

FINANCIAL STATEMENTS

For the year ended 31st July 2016



WARWICK
THE UNIVERSITY OF WARWICK

Financial Statements

for the year ended 31 July 2016

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financial highlights

for the year ended 31 July 2016

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT		2015/16	2014/15	Change
		£ million	£ million	
Funding body grants		57.9	59.1	(2.0%)
Tuition fees and education contracts		275.2	240.1	14.6%
Research grants and contracts		117.1	100.9	16.1%
Other income		121.8	111.5	9.2%
Investment income		1.6	1.6	0.0%
Total income		573.6	513.2	11.8%
Surplus/(deficit) for the financial year		54.2	(12.8)	(523.4%)
CONSOLIDATED BALANCE SHEET		2016	2015	
		£ million	£ million	
Fixed assets		510.5	450.3	
Investments		19.7	16.3	
Net current assets		70.3	35.3	
		600.5	501.9	
Long term creditors and provisions		(463.0)	(382.9)	
Total net assets		137.5	119.0	15.5%
CAPITAL EXPENDITURE IN THE YEAR		2015/16	2014/15	
		£ million	£ million	
		93.4	61.6	51.6%
NET CASH INFLOW FROM OPERATING ACTIVITIES		2015/16	2014/15	
		£ million	£ million	
		93.0	64.6	44.0%
OTHER KEY STATISTICS		2015/16	2014/15	
		Number	Number	
Full Time Students:-	Home / EU undergraduates	11,019	10,349	6.5%
	Home / EU postgraduates	2,306	2,218	4.0%
	Overseas undergraduates	2,573	2,503	2.8%
	Overseas postgraduates	3,298	2,722	21.2%
Total number of students (full time equivalent)		20,677	19,366	6.8%
Total staff numbers (full time equivalent)		5,403	5,221	3.5%

financial review

Introduction

This financial year has been one of change for the University. In January, Professor Sir Nigel Thrift, University Vice-Chancellor and President since 2006 stepped down. During his tenure Professor Thrift led the implementation of an ambitious strategy, increasing University research and raising the University's international profile. He is succeeded by Professor Stuart Croft, previously Warwick's Provost and part of the University community since 2007. This is at a time when the Government is planning major reform to the Higher Education sector and the outcome of June's EU Referendum is set to dominate political and economic considerations for the foreseeable future.

In addition to the appointment of our new Vice-Chancellor, the University has also recently welcomed Professor Christine Ennew OBE as Provost and Rachel Sandy-Thomas CB as Registrar, succeeding Ken Sloan who moved on in September after close to 20 years' service at Warwick. In parallel with these changes in senior management, the University has also completed a review of its administrative structures in order that it has the capability and capacity in the right places to ensure that it is fit for the future and can deal with the challenges ahead.

This year has once again brought much success for the University. Warwick continues to rank in the top 10 of national league tables and has recently been ranked 82nd in the Times Higher Education World University Rankings and 51st in the QS World University Rankings. This reflects our global reputation for research, teaching and academic excellence, our ground-breaking international collaborations and our community of staff and students from around the globe.

In addition to league table success, this year has also seen the University receiving two highly prestigious awards. Firstly, WMG was bestowed the Regius Professorship in Manufacturing by Her Majesty the Queen. Receiving the title of Regius Professor is a rare honour, and WMG has been granted this for its academic research in driving growth and improving productivity. Secondly, the University was awarded a Queen's Anniversary Prize for Higher & Further Education for its research in Mathematics and Statistics and the impact and application of that research to solve global challenges.

As well as celebrating success in its own right, the University is also succeeding in building strong collaborative partnerships with other high-performing institutions in the UK and internationally. In last year's financial statements we reported that Warwick had become a founding member of the Alan Turing Institute. This year we have become a co-partner, with five other midlands universities and the British Geological Survey, in the establishment of the Energy Research Accelerator (ERA). The ERA is an £180m endeavour (£60m of Government funding with £120m from industry), to transform UK expertise in energy storage, thermal energy and energy efficiency.

These successes demonstrate both the strength in depth of the University's academy and Warwick's continuing reputation for excellence. The 2015/16 financial statements demonstrate the University's financial strength, with a surplus of £54.2m being delivered this year and further improvements in the University's net funds position. We were also delighted to announce this year that we surpassed our goal of raising £50m in donations to invest in research and teaching by the end of our 50th anniversary year in 2015. In fact, over £73m was raised during the campaign, with over 12,000 donors getting involved. The combination of academic excellence and financial strength, coupled with the support and generosity of our alumni and other donors, will be essential assets in ensuring that Warwick continues to thrive in a significantly changed higher education environment and post-Brexit economy.

New Financial Reporting Standard

This year's financial statements are the first to be prepared under a new accounting standard, Financial Reporting Standard (FRS) 102, and the revised Further and Higher Education Statement of Recommended Practice (SORP).

financial review

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These accounting changes bring with them not only new ways of presenting and disclosing transactions but also significant changes in the underlying accounting policies and the treatment of financial data. The prior year figures have been restated to reflect the changes.

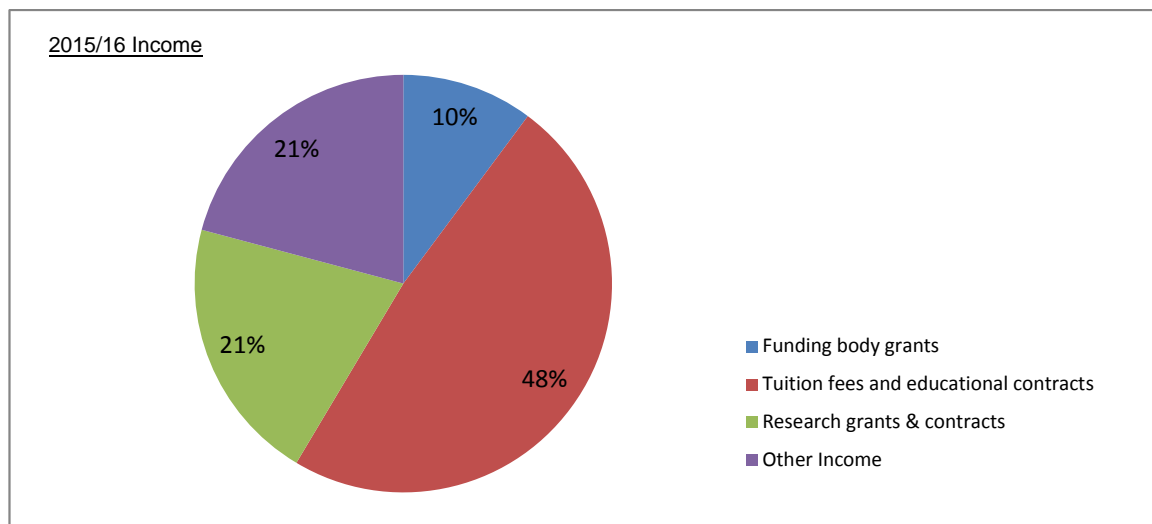
The new financial reporting standard brings increased volatility in annual results. For instance, year to year movements in the estimate of the University's liability in respect of the USS pension scheme can lead to large fluctuations in surplus levels.

The new standard has also changed the appearance of the balance sheet. The inclusion of the USS liability as well as the inclusion of derivative transactions in the form of interest rate swaps, where disclosure was not previously required to be reported, has reduced the total net asset position.

Whilst the new formats and accounting treatments may initially be unfamiliar, it is important to note that the University continues to be a financially robust organisation with a positive outlook. The University continues to generate surpluses and cash inflows, allowing it to plan to reinvest these amounts in key priorities in the future.

Financial Performance

The University recorded a surplus of £54.2m in 2015/16. We are targeting surpluses in excess of 5% of income in order to generate sufficient cash to maintain and enhance our capital infrastructure. The 2015/16 surplus has exceeded this target due largely to two main one-off impacts. First the surplus takes account of Research Development Expenditure Credits (RDEC) from the period 2012/13 to 2014/15 of £8.6m, recorded under Research Grants and Contracts income, less tax payable on the claim of £1.9m. There is no scope for making future RDEC claims under existing legislation. Secondly, Warwick Business School experienced unusually high levels of postgraduate student recruitment in 2015/16, which could be difficult to sustain on an ongoing basis. Such high levels of demand are a reflection of the Business School's excellent international reputation but it is important that the scale of intake is managed appropriately to ensure that the quality of student experience is maintained.



The University's total income increased 11.8% year on year from £513.2m to £573.6m. The primary driver for this was growing tuition fee income, which rose 14.6% to £275.2m. In part this growth reflected a residual impact of the change in tuition fee regime which commenced in 2012/13, though there was a corresponding £2.4m reduction in the HEFCE grant for teaching. The University also saw growth in its home and overseas student numbers. The growth in income also reflected a year on year increase in research income. Excluding the impact of RDEC, research income grew 7.5% in the year to £108.5m.

financial review

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The financial statements show staff costs falling from £292.3m in 2014/15 to £280.0m. However, the 2014/15 figure is significantly distorted by the inclusion of the £29.9m adverse movement on the USS pension scheme. If such pension anomalies are removed then staff costs increased year on year by 4.6%. Staff costs (adjusted for pension movements) as a percentage of total expenditure also marginally increased from 53.0% to 53.8%. This is consistent with sector norms and is expected to be managed at a similar level over the next five years.

The 2015/16 surplus of £54.2m compares with a restated deficit in 2014/15 of £12.8m. The prior year deficit represents a marked change from the surplus of £19.4m reported this time last year under the old SORP. The primary cause of this significant adverse movement was a £29.9m deterioration in the University's liability in respect of the USS pension scheme, resulting from the outcome of the 2014 USS scheme valuation. Under the old SORP any liability in respect of the USS pension scheme was excluded from the balance sheet and year-to-year movements were consequently not recorded in the financial statements. A further deterioration of £5.8m in the USS liability was experienced in 2015/16 due to a reduction in the discount rate used to calculate the liability, which is estimated as being the present value of future deficit contributions to the scheme. Such year to year movements are likely to be a feature of all future financial statements, leading to volatility in reported staff costs and, consequently, surplus levels.

The University's total comprehensive income, which adjusts the reported surplus to take account of actuarial losses on the University's own pension fund and movements in the market value of financial instruments, was £18.5m for 2015/16, with a loss of £26.7m reported in the prior year. The actuarial loss reported on the University of Warwick Pension Scheme for 2015/16 was £14.5m (2014/15: £0.9m). The scale of this loss in 2015/16 was driven by the low discount rate used at the year end to value scheme liabilities; the low discount rate being caused by very low interest rates. The low level of interest rates also led to a £21.2m adverse movement in the market value of interest rate swaps held by the University to provide a consistent level of loan repayment on its £122m outstanding loan facility.

Financial Position

The migration to the new SORP has brought a number of significant changes to the presentation of the traditional balance sheet. In particular, the new requirement to include the liability relating to the USS pension scheme, being £62m at 31 July 2016, has been a major contributor to total pension liabilities rising to £100.5m. The balance sheet also now records the fair value of interest rate swaps held by the University. The University entered into interest rate swaps on all of its existing bank loans, which have largely been used to fund student residences, to provide certainty of interest rate payment levels. Due to the historically low interest rate levels the swaps are 'out of the money' meaning a liability needs to be recognised in the balance sheet. This is reported within 'creditors: amounts falling due after more than one year', being a liability of £64.6m at 31 July 2016 (2014/15: £43.4m). While the scale of this liability is significant it is unlikely to be realised because it is the intention to hold the swaps until the end of the loan period (between 2037 and 2040).

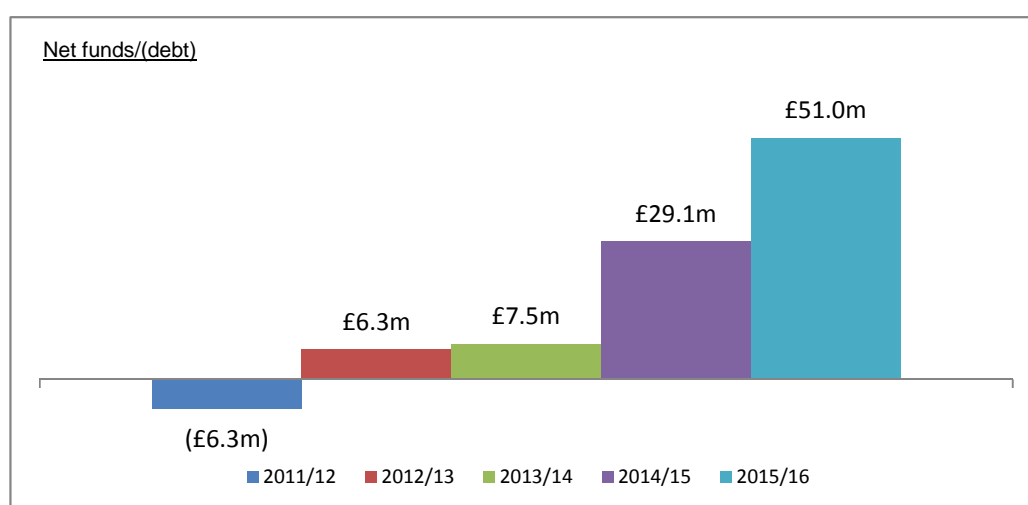
The changes in accounting disclosure required under FRS102 and the new SORP bring additional liabilities on to the balance sheet but it should be noted that they do not represent a real change in University operations or risk. Nevertheless the changes in accounting standard have resulted in the University reporting a lower level of net assets than under the old SORP. Whilst the University reported net assets at 31 July 2015 of £353.2m under the old SORP, the comparative figure under the new SORP is £119.0m. The surplus generated in 2015/16 results in this figure increasing to £137.5m at 31 July 2016.

financial review

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Other key figures to note in the balance sheet are an increase in non-current assets from £466.6m to £530.2m during the year, primarily as a result of ongoing capital developments across the University; further details on capital projects appear later in this report. Trade and other receivables have increased to £45.8m (2014/15: £39.1m), primarily due to the inclusion of the RDEC debtor. Creditors falling due within one year have fallen £10.1m to £146.5m, mostly attributable to advance funding receivable as at 31 July 2015, not repeated this year. Creditors falling due after one year has increased by £59.2m to £358.8m as a result of higher receipts in advance, primarily relating to capital projects, and adverse fair value movements on the interest rate swaps as referred to above.

Cash, Liquidity and Borrowing



The University has seen the total of its cash and cash equivalents and its current asset investment balance increase from £151.9m to £170.0m. At the same time the University's borrowing has reduced to £122.9m from £126.7m as a result of the University paying off capital on its loan commitments. This has improved the University's net funds which is a highly positive indicator providing liquidity for its operations, scope for further significant investment and an appropriate level of financial headroom during a period of change and uncertainty in the sector and the wider economy.

Net cash inflow from operating activities in 2015/16 was £93.0m (2014/15: £64.6m). This improvement over the prior year is a reflection on the increased surplus level. This generation of significant levels of cash inflow from operating activities is essential for funding the University's strategic ambitions for investment in capital infrastructure.

The University cash balances are invested across a range of approved financial institutions, principally on a range of short term deposit accounts, up to one year in maximum length and to a maximum value of £40m per financial institution. The University investment policy maintains at its core the principal aim to protect the charitable assets of the University and, as such, cash balances are currently restricted to UK clearing banks and the largest UK building societies. The University also holds some investment balances within Rathbones (see note 12 of the accounts), principally with a view to holding for the longer term and offsetting bullet loan repayment commitments. All cash and investment funds are held in accordance with the University's socially responsible investment policy.

Pensions

The defined benefit section of the University of Warwick Pension Scheme, has seen its reported deficit increase from £23.2m to £38.5m during the year. This significant increase in deficit is the result of very low discount rates being

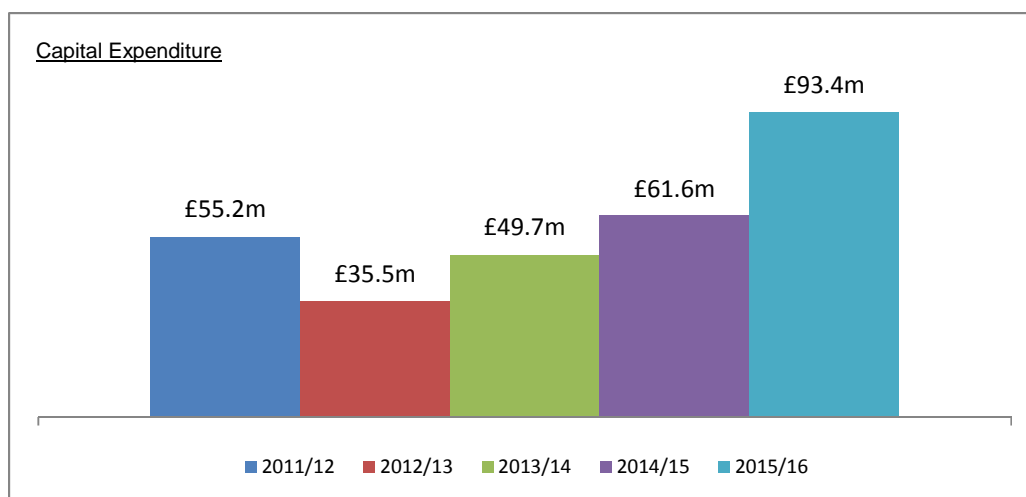
financial review

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used to value the scheme liabilities at 31 July 2016. Discount rates, which are typically based on the yield from Government bonds, were already at historic low levels but deteriorated yet further due to post-Brexit interventions to stimulate the economy, including a cut in interest rates and further quantitative easing measures.

The new SORP requires financial statements to disclose as a liability, in the balance sheet, the present value of any deficit payments on pension schemes. As highlighted earlier in this report, this has resulted in the University recording a £62m liability at 31 July 2016 in respect of its payments for the USS deficit recovery plan. Year to year movements in the calculated liability will impact directly on surplus levels and this is therefore likely to be a cause of significant volatility in future years, with the possibility of a revised USS deficit recovery plan being required once the 2017 scheme valuation is completed.

Capital projects



The University has continued to deliver its ambitious capital programme during 2015/16 spending £93.4m (£61.6m 2014/15). This scale of investment represents a firm commitment to build a world leading campus for our students and staff. Major projects completed during the year included a £26m extension to Warwick Business School, an Advanced Materials Manufacturing Centre (c. £5m) and an extension to the Mechanochemical Cell Biology Building (c. £4m).

This Autumn we have also opened our new, dedicated teaching and learning building, 'the Oculus'. Constructed at a cost of £19m this student-centred facility is an architecturally stunning enhancement to our central campus learning environment. It contains two large, state-of-the-art, tiered lecture theatres, as well as twelve further top quality, flexible teaching spaces, study areas and a café.

We are also delighted to be reopening our iconic Benefactors building, following a £4m refurbishment. Benefactors was one of the first buildings on campus, constructed in 1966, and is now able to offer some of the highest quality residential accommodation available on campus, with a mixture of self-contained apartments, shared accommodation and social space.

The University has recently reviewed its ten year capital priorities, ensuring alignment with the University's strategy 'Looking Forward'. The result is a comprehensive plan which seeks to improve ageing facilities for the benefit of students, staff and visitors and to meet expectations of student number growth and longer term research ambitions.

financial review

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Proposed developments include a mathematical sciences building, a new Faculty of Arts building, teaching and research developments on the Gibbet Hill campus, new student residences and sports facilities, refurbishment and development of the Arts Centre and numerous infrastructure projects. This is all in addition to the ongoing c. £100m development of the National Automotive Innovation Centre which is due to be completed in 2017.

Risks

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

- any further changes in the funding of universities from public sources, including the impact of changes in the economy and the changes in student fees and support structure;
- if the University fails to recruit and retain a strategically desirable number, quality and diversity of students, particularly international students in a competitive and global market;
- further changes to pension scheme contributions which increase cash outflows from the University;
- the ability to maintain an internationally competitive position in respect of the quality and recognition of both teaching and research; and
- the recruitment and retention of internationally recognised scholars in a highly competitive market.

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

- plans prudently with respect to income assumptions, continually reviews the need for efficiency savings and monitors student feedback and surveys to most effectively direct available resources;
- plans conservatively for student demand and focuses on building and developing overseas networks with other organisations, representatives and alumni communities;
- is, alongside investing in the best staff and facilities and pursuing international excellence in all aspects of its operations, continuously growing its academic links and collaborative working relationships with overseas education partners and international businesses; and
- engages in regular, frequent review of recognition and reward mechanisms and leadership and development training programmes.

The risks associated with the recruitment of non-UK students, from within the EU and beyond, and the recruitment and retention of the best international scholars has increased in the light of the EU Referendum outcome and the early indications of how the Government is interpreting the referendum result and seeking to implement its response. It is essential that the University, and the UK in general, continues to be an attractive destination for international students and scholars and the University will seek, independently and through sector bodies, to ensure that policy-makers are fully-informed of the key drivers that underpin the international success of UK Higher Education.

Future outlook

The University faces the future from a strong financial position with cash reserves and a robust plan for the generation of sufficient future surpluses to enable the full delivery of our strategy, which will further strengthen our teaching and research capabilities. We look forward to the delivery of our ambitious capital plan, providing capacity for expansion and the provision of new fit-for-purpose facilities for the benefit of students and staff. We are well positioned to respond to the challenges of increasing competition from new entrants to the UK sector and from international providers and retain the capacity to take full advantage of new opportunities, as we have throughout our fifty year history.

financial review

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Warwick has also helped to establish a new European association, the Guild of European Research Intensive Universities. The Guild will focus on the relationships between research and excellence, education, innovation and capacity building. Professor Jan Palmowski, Academic Vice President at Warwick, has been appointed the Guild's inaugural Secretary General. The establishment of the Guild, and Warwick's role in it, will help to cement the University's position as a key stakeholder in European Higher Education policy at a critical time as the post-Referendum landscape starts to take shape.

So, whilst the future carries the political and economic uncertainties of potential Brexit outcomes and the transformation of the UK's higher education landscape through forthcoming legislative changes, Warwick, as always, maintains a positive outlook and continues to move forward with confidence.

Keith Bedell-Pearce CBE, University Treasurer

17 November 2016

public benefit statement

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

The University Council approves the University strategy and governs the work of the University to ensure that students and potential students benefit from the excellent education that the University offers, and that the general public benefits from the generation of knowledge and the long-term impact of the University's research. The excellence of the University of Warwick's teaching and research is evidenced by being ranked consistently amongst the top universities in the UK in national league tables, and is further validated by external assessments of teaching and research quality:

- Warwick was placed in the top 50 most international universities in the world by the Times Higher Education in 2016 and was ranked 51st in the world by the QS World University Rankings in September 2016.
- In 2015 the University was identified as the fastest rising young university in the UK, and third fastest in the world by the Times Higher Education Young Universities Summit, thanks to the influence that our research has on the rest of the world, the extent to which companies are working with academics and applying their research to the real-world, and our international outlook.
- In the 2014 Research Excellence Framework, Warwick was ranked seventh in the UK, on grade point average with 87% of the University's research rated as "world-leading" (4*) or "internationally excellent" (3*).
- In 2013 the Quality Assurance Agency undertook a review of Warwick's Teaching and Learning, and confirmed that the University's academic standards, the quality of its student learning opportunities, and the quality of its information about learning opportunities all meet UK expectations.

Teaching and Learning

Through our distinctive degree programmes, we can present an agile response to emerging needs. We want Warwick graduates to take their place among the best thinkers and more influential citizens of the future. True to our founding mission, we'll adopt approaches that foster and support an inclusive educational environment: one that's accessible to people from all backgrounds.

- We prepare our students to contribute to society and in the workplace. Our graduates are in high demand: in 2015 Warwick was ranked as one of the top ten most targeted universities by the UK's leading graduate employers. We have developed innovative programmes in partnership with local employers (for example in the automotive industry), and we offer flexible and distance learning solutions to facilitate participation in life-long learning.
- Continuing professional development programmes provide educational opportunities beyond the full time undergraduate or postgraduate experience, in disciplines such as education, medicine, health, law, business and engineering. The University provides opportunities for adults seeking to return to learning or wishing to pursue studies in higher education through offerings such as the Foundation and 2+2 degree programmes, the Gateway to HE programme and the part time degree. In addition, the University's short course programme attracts over a thousand registrations annually from the general public, predominantly from the local region.

public benefit statement

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- We seek to ensure that, wherever possible, financial circumstances do not become a barrier to studying at Warwick. We offer means-tested packages of support for UK undergraduate students. Rent levels are set with reference to affordability, and scholarships are available for international and postgraduate students.
- In 2013 the University launched its Widening Participation Strategy (to be refreshed in 2016/17), which is driven by our vision of becoming a recognised global leader in enhancing social diversity and participation in higher education. Current activities include: the UniTracks (formerly GOAL) programme (a national scheme supporting over 700 disadvantaged gifted and talented students aged 14–18 in achieving their potential and entering the most selective higher education courses), Pathways to Law (enabling 100 Year 12-13 pupils and their families each year to receive guidance on the study of law and careers in law, including work shadowing and mentoring), the Sutton Scholars Programme (a local scheme run in partnership with the Sutton Trust for Year 8 and 9 students with a focus on providing information, advice and guidance to highly able students from under-represented backgrounds) and the Warwick Business School Foundation Year programme, which provides an entry route to management and accountancy courses for students from less advantaged backgrounds and recruited its first cohort of students in 2015. The University is a member of the Realising Opportunities Scheme, whereby fifteen leading universities agree to work locally with the 'most able, least likely' Year 12 and 13 pupils to raise aspiration, awareness and achievement, and to then give additional consideration to applicants from any of the partner institutions in recognition of their engagement with the programme. The programme seeks to recruit an additional 1,000 students nationally each year.
- The University has strengthened its provision to support local students through activities to raise aspiration and attainment levels, engaging with learners from 30 targeted state secondary schools in Coventry and Warwickshire. In 2013 an intensive programme was developed and launched with the RSA Family of Academies, offering a suite of activities supporting the learner journey to higher education.
- The WMG Academy for Young Engineers opened in Coventry in September 2014 and now has a population of around 400 students ranging from Year 10 to Year 13. A second WMG Academy for Young Engineers in Solihull opened in September 2016 with an intake of 200 students in Years 10 and 12. The University has worked in partnership with local employers to develop a bespoke learning experience that is delivering technical, employability and business skills that will maintain manufacturing knowledge and excellence within the West Midlands region.
- Since 2013 the University has partnered with National Grid on the GetSkilled programme, which provides employability training to young people in Coventry and Warwickshire who are not in education, employment or training. In 2015 this strategic alliance was extended through a new Memorandum of Understanding, with both partners committing to collaborate further and expand on their work together.
- In 2011 the University of Warwick Science Park Foundation awarded £450,000 to the University of Warwick to support Widening Participation. A number of projects have been supported across Coventry and Warwickshire, working primarily with schools, teachers, parents and children and involving 59 schools, 899 pupils and 53 teachers. The funds have supported programmes designed to stimulate public understanding of the importance and relevance of science and technology to the needs of industry

public benefit statement

(continued)

and society. All projects have shown significant improvements in participation and achievement since inception. In October 2015 a dissemination event was held at the University to showcase the work of these projects, attended by representatives of partner organisations and local schools.

- Warwick in Africa is a well-established innovative, philanthropically funded programme, developed over eleven years from a small student volunteering project to a multi-layered programme which supports learners and their teachers with Maths and English teaching in South Africa, Tanzania and Ghana. To date over 300,000 learners have benefitted from Warwick in Africa and over £2.5m has been raised in philanthropic income to support global outreach.
- Warwick in India provides tutorial support to approximately 500 Indian children per annum near Delhi in collaboration with the Laksh Foundation.

Research

As a globally connected, research-led university, we will try to be part of the solution to the world's pressing problems, and ensure that staff, students, teaching and research all have a positive impact on society at large – particularly with regards to knowledge transfer and policy making – and that the economic, social and cultural benefits of our research are properly highlighted.

- Warwick is one of the five founder University members of The Alan Turing Institute, the prestigious new national centre for Data Science which will deliver new advances in the development and use of advanced mathematics, computer science, algorithms and big data for human benefit.
- As part of the multimillion Energy Research Accelerator (ERA), Warwick is one of six Midlands universities that will deliver a step change in energy research in critical areas such as thermal energy and energy storage.
- Warwick is bringing new knowledge to challenges around the introduction of autonomous vehicles on public roads, in a strategic partnership with Jaguar Land Rover and EPSRC.
- The Tommy's National Early Miscarriage Centre sees Warwick partner with the University of Birmingham, Imperial College London, and University Hospitals Coventry and Warwickshire NHS Trust to advance our understanding of the causes and future prevention of miscarriage.
- Our contribution as a partner in the Neglected Tropical Diseases Modelling (NTD) Consortium is helping to form policy responses to the challenge of controlling and eliminating NTDs.
- The Warwick Centre for Applied Health Research and Delivery (CAHRD) works in strategic partnership with the Liverpool School of Tropical Medicine (LSTM) to facilitate a global network which brings together individuals, disciplines and organisations to develop practical solutions to health needs. In particular CAHRD works with resource limited nations to transform health systems and improve the health of low income populations.
- Our Faculty of Social Sciences has been awarded an ESRC Midlands Graduate School Doctoral Training Partnership (DTP), led by Warwick and involving partners at the universities of Birmingham, Nottingham, Aston, Leicester and Loughborough.

public benefit statement

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- Our Global Research Priorities programme addresses some of the most challenging problems facing the world today, providing a platform for multidisciplinary research in 11 key areas of international significance, from food to sustainable cities, energy to innovative manufacturing (details available at <http://www2.warwick.ac.uk/research/priorities>).
- In 2016, Warwick helped to form and joined the Guild of European Research Intensive Universities, which brings together universities that have demonstrable excellence in teaching, research and policy formation from across Europe to collaborate on the creation of innovative solutions to some of Europe's most intractable scientific and social challenges. The Guild will launch formally in November 2016.
- The University is the only European academic partner in the Centre for Urban Science and Progress (CUSP) in New York. CUSP uses the City as its laboratory and classroom to help cities around the world become more productive, liveable, equitable and resilient.
- The National Automotive Innovation Centre (NAIC) will provide a critical mass of research capability combining automotive expertise nationally and internationally. NAIC will provide a unique environment to foster collaboration, cohesion and cross-fertilisation of knowledge. Academic and industrial R&D teams will work together using state-of-the-art equipment and facilities to develop breakthrough designs, technologies and processes. NAIC will address the shortage of skilled R&D staff across the automotive supply chain, developing the talent required for the demands of emerging technologies and engaging future generations of engineers. £150 million is being invested in the NAIC capital building and its research activities through a long-term commitment between Jaguar Land Rover, Tata Motors European Technical Centre, WMG and the University of Warwick, along with an expanding network of supplier companies. The government (Higher Education Funding Council England) has also provided £15 million of funding to support the capital project.
- We are committed to improving public access to our research findings. The Warwick Research Archive Project (WRAP, available at <http://wrap.warwick.ac.uk/>) is a free online repository service to provide access to our written research output (including journal articles and PhD theses). The University also holds unique repositories, such as our Modern Records Centre (MRC), which has been designated an Outstanding Collection by the Museums, Libraries and Archives Council, holding nationally important archives for the study of social, economic and political history, mainly from the mid-19th century onwards.
- Warwick Ventures Limited, a wholly owned subsidiary, oversees technology transfer and commercialisation of University research. Over the past 16 years it has launched over 90 knowledge-based companies. Warwick's intellectual property is licensed to other companies in a wide range of industries.

Corporate Social Responsibility

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

public benefit statement

(continued)

Regional and Community

- We liaise with local authorities and community organisations to make sure that the University has a positive impact on our locality, and that the community at large benefits from our facilities.
- The latest Regional Impact Study looks at the economic, social and cultural contribution made by the University of Warwick to the local region (http://www2.warwick.ac.uk/about/publications/regional_impact-regionfinal.pdf). The study estimated that the University contributes around £520m annually to the West Midlands economy. Following its launch in 2015, the final report from the Chancellor's Commission, an independent inquiry established to consider the future role of the University of Warwick in Coventry, Warwickshire and the wider region, was released in July 2016 (available at www.warwick.ac.uk/chancellorscommission/report/warwick_commission_-_chancellors_commission_final_report_2016.pdf).
- The University of Warwick and Coventry University are working closely with the City Council and local residents on Coventry's City of Culture 2021 bid, providing an opportunity for engagement, research and impact that will make a real difference to the region, the city and Coventry's ambition to be a top ten UK city.
- The University is represented on the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) at all levels, from the Board through to the individual Business Groups. The University has also seconded two members of staff part-time to the CWLEP to support activities such as the refresh of the Strategic Economic Plan, skills development and engagement with the Midlands Engine.
- The University of Warwick Science Park offers office and laboratory space to companies (including start-ups) in four locations across the West Midlands. It provides a supportive environment with access to research and resources from the University of Warwick and an experienced in-house business support team.
- The University's strategic emphasis on extra-curricular activity drives a high level of student engagement in volunteering, as well as clubs and societies. Our students give back to the community directly through volunteering, and develop skills and attitudes that will enable effective citizenship and social capital. We provide support to our staff and students to engage regularly in volunteering opportunities through Warwick Volunteers (<http://www2.warwick.ac.uk/about/community/volunteers>).
- Our campus life provides many opportunities for development and enrichment. The Warwick Arts Centre is an important cultural centre for the region which is visited by around 250,000 members of the local community each year.

Diversity and Inclusion

- We promote diversity and inclusion, evidenced by our achievement of the HR Excellence in Research award; Athena SWAN awards, including an Institutional Silver Award and our status as a Stonewall Diversity Champion.
- This year we continued to build on a set of initiatives to support the development and careers of women, to ensure even greater equality of experience and opportunity at Warwick.

public benefit statement

(continued)

- The University's STEMM departments have Athena SWAN awards at Bronze and Silver levels, and Warwick Business School (WBS) and the Centre for Educational Development, Appraisal and Research (CEDAR) have Bronze awards. Many other Arts and Social Science departments are currently working towards Athena submissions.

Environmental Sustainability

- The University is firmly committed to sustainability and works in partnership with its staff and students to promote environmental sustainability. The University's Environmental Policy, is available at <http://www2.warwick.ac.uk/about/environment/warwick/policies/environmental-policy-2016.pdf>
- Students are encouraged to engage with sustainability issues through teaching and learning, including via the provision of optional modules, the undergraduate Global Sustainable Development degree, the Global Energy MBA, or a MSc in Sustainable Energy Technologies.
- Green Steps is an award-winning environmental sustainability educational programme developed in collaboration with our partner institution in Australia, Monash University. The Programme combines training and real world experience, developing the skills and knowledge of our students to effect environmental change through a practical, hands-on approach.
- A major project has transformed the University's road infrastructure, improving the efficiency, safety and environmental impact of transport to and around the campus. Improvements to bus travel are intended to encourage staff and students to use public transport.
- The Warwick campus has been recognised as one of the region's top cycling locations, having been awarded Gold Top Cycle Location in recognition of our investment in cycling, and our commitment to cyclists on campus. In recent years work on campus cycling has included working with Sustrans to connect and extend the cycle route through campus to facilitate and encourage cycle access to the campus. This year the University introduced an innovative new cycle hire scheme on campus, called 'UniCycles at Warwick'.

Our investments are managed in line with our Socially Responsible Investment Policy (available at http://www2.warwick.ac.uk/services/finance/corporate_information/socially_responsible_investment_policy). The University promotes and monitors compliance with the highest standards of research ethics as embodied in UK regulation and practice. The nature of any funding offered to the University is carefully considered from an ethical perspective.

corporate governance

1. The University is an exempt charity whose principal regulator is the Higher Education Funding Council for England (HEFCE). The University's legal status derives from a Royal Charter originally granted in March 1965. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes.
2. The University conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities that has been provided by the HEFCE and the Committee of University Chairs (CUC) in the Higher Education Code of Governance. The University is mindful of its charitable purpose and its strategy aims to encompass its public benefit role.
3. Under the provisions of the University's Charter and Statutes, the University is governed by its Council, whilst the Senate has oversight of academic matters. The University Council is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. It has a majority of members from outside the University (described as independent members), from whom the Chair and the University Treasurer are drawn. Also included in its membership are representatives of the staff of the University and the student body. None of the independent members receive any payment, apart from the reimbursement of reasonable expenses, for the work that they do for the University.
4. The Council approves its Code of Practice on Corporate Governance and Statement of Primary Responsibilities annually. A copy of the Code of Practice on Corporate Governance can be obtained from the University's website. The Responsibilities of the Council are set out on pages 20 and 21 of these accounts.
5. The Council meets at least five times each academic year. The Council is supported by a number of sub-committees, as outlined in its Code of Practice on Corporate Governance. Reports from each committee, as well as from the Senate, inform the work of the Council.
6. The University Council has delegated the following authority to the Remuneration Committee:
 - (a) The determination of the remuneration of senior members of the University staff whom it is deemed appropriate, including but not exclusive to the Vice-Chancellor and President, the Provost, the Pro-Vice-Chancellors, the Registrar and Chief Operating Officer, and the Group Finance Director;
 - (b) The determination of the level of severance pay to be awarded to those members of staff whose salary exceeds £100,000 to the Remuneration Committee.

The constitution of the Remuneration Committee during 2015/16 was as follows: Chair of the Council (Chair), The Vice-Chancellor and President (when considering remuneration packages other than his own), The Treasurer, Two lay members of the Council with expertise in the area, appointed by the Council, One independent member with expertise in the area, appointed by the Council. The Remuneration Committee reports to the University Council.

Following a review of the Remuneration Committee in 2015/16, the Council has adopted revised constitution, terms of reference, operating and reporting procedures for the Remuneration Committee, which took effect in the 2016/17 financial year.

corporate governance

(continued)

7. There were 25 members of the Council in 2015/16. During the financial year ended 31 July 2016 (and continuing except where indicated), the following individuals were members of the Council: Sir George Cox (Chair), Mr K Bedell-Pearce (Treasurer), Dr N Bentley, Dame Fiona Caldicott (to 31 July 2016), Professor A Clarke, Ms V Cooke (Vice-Chair), Professor S Croft (Provost to 31 January 2016 and Vice-Chancellor and President from 1 February 2016), Dr J Ferrie, Ms K Gadhok (from 1 February 2016), Mr G Howells, Professor Christina Hughes (to 31 October 2016), Professor Christopher Hughes, Professor T Jones (to 31 July 2016. Provost from 1 February 2016 to 31 July 2016), Dr D Keith, Mr I Leigh (to 31 July 2016), Ms J MacNaughton, Professor A Muthoo (to 31 July 2016), Sir David Normington, Mr A Penfold (from 1 April 2016), Ms M Philbin (to 10 February 2016), Mr O Rice (to 31 July 2016), Mr A Rivett (to 31 July 2016), Mr N Sachdev (from 1 February 2016), Mr M Temple (to 31 July 2016), Professor Sir N Thrift (Vice-Chancellor and President to 31 January 2016), Professor P Winstanley (to 31 May 2016); for the subsequent period from 1 August 2016 to the approval of these financial statements (and beyond): Professor D Branch, Professor C Ennew (Provost from 1 August 2016), Ms B Gittins, Mr L Pilot, Ms A Pulford, Professor L Roberts, Professor S Swain, Professor P Thomas and Ms G Tucker.
8. The Secretary to the Council plays a key role in the operation and conduct of Council business, and provides advice to the Chair of Council on all matters of procedure and in respect of any matters where conflict, potential or real, may occur. All members of the governing body have access to the services of the Council Secretariat.
9. The University maintains a Register of Interests of members of the Council which may be consulted by arrangement with the Secretary to Council. All members of the Council, and sub-committees, are requested to declare any conflicts of interest in relation to the agenda of each meeting.
10. The Senate is the academic authority of the University and draws its membership entirely from the staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University. Whilst the Council and the Senate have clearly defined functions and responsibilities, there is active consultation and interaction between the two bodies.
11. The principal academic and administrative officer of the University is the Vice-Chancellor and President who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Memorandum of Assurance and Accountability between the University and the HEFCE, the Vice-Chancellor and President is the accountable officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
12. As Chief Academic and Administrative Officer of the University, the Vice-Chancellor and President exercises considerable influence upon the development and implementation of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Vice-Chancellor and President is supported by the senior executive team.
13. Any enquiries about the constitution and governance of the University should be addressed to the Secretary to Council.

statement of internal control

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

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

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

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

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

statement of internal control

(continued)

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

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

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

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

statement of primary responsibilities of the council

of the University of Warwick

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

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

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

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

statement of primary responsibilities of the council

of the University of Warwick (continued)

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

independent auditor's report

to the Council of the University of Warwick

We have audited the financial statements of The University of Warwick for the year ended 31 July 2016 set out on pages 24 to 58. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Council, in accordance with the Charters and Statutes of the institution. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to 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 for our audit work, for this report, or for the opinions we have formed.

respective responsibilities of the University's Council and auditor

As explained more fully in the Statement of Responsibilities of Council set out on pages 20 and 21 the Council is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements.

independent auditor's report

to the Council of the University of Warwick (continued)

opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.

Michael Rowley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham B4 6GH

statement of principal accounting policies

1. Basis of preparation

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

2. Basis of consolidation

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

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

3. Income recognition

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

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

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

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

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

statement of principal accounting policies

(continued)

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

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

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

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

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

There are four main types of donations and endowments with restrictions: 1. Restricted donations - the donor has specified that the donation must be used for a particular objective. 2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University. 3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into Income. 4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

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

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

4. Accounting for retirement benefits

Universities Superannuation Scheme (USS)

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

University of Warwick Pension Scheme

The Defined Benefit (DB) section of the University's own scheme, an exempt approved pension scheme, provides

statement of principal accounting policies

(continued)

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

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

5. Employment benefits

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

6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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

7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8. Foreign currency

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

9. Fixed assets

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

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

statement of principal accounting policies

(continued)

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

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

Land and buildings

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

Equipment

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

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

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

Borrowing costs

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

10. Investments

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

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

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

11. Stock

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

12. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

statement of principal accounting policies

(continued)

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

13. Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 28.

14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

15. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries and associated undertakings are liable to Corporation Tax in the same way as any other commercial organisation.

statement of principal accounting policies

(continued)

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

16. Derivatives

Derivatives (interest rate swaps) are held on the Balance Sheet at fair value with movements in fair value recorded in the Consolidated Statement of Income and Expenditure. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair value are recorded within other Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in income or expenditure.

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

17. Reserves

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

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

consolidated statement of comprehensive income

for the year ended 31 July 2016

	Note	Consolidated		University	
		2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
Income					
Tuition fees and educational contracts	1	275.2	240.1	275.2	240.1
Funding body grants	2	57.9	59.1	57.9	59.1
Research grants and contracts	3	117.1	100.9	117.1	100.9
Other income	4	117.0	108.9	100.5	92.6
Investment income	5	1.6	1.6	1.4	1.3
Donations and endowments	6	4.8	2.6	4.7	2.6
Total income		573.6	513.2	556.8	496.6
Expenditure					
Staff costs	7	280.0	292.3	264.2	276.8
Other operating expenses	8	195.2	195.8	194.5	195.6
Depreciation	8	32.4	29.7	31.2	28.6
Interest and other finance costs	9	10.1	8.8	10.1	8.8
Total expenditure		517.7	526.6	500.0	509.8
Surplus/(deficit) before other gains or losses		55.9	(13.4)	56.8	(13.2)
Loss on disposal of fixed assets		(0.9)	(0.3)	(0.9)	(0.3)
Gain on investments	12	1.1	0.9	0.9	0.9
Surplus/(deficit) before tax		56.1	(12.8)	56.8	(12.6)
Taxation	10	(1.9)	0.0	(1.9)	0.0
Surplus/(deficit) for the year		54.2	(12.8)	54.9	(12.6)
Actuarial loss in respect of pension schemes	19	(14.5)	(0.9)	(14.5)	(0.9)
Change in fair value of hedging financial instruments	17	(21.2)	(13.0)	(21.2)	(13.0)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR		18.5	(26.7)	19.2	(26.5)
Represented by:					
Endowment comprehensive income and expenditure for the year		0.5	0.4	0.4	0.3
Unrestricted comprehensive income and expenditure for the year		18.0	(27.1)	18.8	(26.8)
Attributable to the University		18.5	(26.7)	19.2	(26.5)

All items of income and expenditure relate to continuing activities.

statement of changes in reserves

for the year ended 31 July 2016

Consolidated	Income and expenditure account		Total
	Endowment £ million	Unrestricted £ million	£ million
Balance at 1 August 2014	8.5	137.2	145.7
Surplus/(deficit) from the income and expenditure statement	0.4	(13.2)	(12.8)
Other comprehensive income and expenditure	0.0	(13.9)	(13.9)
Total comprehensive income and expenditure for the year	0.4	(27.1)	(26.7)
Balance at 1 August 2015	8.9	110.1	119.0
Surplus from the income and expenditure statement	0.5	53.7	54.2
Other comprehensive income and expenditure	0.0	(35.7)	(35.7)
Total comprehensive income and expenditure for the year	0.5	18.0	18.5
Balance at 31 July 2016	9.4	128.1	137.5

University	Income and expenditure account		Total
	Endowment £ million	Unrestricted £ million	£ million
Balance at 1 August 2014	3.6	102.1	105.7
Surplus/(deficit) from the income and expenditure statement	0.3	(12.9)	(12.6)
Other comprehensive income and expenditure	0.0	(13.9)	(13.9)
Total comprehensive income and expenditure for the year	0.3	(26.8)	(26.5)
Balance at 1 August 2015	3.9	75.3	79.2
Surplus from the income and expenditure statement	0.4	54.5	54.9
Other comprehensive income and expenditure	0.0	(35.7)	(35.7)
Total comprehensive income and expenditure for the year	0.4	18.8	19.2
Balance at 31 July 2016	4.3	94.1	98.4

consolidated and university balance sheet

as at 31 July 2016

		Consolidated		University	
	Note	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Non-current assets					
Fixed assets	11	510.5	450.3	493.5	431.4
Investments	12	19.7	16.3	21.1	18.0
		530.2	466.6	514.6	449.4
Current assets					
Stock	13	1.0	0.9	0.5	0.5
Trade and other receivables	14	45.8	39.1	51.2	44.8
Investments	15	70.0	69.0	70.0	69.0
Cash and cash equivalents		100.0	82.9	97.4	80.2
		216.8	191.9	219.1	194.5
Less: Creditors : Amounts falling due within one year	16	(146.5)	(156.6)	(173.8)	(183.5)
Net current assets		70.3	35.3	45.3	11.0
Total assets less current liabilities		600.5	501.9	559.9	460.4
Creditors : Amounts falling due after more than one year	17	(358.8)	(299.6)	(357.3)	(297.9)
Provisions					
Pension provisions	19	(100.5)	(79.4)	(100.5)	(79.4)
Other provisions	20	(3.7)	(3.9)	(3.7)	(3.9)
TOTAL NET ASSETS		137.5	119.0	98.4	79.2
Restricted reserves					
Income and expenditure reserve - endowment reserve	21	9.4	8.9	4.3	3.9
Unrestricted reserves					
Income and expenditure reserve - unrestricted		128.1	110.1	94.1	75.3
TOTAL RESERVES		137.5	119.0	98.4	79.2

The financial statements on pages 30 to 58 were approved by the Council on 17 November 2016, and signed on its behalf by:

Professor Stuart Croft, Vice-Chancellor and President

Keith Bedell-Pearce CBE, University Treasurer

consolidated cash flow statement

for the year ended 31 July 2016

	Note	2015/16 £ million	2014/15 £ million
Cash flow from operating activities			
Surplus for the year		54.2	(12.8)
Adjustment for non-cash items			
Depreciation	11	32.4	29.7
Gain on investments	12	(1.1)	(0.9)
Increase in stock	13	(0.1)	0.0
Increase in debtors	14	(6.7)	(3.5)
Increase in creditors	16 & 17	35.6	42.7
Increase in pension provision	26	6.6	30.3
Decrease in other provisions	12 & 20	(0.3)	(0.2)
Change in fair value of hedging financial instruments	17	(21.2)	(13.0)
Adjustment for investing or financing activities			
Investment income	5	(1.6)	(1.6)
Interest payable	9	7.2	6.7
Endowment income	21	(1.1)	(1.0)
Loss on the sale of fixed assets	11	0.9	0.3
Capital grant income		(11.8)	(12.1)
Net cash inflow from operating activities		93.0	64.6
Cash flows from investing activities			
Capital grants receipts		29.0	19.2
Investment income	5	1.6	1.6
Payments made to acquire fixed assets	11	(93.4)	(61.6)
New non-current asset investments	12	(2.2)	(0.3)
New current asset investments	15	(1.0)	(19.5)
		(66.0)	(60.6)
Cash flows from financing activities			
Interest paid	9	(7.2)	(6.7)
Endowment cash received	21	1.1	1.0
Repayments of amounts borrowed		(3.8)	(5.0)
		(9.9)	(10.7)
Increase/(decrease) in cash and cash equivalents in the year		17.1	(6.7)
Cash and cash equivalents at beginning of the year		82.9	89.6
Cash and cash equivalents at end of the year		100.0	82.9

notes to the accounts

1. TUITION FEES AND EDUCATIONAL CONTRACTS

	Consolidated		University	
	2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
Accredited course fees from home/EU students	127.5	111.5	127.5	111.5
Accredited course fees from overseas students	127.5	106.7	127.5	106.7
International foundation programme fees	4.5	4.2	4.5	4.2
Non-accredited short course fees	2.7	3.6	2.7	3.6
Research training support grants	12.5	13.5	12.5	13.5
Other fees	0.5	0.6	0.5	0.6
	275.2	240.1	275.2	240.1

2. FUNDING BODY GRANTS

	Consolidated		University	
	2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
Recurrent grants:				
Higher Education Funding Council for England:				
Teaching	12.9	15.3	12.9	15.3
Research	34.9	34.2	34.9	34.2
Specific grants:				
HE Innovations Fund	3.5	3.0	3.5	3.0
HEFCE Catalyst Fund	1.1	0.8	1.1	0.8
National Scholarship Programme	0.0	0.3	0.0	0.3
Postgraduate Support Scheme	0.5	0.4	0.5	0.4
Other specific grants	0.3	0.1	0.3	0.1
Capital grants released in year:				
Buildings	3.3	3.3	3.3	3.3
Equipment	1.4	1.7	1.4	1.7
	57.9	59.1	57.9	59.1

notes to the accounts

(continued)

3. RESEARCH GRANTS AND CONTRACTS

	Consolidated		University	
	2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
Research councils	39.6	37.0	39.6	37.0
Central government, local authorities and public corporations	32.2	27.8	32.2	27.8
UK charitable bodies	7.3	6.8	7.3	6.8
European Union	14.7	14.3	14.7	14.3
UK industry and commerce	8.5	9.0	8.5	9.0
Overseas	5.7	5.1	5.7	5.1
Others	0.5	0.9	0.5	0.9
Research and Development Expenditure Credit (RDEC)	8.6	0.0	8.6	0.0
	117.1	100.9	117.1	100.9

Income from research grants and contracts includes £6.3m in respect of Deferred Capital Grants released in the year (2014/15: £5.8m) and £8.6m from Research and Development Expenditure Tax Credits.

4. OTHER INCOME

	Consolidated		University	
	2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
Residences, catering and conferences	42.1	40.3	42.1	40.3
Other services rendered	4.5	2.7	4.4	2.3
Other capital grants	0.8	0.9	0.6	0.7
Retail operations	35.4	33.0	15.3	13.9
Post-experience centres	10.6	10.8	0.0	0.0
Other income	23.6	21.2	29.7	26.7
Covenant income	0.0	0.0	8.4	8.7
	117.0	108.9	100.5	92.6

5. INVESTMENT INCOME

	Consolidated		University	
	2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
Income from restricted permanent endowment investments (note 21)	0.1	0.1	0.0	0.0
Income from restricted expendable endowment investments (note 21)	0.1	0.1	0.0	0.0
Other investment income	1.4	1.4	1.4	1.3
	1.6	1.6	1.4	1.3

6. DONATIONS AND ENDOWMENTS

	Consolidated		University	
	2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
New endowments	1.1	1.0	1.0	1.0
Unrestricted donations	3.7	1.6	3.7	1.6
	4.8	2.6	4.7	2.6

notes to the accounts

(continued)

7. STAFF

	Consolidated		University	
	2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
Staff costs: Wages and salaries	225.5	217.1	210.8	203.1
Social Security costs	19.4	17.7	18.5	16.9
Other pension costs	35.1	57.5	34.9	56.8
	280.0	292.3	264.2	276.8

	Consolidated	
	2015/16 Number	2014/15 Number
The number of full time equivalent staff, by area of activity, can be summarised as:		
Academic staff within academic departments	2,196	2,111
Other staff within academic departments	992	978
Academic services	371	384
Premises management and maintenance	433	402
Residences and catering	433	442
Other services and activities, including commercial operations	978	904
	5,403	5,221

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

	2015/16 £000	2014/15 £000
Professor Stuart Croft (from 1st February 2016)		
Salary	140	0
Pension compensation (paid as salary)	12	0
Other taxable benefits	1	0
Total emoluments (including benefits-in-kind) before pension contributions	153	0
Pension contributions in respect of the Vice-Chancellor and President	9	0
Total emoluments (including benefits-in-kind)	162	0

	2015/16 £000	2014/15 £000
Professor Sir Nigel Thrift (to 31st January 2016)		
Salary	245	290
Pension compensation (paid as salary)	23	46
Other taxable benefits	18	13
Total emoluments (including benefits-in-kind)	286	349

notes to the accounts

(continued)

7. STAFF - continued

Emoluments of other Higher Paid Staff (excluding the employer's pension contributions but including benefits-in-kind and any additional salary in lieu of pension contributions for certain staff) and payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment:

	2015/16 Number	2014/15 Number
£400,000 - £409,999	1	0
£350,000 - £359,999	0	1
£340,000 - £349,999	1	0
£300,000 - £309,999	0	1
£240,000 - £249,999	0	1
£220,000 - £229,999	3	1
£210,000 - £219,999	2	2
£200,000 - £209,999	3	3
£190,000 - £199,999	2	2
£180,000 - £189,999	3	1
£170,000 - £179,999	7	8
£160,000 - £169,999	11	10
£150,000 - £159,999	17	11
£140,000 - £149,999	6	16
£130,000 - £139,999	22	14
£120,000 - £129,999	20	21
£110,000 - £119,999	38	26
£100,000 - £109,999	49	47

Excluded from the previous list are higher paid employees who started or left during the year and therefore did not exceed the threshold during the financial year. £202,379 in compensation for loss of office (2014/15: £79,409, three employees) was paid in total to one higher paid employee, in addition to their emolument entitlement for the year.

All amounts for early retirement and compensation for loss of office in respect of higher paid staff are approved by the University's Remuneration Committee.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. Key management personnel for the University consist of the following senior officers: Vice Chancellor, Provost, Registrar, Group Finance Director, Deputy Registrar and Pro-Vice Chancellors. Compensation paid to key management personnel during the year (Including any employer's pension contributions, social security contributions, compensation for loss of office payments, benefits-in-kind and additional salary in lieu of pension contributions for certain staff) is disclosed below:

	2015/16 £000	2014/15 £000
Key management personnel	2,524	2,238

notes to the accounts

(continued)

8. ANALYSIS OF 2015/16 EXPENDITURE BY ACTIVITY

	Staff Costs £ million	Depreciation £ million	Other Operating Expenses £ million	Interest Payable and Similar Charges £ million	2015/16 Total £ million
Academic departments	127.8	3.2	67.2	0.0	198.2
Research grants and contracts	54.2	7.6	27.2	0.0	89.0
Total teaching and research	182.0	10.8	94.4	0.0	287.2
Academic services	14.7	3.3	18.9	0.0	36.9
Central administration and services	20.7	0.8	7.1	0.8	29.4
General educational expenditure	5.5	0.1	22.1	0.0	27.7
Staff and student facilities	8.6	0.3	6.2	0.0	15.1
Premises	13.6	12.4	19.9	0.0	45.9
Residences, catering and conferences	9.8	2.6	13.7	3.5	29.6
Other services rendered	2.6	0.0	1.1	0.0	3.7
Retail operations	15.3	0.9	6.7	0.2	23.1
Post-experience centres	3.5	1.2	4.1	0.0	8.8
Other activities	3.7	0.0	1.0	5.6	10.3
Total per income and expenditure account	280.0	32.4	195.2	10.1	517.7

	Consolidated		University	
	2015/16 Total £ million	2014/15 Total £ million	2015/16 Total £ million	2014/15 Total £ million
Academic departments				
Research grants and contracts	198.2	189.2	198.2	189.2
	89.0	82.6	89.0	82.6
Total teaching and research	287.2	271.8	287.2	271.8
Academic services	36.9	34.1	37.0	34.1
Central administration and services	29.4	28.9	29.0	28.3
General educational expenditure	27.7	26.4	27.7	26.3
Staff and student facilities	15.1	14.3	15.1	14.3
Premises	45.9	49.0	47.2	49.3
Residences, catering and conferences	29.6	29.0	29.7	29.1
Other services rendered	3.7	3.2	4.7	4.2
Retail operations	23.1	21.5	10.6	11.1
Post-experience centres	8.8	8.2	1.7	1.2
Other activities	10.3	40.2	10.1	40.1
Total per income and expenditure account	517.7	526.6	500.0	509.8

Staff costs, within "Other activities", include:

	2015/16 £ million	2014/15 £ million
Excess of contributions to pension scheme against service costs (Note 26)	(0.6)	(1.0)
Movements in relation to the USS pension provision	4.3	29.2

notes to the accounts

(continued)

8. ANALYSIS OF 2015/16 EXPENDITURE BY ACTIVITY - continued

Other operating expenses include:	2015/16 £000	2014/15 £000
Auditor's remuneration for the University of Warwick Group (An amount of £41k (2014/15: £41k) relates to the Auditor's remuneration for the University)	85	80
Auditor's remuneration in respect of non-audit services appointed by the University	11	34
Grants to Warwick Students' Union	2,593	2,729

During the year the University made payments totalling £8,000 (rounded to the nearest £1,000) including reimbursement of expenses, on behalf of ten lay members of the Council (2014/15: ten members claimed a combined total of £10,000). This does not represent the total expenses individuals incurred, only what they claimed from the University. Additionally, the University provides members (not by way of expenses on an individual basis) with food and accommodation for the activities they attend on the University's campus. Members of the University's Council are the University's Trustees. The University does not remunerate its external lay members of the University Council. Reasonable travel and subsistence expenses incurred in attending meetings relating to the work of the Council and associated charitable events in members' official capacity are reimbursed upon request, as supported by appropriate evidence of expenditure. The salaries of members of the staff of the University who serve on the Council do not include any element specific to their trusteeship, but are determined following an agreed process.

9. INTEREST AND OTHER FINANCE COSTS

	Consolidated		University	
	2015/16 £ million	2014/15 £ million	2015/16 £ million	2014/15 £ million
Loan interest	7.2	6.7	7.2	6.7
Net charge on defined benefit pension schemes	0.8	0.8	0.8	0.8
Administration costs paid from scheme assets	0.6	0.6	0.6	0.6
Net charge on USS pension scheme	1.5	0.7	1.5	0.7
	10.1	8.8	10.1	8.8

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

10. TAXATION

	Consolidated	
	2015/16 £ million	2014/15 £ million
Recognised in the statement of comprehensive income		
Current tax in relation to Research and Development Expenditure Credit (RDEC)	1.9	0.0
Total tax payable for year	1.9	0.0

The claim relates to 2012/13, 2013/14 and 2014/15. The tax rates have been 23.67% in 2012/13, 22.33% in 2013/14 and 20.7% in 2014/15 and have been applied against research income for the relevant year.

notes to the accounts

(continued)

11. FIXED ASSETS

CONSOLIDATED

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2015	756.7	537.8	177.5	41.4
Additions at cost	93.4	2.7	13.9	76.8
Asset transfers	0.0	33.6	0.7	(34.3)
Write offs and disposals at cost	(2.1)	(1.0)	(1.1)	0.0
At 31 July 2016	848.0	573.1	191.0	83.9
Depreciation				
At 1 August 2015	306.4	168.5	137.9	0.0
Charge for the year	32.4	17.3	15.1	0.0
Eliminated on write offs and disposals	(1.3)	(0.3)	(1.0)	0.0
At 31 July 2016	337.5	185.5	152.0	0.0
Net Book Value at 31 July 2016	510.5	387.6	39.0	83.9
Net Book Value at 31 July 2015	450.3	369.3	39.6	41.4

UNIVERSITY

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2015	721.7	504.7	175.6	41.4
Additions at cost	94.2	3.6	13.8	76.8
Asset transfers	0.0	33.6	0.7	(34.3)
Write offs and disposals at cost	(2.0)	(1.0)	(1.0)	0.0
At 31 July 2016	813.9	540.9	189.1	83.9
Depreciation				
At 1 August 2015	290.3	154.4	135.9	0.0
Charge for the year	31.2	16.1	15.1	0.0
Eliminated on write offs and disposals	(1.1)	(0.1)	(1.0)	0.0
At 31 July 2016	320.4	170.4	150.0	0.0
Net book value at 31 July 2016	493.5	370.5	39.1	83.9
Net book value at 31 July 2015	431.4	350.3	39.7	41.4

notes to the accounts

(continued)

12. NON-CURRENT INVESTMENTS

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Balance at 1 August	16.3	14.4	18.0	15.9
Net additions in the year	2.2	0.3	2.1	0.8
Increase in market value	1.1	0.9	0.9	0.9
Decrease in provision for diminution in value	0.1	0.7	0.1	0.4
Balance at 31 July	19.7	16.3	21.1	18.0
Represented by:				
Group undertakings	0.0	0.0	5.9	6.0
Associated undertakings	1.7	1.7	0.7	0.7
Other equity investments	0.9	1.0	0.7	0.8
Cash held within managed funds	0.3	0.3	0.1	0.3
Bonds held within managed funds	0.5	0.2	0.2	0.2
Equity investments held within managed funds	17.3	15.0	13.7	11.0
Alternative investments held within managed funds	1.2	0.4	1.1	0.4
	21.9	18.6	22.4	19.4
Provision for diminution in value	(2.2)	(2.3)	(1.3)	(1.4)
	19.7	16.3	21.1	18.0

Associated undertakings include:

Teaching Shakespeare LLP

In March 2012 the University acquired a 40% interest in Teaching Shakespeare LLP. The University's interest in the Partnership is shown within the Associated Undertakings figures in the consolidated group accounts. As at 31 July 2016 the University's full investment of £650k has been fully provided against within the accounts of the University. The partnership is no longer trading and is being wound-up.

University of Warwick Science Park Associates

On 1 February 2012, the University acquired full ownership of the University of Warwick Science Park Limited and its associated undertakings including the University of Warwick Science Park Business Innovation Centre Limited (UWSP BIC) and University of Warwick Science Park Innovation Centre Limited (UWSP IC). From the date of acquisition, the Science Park was treated as a group investment at cost within the University's figures and is accounted for as a fully consolidated subsidiary within the group accounts (see note 24). UWSP BIC and UWSP IC are not consolidated into the results of the University or the University of Warwick Science Park Limited on the grounds of materiality.

Other Equity Investments include:

CVCP Properties plc

50,766 ordinary shares of £1 each

The Mercia Fund 1

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

notes to the accounts

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12. NON-CURRENT INVESTMENTS - continued

Investment in spin-out companies

The University holds a range of shareholdings in a number of spin-out companies, set up to maximise the return on intellectual property that is the result of the University's previous research activities. The University currently holds investments in 33 active spin-out companies, all of which are incorporated in Great Britain and registered in England. In total these spin-out companies employ almost 120 staff, mainly within the West Midlands.

Further details of the University's investment in spin-out companies can be found at <http://www2.warwick.ac.uk/services/ventures/spinout-companies/spin-out-companies-a-z-list/> or are available on written request addressed to the Company secretary of Warwick Ventures Limited.

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

13. STOCK

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Consumables and goods for resale	1.0	0.9	0.5	0.5

14. TRADE AND OTHER RECEIVABLES

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Amounts falling due within one year:				
Other trade receivables	16.6	18.0	13.9	16.0
Prepayments and accrued income	29.2	21.1	28.5	20.2
Amounts owed by group undertakings	0.0	0.0	8.8	8.6
	45.8	39.1	51.2	44.8

15. CURRENT INVESTMENTS

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Short term deposits	70.0	69.0	70.0	69.0

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

notes to the accounts

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16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Unsecured loans (note 18)	3.7	3.8	3.7	3.8
Deferred income	76.2	87.0	74.5	85.5
Receipts in advance - capital	11.2	10.3	11.1	10.2
Trade payables	15.9	16.2	15.5	15.9
Social security and other taxation payable	8.9	6.8	8.0	6.0
Accruals	30.6	32.5	29.3	31.2
Amounts owed to group undertakings	0.0	0.0	31.7	30.9
	146.5	156.6	173.8	183.5

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

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Derivatives	64.6	43.4	64.6	43.4
Unsecured loans (note 18)	119.2	122.9	119.2	122.9
Deferred income	39.9	13.5	39.9	13.5
Receipts in advance - capital	132.1	115.7	130.7	114.1
Other payables	3.0	4.1	2.9	4.0
	358.8	299.6	357.3	297.9

The University holds derivative instruments (interest rate swaps) on its borrowings to convert a portion of its floating rate debt to fixed rate in order to hedge the interest-rate risk arising. The fair value of the derivative instruments (hedging instrument) at the 31 July 2016 was £64.6m (2014/15: £43.4m). The change in fair value of the hedging instrument during the financial year of £21.2m (2014/15: £13.0m) is shown within the Consolidated Statement of Comprehensive Income.

18. ANALYSIS OF UNSECURED LOANS

Amounts owing on unsecured loans as at 31 July 2016 fall due as follows:

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Due within one year or on demand (note 16)	3.7	3.8	3.7	3.8
Due between one and two years (note 17)	3.6	3.7	3.6	3.7
Due between two and five years (note 17)	10.8	10.8	10.8	10.8
Due in five years or more (note 17)	104.8	108.4	104.8	108.4
	122.9	126.7	122.9	126.7

notes to the accounts

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18. ANALYSIS OF UNSECURED LOANS - continued

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

Bank loan arrangements for the University as at 31 July 2016:

	Total original facility £ million	Outstanding 31 July 2016 £ million	Effective Fixed rate
Drawn facilities - all variable rate			
Amortising loan, drawn July 2007, repayable July 2037	40.0	27.7	5.37%
Bullet loan, drawn July 2008, repayable July 2037	10.0	10.0	4.82%
Bullet loan, drawn July 2009, repayable July 2037	5.0	5.0	4.92%
Bullet loan, drawn October 2010, repayable July 2037	15.0	15.0	4.92%
Bullet loan, drawn October 2010, repayable July 2037	10.0	10.0	4.84%
Amortising loan, drawn March 2012, March 2013 and December 2013, repayable December 2040	60.0	54.4	5.19%
	140.0	122.1	

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

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

1. A £0.4m loan from the Lawn Tennis Association, amortising over 13 years from September 2008, at a 0% rate of interest, specifically for the purpose of building an indoor tennis centre. £0.2m remains outstanding as at 31 July 2016.
2. A £0.5m loan received from HEFCE, as part of HEFCE's partnership with Salix Finance Ltd, specifically for the purpose of funding energy efficiency and low carbon technology. The loan is at a 0% rate of interest and is repayable in greater than five years, being the period during which compliant projects have already been planned.
3. Loans totalling £1.1m from Salix Finance Ltd, as part of the Energy Efficient Loans Scheme, specifically for the purpose of funding energy saving projects. The loans are at a 0% rate of interest and are repayable between March 2011 and September 2016. £0.0m remains outstanding as at 31 July 2016.
4. A loan of £0.4m from HEFCE, as part of HEFCE's partnership with Salix Finance Ltd. This loan is at a 0% rate of interest and is repayable in eight equal instalments from May 2013 to November 2016. £0.1m remains outstanding as at 31 July 2016.

notes to the accounts

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19. PENSION PROVISIONS

	Consolidated	University
	£ million	£ million
Obligation to fund deficit on USS Pension (Note 26)		
At 1 August 2015	56.2	56.2
Unwinding of discount factor	1.5	1.5
Deficit contributions paid	(2.1)	(2.1)
New provisions in year	6.4	6.4
	62.0	62.0
Defined benefit obligations (Note 26)		
At 1 August 2015	23.2	23.2
Net service cost contributions	(0.6)	(0.6)
Net return on assets	0.8	0.8
Administrative expenses	0.6	0.6
Actuarial loss	14.5	14.5
	38.5	38.5
Total of above pension provisions carried forward at 31 July 2016	100.5	100.5

20. OTHER PROVISIONS

	Consolidated	University
	£ million	£ million
Early leavers and retirements provision		
At 1 August 2015	0.5	0.5
Utilised in year	(0.4)	(0.4)
New provisions in year	0.2	0.2
	0.3	0.3
Life Sciences restructuring provision		
At 1 August 2015	3.4	3.4
Utilised in year	0.0	0.0
	3.4	3.4
Total of above provisions carried forward at 31 July 2016	3.7	3.7

21. ENDOWMENTS

CONSOLIDATED

	Restricted Permanent	Restricted Expendable	2016 Total	2015 Total
	£ million	£ million	£ million	£ million
As at 1 August				
Capital	4.0	4.4	8.4	8.2
Accumulated income	0.4	0.1	0.5	0.4
	4.4	4.5	8.9	8.6
New endowments	0.2	0.9	1.1	1.0
Investment income	0.1	0.1	0.2	0.2
Expenditure	(0.1)	(0.9)	(1.0)	(0.9)
	0.0	(0.8)	(0.8)	(0.7)
Increase in market value of investments	0.1	0.1	0.2	0.0
As at 31 July	4.7	4.7	9.4	8.9

notes to the accounts

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Represented by:	Restricted Permanent £ million	Restricted Expendable £ million	2016 Total £ million	2015 Total £ million
Capital	4.3	4.6	8.9	8.4
Accumulated income	0.4	0.1	0.5	0.5
Total	4.7	4.7	9.4	8.9

Analysis of endowment funds by type and purpose

Chairs and lectureships	1.7	0.9	2.6	2.5
Scholarships and bursaries	1.7	1.6	3.3	3.2
Prize funds	1.2	0.2	1.4	1.2
General	0.1	1.6	1.7	1.6
Research support	0.0	0.4	0.4	0.4
Total	4.7	4.7	9.4	8.9

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Current and non-current asset investments	5.5	5.0	1.4	1.1
Cash and cash equivalents	3.9	3.9	2.9	2.8
Total endowment asset investments	9.4	8.9	4.3	3.9

Analysis by asset

UNIVERSITY

As at 1 August

	Restricted Permanent £ million	Restricted Expendable £ million	2016 Total £ million	2015 Total £ million
Capital	1.4	2.4	3.8	3.6
Accumulated Income	0.1	0.0	0.1	0.0
	1.5	2.4	3.9	3.6
New endowments	0.2	0.9	1.1	1.0
Investment income	0.0	0.0	0.0	0.0
Expenditure	0.0	(0.8)	(0.8)	(0.7)
	0.0	(0.8)	(0.8)	(0.7)
Increase in market value of investments	0.1	0.0	0.1	0.0
As at 31 July	1.8	2.5	4.3	3.9
Represented by:				
Capital	1.7	2.5	4.2	3.9
Accumulated income	0.1	0.0	0.1	0.0
Total	1.8	2.5	4.3	3.9

notes to the accounts

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22. CAPITAL COMMITMENTS

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Commitments contracted at 31 July	121.6	114.1	121.6	114.1
	121.6	114.1	121.6	114.1

23. LEASE OBLIGATIONS

	Consolidated		University	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Operating lease commitments in respect of buildings and equipment on leases:				
Within one year	10.5	10.0	10.4	9.9
Between one and five years	16.1	12.6	16.0	12.5
Over five years	23.9	25.9	23.9	25.9
	50.5	48.5	50.3	48.3

notes to the accounts

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24. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES

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

	<u>No. of £1 Ordinary Shares</u>
Warwick University Training Limited	100,004
Warwick University Services Limited	125,000
Warwick University Enterprises Limited	20,000
Warwick Learning Limited	2,200
Warwick Ventures Limited	20,000
University of Warwick Science Park Limited	27,997
Research-TV Limited (Dormant)	3
Warwick Conferences Limited (Dormant)	2
The University of Warwick Press Limited (Dormant)	2
Jobs for the Academic Community Limited (Dormant)	1
World First Racing Limited (Dormant)	100
WMG-Tech Limited (Dormant)	1
Warwick Innovation Network Limited (Dormant)	1
Warwick Event Solutions Limited (Dormant)	1
UPS Pension Trustee Limited (Dormant)	1

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

	<u>No. of \$1(Aus) Ordinary Shares</u>
Warwick University Enterprises (Australia) Pty Ltd	600,000

University of Warwick Foundation

In addition, the consolidated accounts include the accounts of The University of Warwick Foundation, an exempt Charity. The Foundation is a linked charity as defined under paragraph 28 of the Charities Act 2011 and, as such, more information is disclosed in respect of the Foundation at note 25 of these accounts.

Teaching Shakespeare LLP (Note 12)

As of March 2012, the University entered into an education partnership with the Royal Shakespeare Company to deliver high quality professional development to teachers of Shakespeare. The University owns 40% of Teaching Shakespeare LLP, a partnership originally incorporated on 24 October 2011 and began trading in August 2012. The University has invested £650k into systems and course development, which has been fully provided against within the University's accounts. The partnership is no longer trading and is being wound-up.

WMG Academy for Young Engineers (WMG Academy)

WMG Academy was formed 6 February 2012 and is a private company, limited by guarantee and also an exempt charity where the University is one of three members. The University does not consider the entity to be an associate due to lack of substantial control and therefore is not included in the consolidated results. It is a University Technical College specialising in engineering and opened in September 2014.

Other Associated Bodies

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

notes to the accounts

(continued)

25. CONNECTED CHARITABLE INSTITUTIONS

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

University of Warwick Foundation

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

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

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

The activities of the Foundation, a financial summary of which is shown below, is consolidated into the University's group accounts, as described in note 24.

Consolidated results	2015/16 £ million	2014/15 £ million
Net assets		
As at 1 August	34.9	37.2
Income	0.8	1.0
Expenditure	(1.2)	(3.3)
Gain on investments	0.2	0.0
As at 31 July	34.7	34.9

Endowment Funds	Restricted Permanent £ million	Restricted Expendable £ million	2015/16 Total £ million	2014/15 Total £ million
As at 1 August	3.0	2.0	5.0	5.0
Income	0.1	0.0	0.1	0.3
Expenditure	(0.1)	(0.1)	(0.2)	(0.3)
Gain on investments	0.0	0.2	0.2	0.0
As at 31 July	3.0	2.1	5.1	5.0

notes to the accounts

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26. PENSION SCHEMES

Universities Superannuation Scheme (USS)

The University participates in the USS, a defined benefit scheme which is externally funded. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 180,000 active members (2015: 147,000+) and the University had 3,945 active members participating in the scheme as at 31 July 2016 (2015: 3,535).

The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("The valuation date"), which was carried out using the projected unit method. Based on this 2014 valuation, employer contributions increased from 16% to 18% on the 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

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

Defined benefit Liability numbers have been produced using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	N/A	3.5% for the first year, 4.0% thereafter
Price inflation (CPI)	2.2%	2.2%

Standard PA92 MC YoB mortality tables were used, with female members' mortality rated down by one year and no age rating adjustment made with respect to male members' mortality. Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates, the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

Males (females) currently aged 65:	24.3 (26.5) years
Males (females) currently aged 45:	26.4 (28.8) years

notes to the accounts

(continued)

26. PENSION SCHEMES - continued

The exiting position is as follows:	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. We have provided £62.0m in the current year (£2014/15: £56.2m) recognising the liability in line with a defined contribution scheme. (Note 19)

The University's liability calculation assumes a salary inflation rate of 3.9%, an annual increase in staff FTE of 0.5% and a discount rate of 1.71%.

A change in the assumption for salary inflation by +/- 0.5% would increase the obligation to fund the USS deficit by +/- £2.5m. Similarly changes to the assumptions to the increase in staff FTE numbers by +/-0.5% would impact the provision by +/- £2.5m as at 31 July 2016.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

University of Warwick Pension Scheme (UWPS)

As of 1 April 2010 the University introduced changes to the benefit structure for existing members of UWPS and introduced a new Defined Contribution Section (DCS) to the Scheme for new hires from this date. The University closed the Defined Benefit Section (DBS) of the Scheme to new hires from 1 April 2010, but continues to operate this DBS in the UK for eligible members at the point of closure and the following disclosure relates to this ongoing DBS. Under FRS 102, the current service costs arising from employee service for the current period (less contributions paid into the scheme), expected interest costs on the scheme liabilities and the expected rate of return on scheme assets are charged and credited to the Consolidated Statement of Comprehensive Income and Expenditure of the University. Other changes in the forecast scheme liability recorded on the Balance Sheet, as a result of changes in assumptions, are recorded in the Consolidated statement of comprehensive income. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. This valuation has been updated to 31 July 2016 by a qualified independent actuary, for calculating FRS 102 accounting entries. The main results and assumptions of the most recently available full valuation figures of the UWPS are as follows:

Latest actuarial valuation date	31 March 2013
Valuation method	Projected Unit
Value of notional assets	£141.6m
Funding level from accrued benefits	93%
Discount rates per annum	- short term 5.45%
	- long term 3.25%
Salary scale increases per annum	3.65%
Pension increases per annum (subject to limited price indexation)	3.00%

notes to the accounts

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26. PENSION SCHEMES - continued

As at 31 July 2016 there were 609 members of staff actively contributing to the DBS of the Scheme (2015: 679), with a further 1,355 staff being active members of the DCS (2015: 1151).

Following the Scheme's March 2013 actuarial valuation, the University will maintain an overall contribution rate of 23.5% into the DBS of the Scheme, inclusive of deficit recovery contributions. With effect from 30 June 2015, the University's 23.5% DBS contribution is made up 14.3% ordinary annual contributions and 9.2% deficit recovery contributions (previously 13.4% and 10.1% respectively); the deficit recovery contributions will be subject to a minimum annual payment of £1.25 million for pension scheme years ending on and after 31 March 2017.

The University expects to continue at a 23.5% contribution rate through the year ending 31 July 2017 and the estimated contribution for the year ending 31 July 2017 is £3.3 million, including salary sacrifice contributions.

The DCS of the Scheme is treated and accounted for as a normal and separate defined contribution scheme. The University's contributions to the scheme, which are between 2% and 10% of pensionable salary, dependent upon the level of employee contributions chosen by the scheme member, are recognised through expenditure in the Consolidated Statement of Comprehensive Income as paid over to the external scheme provider.

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

	2016	2015	2014	2013	2012
Rate of increase in salaries	2.70%	3.25%	3.30%	3.40%	3.55%
Discount rate	2.55%	3.80%	4.30%	4.60%	4.70%
Inflation assumption (RPI)	2.70%	3.25%	3.30%	3.40%	2.80%
Inflation assumption (CPI) *	1.70%	2.25%	2.30%	2.40%	1.80%

* CPI used for revaluation of deferred pensions where appropriate.

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

notes to the accounts

(continued)

26. PENSION SCHEMES - continued

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

	2016 Years	2015 Years	2014 Years	2013 Years	2012 Years
Male member aged 45	23.2	23.1	23.0	23.5	23.4
Female member aged 45	27.0	26.9	26.8	26.0	25.9
Male member aged 65	21.0	20.9	20.8	21.6	21.5
Female member aged 65	24.7	24.6	24.5	24.2	24.1

The assets in the Scheme were:

	2016 £ million	2015 £ million	2014 £ million	2013 £ million	2012 £ million
Value of assets					
- Equities	53.4	53.3	41.0	34.3	84.9
- Other growth assets	79.8	55.0	42.5	34.3	0.0
- Bonds and other	66.8	58.7	63.0	68.5	42.7
Total market value of assets	200.0	167.0	146.5	137.1	127.6
Value of liabilities	(238.5)	(190.2)	(168.4)	(159.6)	(142.3)
Net pension deficit	(38.5)	(23.2)	(21.9)	(22.5)	(14.7)

Analysis of movement in the market value of scheme assets

	2015/16 £ million	2014/15 £ million
Fair value of plan assets at beginning of the year	167.0	146.5
Expected rate of return on scheme assets *	6.3	6.3
Actuarial gains	28.3	16.3
Contribution paid by the employer	3.5	3.8
Contributions by scheme participants	0.1	0.1
Benefits paid	(4.6)	(5.4)
Administrative expenses paid from plan assets	(0.6)	(0.6)
Fair value of plan assets at end of the year	200.0	167.0

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

notes to the accounts

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26. PENSION SCHEMES - continued

Analysis of movement in the present value of scheme liabilities	2015/16 £ million	2014/15 £ million
Benefit obligation at beginning of the year	190.2	168.4
Current service costs	2.9	2.8
Interest cost	7.1	7.1
Contributions by scheme participants	0.1	0.1
Actuarial losses	42.8	17.2
Benefits paid	(4.6)	(5.4)
Past service cost	0.0	0.0
	238.5	190.2

Analysis of amount recognised in Other Comprehensive Income	2015/16 £ million	2014/15 £ million
Actual gain on scheme assets	34.6	22.6
Expected return on assets	(6.3)	(6.3)
Experienced gains and losses on liabilities	0.0	0.0
Changes in assumptions	(42.8)	(17.2)
Actuarial loss recognised in Other Comprehensive Income	(14.5)	(0.9)
Adjustment due to surplus cap	0.0	0.0
Net actuarial loss recognised in Other Comprehensive Income	(14.5)	(0.9)

Summary of movement in net liability during the year	2015/16 £ million	2014/15 £ million
Current service cost	(2.9)	(2.8)
Contributions	3.5	3.8
Past service costs	0.0	0.0
Net return on assets	(0.8)	(0.8)
Administrative expenses	(0.6)	(0.6)
Net charge	(0.8)	(0.4)
Actuarial loss recognised in Other Comprehensive Income	(14.5)	(0.9)
Deficit in scheme at 1 August	(23.2)	(21.9)
Deficit in scheme at 31 July	(38.5)	(23.2)

History of experience of gains and losses	2015/16 £ million	2014/15 £ million
Actual return less expected return on scheme assets	28.3	16.3
% of scheme assets:	14.2%	9.8%
Experience of gains and losses on liabilities	0.0	0.0
% of scheme liabilities:	0.0%	0.0%
Changes in assumptions	(42.8)	(17.2)
Total amount recognised in total comprehensive income	(14.5)	(0.9)
% of scheme liabilities:	(6.1%)	(0.5%)

notes to the accounts

(continued)

26. PENSION SCHEMES - continued

Cumulative actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure are:

	2016 £ million	2015 £ million
Loss as at 31 July	(56.7)	(42.2)

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

	2015/16 £ million	2014/15 £ million
Universities Superannuation Scheme (USS)	26.5	24.2
University of Warwick Pension Scheme (UWPS) Defined Benefit Section	2.8	3.1
University of Warwick Pension Scheme (UWPS) Defined Contribution Section	1.5	1.3
Other schemes	0.6	0.7
	31.4	29.3
Increase in pension provision for staff costs (note 19)	3.7	28.2
Pension cost for year (note 7)	35.1	57.5

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

notes to the accounts

(continued)

27. RELATED PARTIES

Members of Council

Due to the nature of the University's operations and the composition of the University's Council (being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. Total expenses paid direct to members of the University's Council, who are also the University's Trustees, are shown at note 8.

Professor Peter Winstanley, an appointed academic member of Council until 31 May 2016, is also a non-executive director at University Hospital Coventry and Warwickshire (UHCW). During the financial year, income of £6.4m (2014/15: £6.3m) and expenditure of £2.5m (2014/15: £2.3m) for various academic and research services was incurred by the University with UHCW. Outstanding balances at the year-end are a debtor of £903k and a creditor of £75k

Professor Sir Nigel Thrift, who was the Vice-Chancellor and President of the University until 31 January 2016, is also the Co-Chairman of the University Development Foundation (UDF) (formally the University Development Trust), a body incorporated in the United States of America. The UDF is working with the University of Warwick to look to develop a campus in California. During the year ended July 2016, invoices were raised from the University to UDF for the value of £1.2m (2014/15: £22k). Work will be ongoing to develop this project in the future and further transactions between the parties will take place. There are no outstanding balances at the year-end.

WMG Academy was formed 6 February 2012 and is a private company, limited by guarantee and also an exempt charity where the University is one of three members. It operates a University Technical College specialising in engineering which opened in September 2014. During the year ended July 2016, invoices were raised from the University to the WMG academy for the value of £0.1m (2014/15: £0.1m).

The President of the Union of Students and another student elected by the Union of Students are members of the University's Council. During the year ended July 2016, payments were made to the Warwick Students' Union for the value of £2.6m (2014/15: £2.8m), invoices were raised from the University for the value of £0.4m (2014/15: £0.4m).

Spin-out companies

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

The University supplies facilities, goods and services to a number of its spin-out companies, within which the University holds varying levels of share interest (see note 12). All of these goods and services are provided on an arm's length basis and the total value of sales to such individual companies, in excess of £50k for the reported financial year, is summarised below:

	2015/16 £ million	2014/15 £ million
Allinea Software Limited	0.1	0.1
Sarissa Biomedical	0.1	0.1

notes to the accounts

(continued)

28. TRANSITION TO FRS102 AND THE 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in the Statement of Principal Accounting Policies (Page 24) have been applied in preparing the financial statements for the year ended July 2016, the comparative information presented in these financial statements for the year ended July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial position

	1 August 2014		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Total reserves under 2007 SORP	196.0	154.6	214.1	173.0
USS pension liability	(26.3)	(26.3)	(56.2)	(56.2)
Derivative liability	(30.4)	(30.4)	(43.4)	(43.4)
Employee leave accrual	(5.7)	(5.6)	(7.1)	(7.2)
Capital Grant movement	12.1	13.4	11.6	13.0
Total effect of transition to FRS 102	(50.3)	(48.9)	(95.1)	(93.8)
Total reserves under 2015 SORP	145.7	105.7	119.0	79.2

Financial performance

	Year ended 31 July 2015	
	Consolidated £'000	University £'000
Surplus for the year under 2007 SORP	19.4	19.8
USS pension provision	(29.9)	(29.9)
UWPS FRS102 movement	(1.6)	(1.6)
Employee leave accrual movement	(1.5)	(1.6)
Capital Grant movement	(0.5)	(0.5)
Net endowment movement	0.4	0.3
Gain on investments	0.9	0.9
	(12.8)	(12.6)
Actuarial loss in respect of University of Warwick Pension Scheme	(0.9)	(0.9)
Change in fair value of hedging financial instruments	(13.0)	(13.0)
Total comprehensive income for the year under 2015 SORP	(26.7)	(26.5)

notes to the accounts

(continued)

29. CONTINGENT LIABILITIES

Clawback on freehold land:-

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

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

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

30. HERITAGE ASSETS

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

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

31. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Calculation of pension provisions:

- i. The calculation of the liability for the present value of recovery contributions to the USS scheme is made using assumptions about the future salary and numerical growth of members of the USS scheme. The estimates used for these variables are set out in note 26.
- ii. The calculation of the defined benefit pension liability in the UWPS scheme is made using actuarial assumptions, as set out in note 26.

Short-term employment benefits:

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

indicators of financial health

	2015/16	2014/15
(a) % Ratio of Total HEFCE & NCTL Grants to Total Income	10.1%	11.5%
(b) % Ratio of Total Fees from Home & EU Students to Total Income	22.2%	21.7%
(c) % Ratio of Total Fees from Overseas Students to Total Income	22.2%	20.8%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	20.4%	19.7%
(e) % Ratio of Total Other Services Rendered Income to Total Income	0.8%	0.5%
(f) % Ratio of Total Residences and Catering Income to Total Income	7.3%	7.9%
(g) % Ratio of Total all Other Income to Total Income	17.0%	17.9%
(h) % Ratio of Staff Costs to Total Income	48.8%	57.0%
(i) % Ratio of Surplus to Total Income	9.4%	-2.5%
(j) % Ratio of Long Term Liabilities and Provisions* to Total General Funds*	283.0%	275.7%
(k) Ratio of Liquid Assets to Current Liabilities	1.16	0.97
(l) Ratio of Current Assets to Current Liabilities	1.48	1.23
(m) Days of Total Income represented by Debtors	29.1	27.8
(n) Days of Total Expenditure represented by Creditors due within one year	103.3	108.5

* excluding Pension Liability/Reserve

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