Credit (RDEC) adjustment in respect of previous years	48	48	152	152
Total tax charge in the year	76	48	241	152

11 Intangible assets

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Software				
Opening balance	2,825	2,825	3,968	3,968
Additions in the year	24	24	112	112
Amortisation charge for the year	(953)	(953)	(1,255)	(1,255)
Closing balance	1,896	1,896	2,825	2,825

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
Consolidated						
Cost or valuation						
At 1 August 2017	885,831	151,686	114,240	36,845	28,603	1,217,205
Additions	16,422	12,784	63,550	873	877	94,506
Disposals	(23,677)	(3,100)	–	–	–	(26,777)
Transfers	65,308	759	(66,067)	–	–	–
At 31 July 2018	943,884	162,129	111,723	37,718	29,480	1,284,934
Depreciation						
At 1 August 2017	246,599	89,425	–	5,395	–	341,419
Charge for the year	43,136	12,090	–	1,846	–	57,072
Disposals	(6,595)	(2,957)	–	–	–	(9,552)
At 31 July 2018	283,140	98,558	–	7,241	–	388,939
Net book value						
At 31 July 2018	660,744	63,571	111,723	30,477	29,480	895,995
At 31 July 2017	639,232	62,261	114,240	31,450	28,603	875,786

	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
University						
Cost or valuation						
At 1 August 2017	871,088	146,150	114,240	36,845	28,603	1,196,926
Additions	16,423	12,656	63,550	873	877	94,379
Disposals	(23,677)	(3,017)	–	–	–	(26,694)
Transfers	65,308	759	(66,067)	–	–	–
At 31 July 2018	929,142	156,548	111,723	37,718	29,480	1,264,611
Depreciation						
At 1 August 2017	242,086	85,511	–	5,395	–	332,992
Charge for the year	42,851	11,783	–	1,846	–	56,480
Disposals	(6,594)	(2,879)	–	–	–	(9,473)
At 31 July 2018	278,343	94,415	–	7,241	–	379,999
Net book value						
At 31 July 2018	650,799	62,133	111,723	30,477	29,480	884,612
At 31 July 2017	629,002	60,639	114,240	31,450	28,603	863,934

Included in consolidated freehold land and buildings is land valued at £34.2m which is not depreciated (2017: £44.1m).
Included in University freehold land and buildings is land valued at £32.9m (2017: £42.8m) which is not depreciated.

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			2017/18 Total £000	2016/17 Total £000
	Special Collections £000	Art collections £000	ULITA £000		
At 1 August	21,643	6,435	525	28,603	27,813
Additions	72	805	–	877	790
At 31 July	21,715	7,240	525	29,480	28,603
	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Purchases					
Special collections	72	–	185	298	65
Art collections	–	–	–	133	–
Donations					
Special collections	–	35	1,500	–	–
Art collections	805	755	–	25	–
Total additions	877	790	1,685	456	65

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for the year ended 31 July 2018

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 2018 is £30,477,000 (2017: £31,450,000). The reduction of £973,000 is as a result of depreciation £1,846,000 less additions of £873,000.

Movement in service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2018 were £32,231,000 (2017: £32,865,000). The sum of £2,657,000 was repaid during the year.

	Consolidated and University
	2017/18 £000
At 1 August	32,865
Additions in the year	873
Interest charge for the year	1,150
Repayments made during the year	(2,657)
At 31 July	32,231

Future commitments

The following table analyses the University 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	1,626	5,356	25,249	32,231
Finance charge	1,128	4,022	5,868	11,018
	2,754	9,378	31,117	43,249

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 2018/19) recorded within other operating expenses.

15 Non-current investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
Consolidated			
Cost or valuation at 1 August 2017	–	78,266	78,266
Additions	–	2,890	2,890
Disposals	–	(3,719)	(3,719)
Revaluation of listed investments	–	(166)	(166)
Cost or valuation at 31 July 2018	–	77,271	77,271
University			
Cost or valuation at 1 August 2017	4,644	82,111	86,755
Additions	3,400	3,140	6,540
Disposals	–	(3,739)	(3,739)
Revaluation of listed investments	–	(166)	(166)
Cost or valuation at 31 July 2018	8,044	81,346	89,390

Subsidiary company additions relate solely to Nexus Leeds Ltd which was incorporated on 6 December 2017.

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
Getech Group Plc	Oil services business specialising in the provision of exploration data and petroleum systems studies and evaluations
Gunsynd 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 £69.1m (2017: £64.5m).

Subsidiary companies

Details of the trading companies, all registered in England (except where stated), 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
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
LUNAC Therapeutics Ltd	100%	Early stage IP exploitation of novel therapeutic technology
Nexus Leeds Ltd	100%	Business accommodation and facilities 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, registered in Malaysia, 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
Stem Learning 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

	2017/18 £000	2016/17 £000
Income and Expenditure Account		
Income	76	4,207
Deficit before tax	(9)	–
Balance Sheet		
Non-current assets	222	489
Current assets	61	1,207
Total assets	283	1,696
Creditors: amounts falling due within one year	(47)	(1,143)
Creditors: amounts falling due after more than one year	–	(258)
Total creditors	(47)	(1,401)
Share of net assets	236	295

The investment in Stem Learning has been derecognised, in accordance with Section 15 of FRS 102. This is due to the company recognising liabilities relating to USS, which has resulted in the University's share of their net losses exceeding the investment value.

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 Molecular Ltd	50.0%	Provision of chemical building blocks and fragments
Petriva Ltd	49.9%	Software to analyse and visualise petrophysical data for the oil and gas industry
Keracol Ltd	49.8%	Functional, natural, sustainable cosmetics
Dietary Assessment Ltd	49.7%	Data processing, hosting and related activities
Cell Lane Ltd	42.9%	Mammalian cell separation
SatSense Ltd	36.4%	Provision of near real time satellite data to provide ground deformation information
Ultramatis Ltd	30.0%	Ultrafast lasers to functionalise glass
Celltron Networks Ltd	30.0%	Ultrafast communications in optical networks
Edgetic Ltd	25.2%	Artificial Intelligence Software for management of Data Centre Infrastructures
C-Capture Ltd	22.8%	CO2 green technology for coal-powered stations
Relitect Ltd	22.2%	Multiplexed electrochemical biosensors
Creavo Ltd	22.2%	Medical magnetometry

Movement in share of net assets/(liabilities) in the year	Consolidated	
	2017/18 £000	2016/17 £000
Balance at 1 August	2,765	801
Investment in Associate	250	2,820
Dilution of shareholding	(24)	–
Disposal of shareholding	25	46
Transfer to other trade receivables	(20)	–
Share of loss in year	(1,071)	(902)
Balance at 31 July	1,925	2,765

18 Trade and other receivables

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Research grant receivables	28,209	28,209	28,009	28,009
Other trade receivables	30,717	30,250	28,850	28,212
Prepayments and accrued income	22,166	22,085	19,354	19,286
Amounts due from subsidiary companies	–	4,819	–	6,294
Deferred tax asset	19	–	24	–
Corporation tax	33	–	39	–
	81,144	85,363	76,276	81,801

Included within the University's amounts due from subsidiary companies is £3.6m which is due after more than one year (2017: £4.7m).

Notes to the accounts

for the year ended 31 July 2018

19 Current investments

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Short term deposits	103,839	103,839	99,859	99,859

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.6% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 46 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 up to ten 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	4,330	4,330	4,246	4,246
Unsecured fixed rate public bond	955	955	936	936
Service concession arrangements (note 14)	1,626	1,626	1,508	1,508
Trade payables	33,923	33,348	33,842	33,100
Social security and other taxation payable	12,371	12,195	8,094	7,903
Amounts due to subsidiary companies	–	102	–	228
Accruals and deferred income	148,934	148,439	139,204	138,636
	202,139	200,995	187,830	186,557

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	69,406	69,406	60,428	60,428
Grant income and donations	15,433	15,433	16,214	16,214
	84,839	84,839	76,642	76,642

21 Creditors: amounts falling due after more than one year

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Deferred income	4,855	4,837	5,383	5,369
Service concession liabilities due after one year (note 14)	30,605	30,605	31,358	31,358
Secured loans	19,872	19,872	23,865	23,865
Unsecured fixed rate public bond	246,781	246,781	246,745	246,745
	302,113	302,095	307,351	307,337

Analysis of secured and unsecured loans:

Due within one year or on demand (Note 20)	5,285	5,285	5,182	5,182
Due between one and two years	4,715	4,715	4,330	4,330
Due between two and five years	6,719	6,719	9,132	9,132
Due in five years or more	255,219	255,219	257,148	257,148
Due after more than one year	266,653	266,653	270,610	270,610
Total secured and unsecured loans	271,938	271,938	275,792	275,792

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 2018 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	6,512	25 years to 2025	0.9	University of Leeds
Barclays	11,750	20 years to 2030	4.7	University of Leeds
Barclays	3,000	10 years to 2020	1.6	University of Leeds
RBS	2,603	25 years to 2021	9.4	University of Leeds
	23,865			

22 Provisions for liabilities

Consolidated					
	Obligation to fund deficit on USS Pension	Defined Benefit Obligations (Note 28)	Total Pensions Provisions	Other Provisions	Total
	£000	£000	£000	£000	£000
At 1 August 2017	69,885	18,406	88,291	7,353	95,644
Utilised in year	(4,814)	16,790	11,976	(3,291)	8,685
Additions	1,258	(68,932)	(67,674)	4,123	(63,551)
Transfer to asset	–	33,736	33,736	–	33,736
At 31 July 2018	66,329	–	66,329	8,185	74,514

University only					
	Obligation to fund deficit on USS Pension	Defined Benefit Obligations (Note 28)	Total Pensions Provisions	Other Provisions	Total
	£000	£000	£000	£000	£000
At 1 August 2017	69,885	18,406	88,291	7,353	95,644
Utilised in year	(4,814)	16,790	11,976	(3,291)	8,685
Additions	1,258	(68,932)	(67,674)	3,841	(63,833)
Transfer to asset	–	33,736	33,736	–	33,736
At 31 July 2018	66,329	–	66,329	7,903	74,232

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, representing 2.1% of salaries, have been discounted at the rate of 2.18% (2017: 1.80%).

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

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

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £66.3 million (assuming the same discount rate of 2.18% and the same assumptions over staffing):

Change in assumption as at 31 July 2018	Approximate impact
1% increase in deficit recovery % (currently 2.1%)	£30m
1 year increase in recovery plan duration (at 2.1%)	£6m

The decrease in the USS provision comprises £4.2m (2017: £4.1m) in deficit contributions paid, £0.7m (2017: increase of £2.9m) due to changes in assumptions and is offset by £1.3m (2017: £1.2m) 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.

23 Endowment reserves

Restricted net assets relating to endowments are as follows:

Consolidated and University					
	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2017/18 Total	2016/17 Total
	£000	£000	£000	£000	£000
Capital	43,586	22,269	2,131	67,986	63,467
Accumulated income	4,724	–	37	4,761	4,210
At 1 August	48,310	22,269	2,168	72,747	67,677
New endowments	1,982	1	217	2,200	430
Investment income	1,650	732	46	2,428	1,929
Expenditure	(1,285)	(732)	(210)	(2,227)	(1,430)
Increase in market value of investments	1,341	648	37	2,026	4,141
At 31 July	51,998	22,918	2,258	77,174	72,747
Represented by:					
Capital	47,868	22,918	2,238	73,024	67,986
Accumulated income	4,130	–	20	4,150	4,761
	51,998	22,918	2,258	77,174	72,747
Analysis by type of purpose:					
Chairs	8,672	–	24	8,696	8,438
Lectureships	3,603	1,086	–	4,689	4,577
Fellowships	10,939	175	–	11,114	10,750
Scholarships	15,821	1,795	468	18,084	15,171
Prizes	5,387	406	66	5,859	5,933
Specific funds	12	–	1,024	1,036	889
General funds	7,564	19,456	676	27,696	26,989
	51,998	22,918	2,258	77,174	72,747
Analysis by asset:					
Non current investments				69,075	64,468
Cash and cash equivalents				8,099	8,279
				77,174	72,747

Notes to the accounts

for the year ended 31 July 2018

24 Restricted reserves

	2017/18		2016/17	
	Consolidated £000	University £000	Consolidated £000	University £000
Balances at 1 August	6,558	6,522	4,882	4,846
New restricted grants and donations	4,398	4,398	4,755	4,755
Expenditure	(3,330)	(3,330)	(3,079)	(3,079)
Balances at 31 July	7,626	7,590	6,558	6,522

25 Capital and other commitments

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

	2017/18 £000	University £000	2016/17 £000	University £000
Commitments contracted for	114,426	114,426	61,981	61,981

26 Lease obligations

Total rentals payable under operating leases:

	Consolidated and University			2016/17 Total £000
	Buildings £000	Equipment £000	2017/18 Total £000	
Expenditure during the year	14,754	560	15,314	13,169
Future minimum lease payments due:				
Not later than 1 year	15,580	518	16,098	12,097
Later than 1 year and not later than 5 years	33,116	693	33,809	27,323
Later than 5 years	15,657	–	15,657	12,759
Total lease payments due	64,353	1,211	65,564	52,179

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 nursery education and childcare facilities for the staff and students of the University of Leeds.

	2017/18 £000	2016/17 £000
Bright Beginnings Childcare Centre Leeds:		
Member's funds at 1 August	354	286
Income	1,773	1,712
Expenditure	(1,565)	(1,644)
Member's funds at 31 July	562	354

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 11 members, and the National Health Service (NHS) Pension Scheme which has 165 members, both multi-employer schemes.

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

	2017/18 £000	2016/17 £000
USS	31,320	30,076
PAS	13,332	13,810
DC Plan	1,062	756
Other pension schemes	1,092	1,178
Total pension cost	46,806	45,820

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 2018 the percentage was 18% (2017: 18%). 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.

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

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for the year ended 31 July 2018

28 Pension schemes (continued)

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

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

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

	2018	2017
Mortality base table	<p>Pre-retirement: 71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females.</p> <p>Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.</p>	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

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

28 Pension schemes (continued)

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 2017. The results of the PAS valuation showed a funding level of 107% and a surplus of £31.0m.

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 2018 %p.a.	At 31 July 2017 %p.a.
Price Inflation (RPI)	3.15	3.15
Price Inflation (CPI)	2.15	2.15
Rate of increase in salaries	3.90	3.90
Rate of increase of pensions in payment	2.15	2.15
Discount rate	2.70	2.60
Mortality assumption (pre and post retirement)	S2PA rated by +1 year CMI 2016 with a long term rate of 1.5% pa for both males and females	S2NA rated by +1 year CMI 2016 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.

	2018	2017
Male Pensioner	26.1	26.3
Male Non-pensioner (currently aged 40 in 2018)	28.0	28.2
Female Pensioner	28.1	28.4
Female Non-pensioner (currently aged 40 in 2018)	30.0	30.3

The assets in the scheme were:

	Fair value as at	
	31 July 2018 £000	31 July 2017 £000
Equities	363,149	341,962
Property	49,928	45,319
Bonds and cash	81,244	74,033
Total	494,321	461,314

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for the year ended 31 July 2018

28 Pension schemes (continued)

	Fair value as at	
	31 July 2018 £000	31 July 2017 £000
Analysis of the amount shown in the balance sheet for PAS		
Scheme assets	494,321	461,314
Scheme liabilities	(460,585)	(479,720)
Surplus/Deficit in the scheme – net pension liability recorded within pension provisions (Note 22)	33,736	(18,406)
Current service cost	15,652	16,068
Non-investment expenses	589	601
Total operating charge	16,241	16,669
Analysis of the amount charged to interest payable/credited to other finance income		
Net interest	549	1,205
Net charge to other finance income	549	1,205
Total charge before deduction for tax	16,790	17,874
Analysis of other comprehensive income		
Actuarial gain/(loss) on defined benefit obligation	35,137	(4,172)
Actuarial gain on assets	22,953	40,172
Amount recognised in other comprehensive income	58,090	36,000
Analysis of movement in surplus/(deficit)		
Deficit at beginning of year	(18,406)	(47,274)
Contributions or benefits paid by the University	10,842	10,742
Current service cost	(15,652)	(16,068)
Non-investment expenses	(589)	(601)
Net Interest	(549)	(1,205)
Gain recognised in other comprehensive income	58,090	36,000
Surplus/(deficit) at end of year	33,736	(18,406)

28 Pension schemes (continued)

	2017/18 £000	2016/17 £000
Analysis of movement in the present value of liabilities		
Present value of liabilities at the start of the year	479,720	459,335
Current service cost (net of member contributions)	15,652	16,068
Actual member contributions	281	303
Interest cost	12,518	11,085
Actuarial (gain)/loss	(35,137)	4,172
Actual benefit payments	(12,449)	(11,243)
Present value of liabilities at the end of the year	460,585	479,720
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	461,314	412,061
Interest income on assets	11,969	9,880
Non-investment expenses	(589)	(601)
Actuarial gain on assets	22,953	40,172
Actual contributions paid by University	10,842	10,742
Actual member contributions	281	303
Actual benefit payments	(12,449)	(11,243)
Fair value of scheme assets at the end of the year	494,321	461,314
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	11,969	9,880
Asset gain	22,953	40,172
	34,922	50,052

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 1,032 contributing members at 31 July 2018 (2017: 700). 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; Caroline Johnstone, member of Council, is a non-executive director and Chair of the Audit Committee of Leeds Teaching Hospitals NHS Trust; and Jane Madeley, the Chief Financial Officer, is a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust. Jane is also an independent member of the Audit Risk, Assurance and Performance Committee for UKRI, the organisation that directs research funding in the UK. The UKRI has been in operation since 1 April 2018 and brings together 9 separate councils, from which the University received a total of £58.1m in research grants. In addition to this, the University received a £15.3m recurrent grant from UKRI.

Related party transactions during the year and outstanding balances at the year end are detailed below:

Related Party	Income		Expenditure		Balance due to the University		Balance payable by the University	
	17/18 £000	16/17 £000	17/18 £000	16/17 £000	17/18 £000	16/17 £000	17/18 £000	16/17 £000
Ahead Partnership ⁶	-	-	144	-	-	-	-	-
Association of MBAs ¹⁵	-	-	26	5	-	-	-	-
British heart Foundation ¹⁶	3,613	4,401	5	-	528	643	-	-
Clothworkers Company ⁷	90	112	-	-	-	-	-	-
DWF LLP ²	9	-	-	-	36	-	-	-
EPSRC ¹⁴	21,629	27,425	-	44	47	110	1	-
Kcom ⁵	-	-	97	90	-	-	2	-
Leeds Community Healthcare NHS Trust ¹⁴	174	52	18	75	19	1	1	-
Leeds International Pianoforte Competition ^{4,1}	12	3	120	-	2	6	2	1
Leeds Teaching Hospitals NHS Trust ^{8,10,16}	15,169	13,983	6,024	7,151	2,064	2,087	337	249
Leeds Trinity University ⁴	87	49	101	109	14	20	-	-
Leeds University Union ¹¹	312	145	3,648	3,282	325	204	53	54
Marks & Spencer ⁹	14	64	7	6	1	67	-	-
Medical Schools Council ¹⁶	1	-	22	20	6	-	-	-
N8 ¹	-	-	60	40	-	-	-	-
NCUK ¹²	-	-	432	301	-	-	-	-
Northern Health Science Alliance ¹⁶	-	-	-	18	-	-	-	-
Opera North ⁴	-	-	86	110	-	-	-	-
Russell Group of Universities ¹	-	-	75	69	-	-	-	-
Shepherd Group Ltd ⁸	-	-	-	492	-	-	-	-
Southern Universities Management Services ¹³	-	-	39	38	-	-	-	-
Synthomer Plc ⁸	8	-	-	-	-	-	-	-
Three Sixty Water ⁵	-	-	5	-	-	-	-	-
UNISON ³	2	-	83	80	-	-	7	7
Universities UK ¹	-	-	67	66	-	-	6	-
Worldwide Universities Network ¹	36	36	58	42	-	-	-	-
Yorkshire Cancer Research ¹⁰	1,939	1,722	-	-	403	176	-	-
Yorkshire Universities ¹	40	173	46	56	3	5	-	-
Yorkshire Water ⁵	130	257	472	620	-	97	24	-

¹ Sir Alan Langlands, Vice-Chancellor, was a board member of the following organisations which had transactions with the University during the year: Yorkshire Universities, N8 Ltd, Worldwide Universities Network, Russell Group of Universities, Universities UK. He is also a trustee of Leeds International Pianoforte Competition.

² David Gray, Pro-Chancellor and Chair of Council, is a Non Executive Director at DWF LLP

³ Nick Allen, member of Council, is Chair of the University of Leeds branch of UNISON.

⁴ Ed Anderson, member of Council and Chair of the Audit & Risk Committee, is a former Chair of Governors (and currently Pro-Chancellor) at Leeds Trinity University. He is also a director of Opera North and a trustee of Leeds International Pianoforte Competition.

⁵ Liz Barber, member of Council, holds directorships at Kcom plc, Three Sixty Water and Yorkshire Water.

⁶ Nigel Foster, member of Council, is a director at Ahead Partnership

⁷ Michael Howell, member of Council, is a member of Court for the Clothworkers Company.

⁸ Caroline Johnstone, member of Council, is a vice-chairman, director and chair of the audit committee of Leeds Teaching Hospitals NHS Trust. She is also a Non Executive Director and Chair of the Audit Committee at Synthomer Plc and a Non Executive Director of Shepherd Group Ltd.

⁹ Amanda Mellor, member of Council, is a director of Marks & Spencer Group plc.

¹⁰ Yvette Oade, member of Council, is a trustee of Yorkshire Cancer Research and Chief Medical Officer at Leeds Teaching Hospitals NHS Trust

¹¹ Two Members of Council are officers of Leeds University Union (LUU): Jack Palmer, Union Affairs Officer, served until 30 June 2018 before being succeeded by Chris Morris. Natasha Mutch-Vidal, Equality and Diversity Officer, served until 30 June 2018 before being succeeded by Serene Esuruoso, Education Officer.

¹² Martin Holmes, Marketing Director, is a director of NCUK Ltd.

¹³ Dennis Hopper, Director of Facilities Management, is a director of Southern Universities Management Services.

¹⁴ 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. She is also a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust.

¹⁵ Peter Moizer, Executive Dean of the Faculty of Business, is a Trustee for the Association of MBAs.

¹⁶ Paul Stewart, Executive Dean of the faculty of Medicine and Health, is a non-executive director of the Leeds Teaching Hospitals NHS Trust, Chair of the Chairs & Programme Grants Committee of the British Heart Foundation, a member of Council and the Executive for the Medical Schools Council and a Director of the Northern Health Science Alliance.

30 Amounts disbursed as agent

The National College for Teaching and Leadership (NCTL)

	2017/18 £000	2016/17 £000
At 1 August	80	13
Funding in the year	-	1,937
Disbursed to students	-	(1,857)
Returns	8	(13)
At 31 July	88	80

The above training bursaries from the NCTL were 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. The contract with NCTL has now ended.

31 Non Adjusting Event After the Reporting Period

The University of Leeds Pension and Assurance Scheme (PAS) will be affected by the ultimate resolution of the equalisation of benefits for men and women in relation to Guaranteed Minimum Pension (GMP) provisions. The impact of GMP equalisation will depend upon a number of factors including how the different elements of pension increase, the proportion of liabilities relating to service between 17 May 1990 and 5 April 1997, the retirement age of those benefits and the method used to equalise GMPs. The result of this process may ultimately increase the University's pension liabilities (and hence reduce the asset carried on the Balance Sheet) in respect of the scheme. It is not possible to estimate the effect of the equalisation due to uncertainty over both the method and the final legal position.



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