

FINANCIAL STATEMENTS

For the year ended 31 July 2019



PROF. LORD
BHATTACHARYYA
BUILDING

WARWICK
THE UNIVERSITY OF WARWICK

Financial Statements

for the year ended 31 July 2019

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financial highlights

for the year ended 31 July 2019

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT		2018/19	2017/18	Change
		£ million	£ million	
Tuition fees and educational contracts		344.5	316.6	8.8%
Funding body grants		61.4	59.6	3.0%
Research grants and contracts		137.8	126.5	8.9%
Other income		136.9	123.0	11.3%
Investment income		2.7	1.7	58.8%
Donations and endowments		5.3	4.1	29.3%
Total income		688.6	631.5	9.0%
Surplus for the financial year excluding USS pension provision movement		59.8	54.1	10.5%
(Deficit) / surplus for the financial year		(74.8)	56.0	(233.6%)
CONSOLIDATED BALANCE SHEET		2019	2018	
		£ million	£ million	
Fixed assets		767.1	695.0	
Investments		28.6	27.3	
Net current assets		89.6	38.1	
		885.3	760.4	
Long term creditors and provisions		(664.6)	(471.5)	
Total net assets		220.7	288.9	(23.6%)
		2018/19	2017/18	
		£ million	£ million	
CAPITAL EXPENDITURE IN THE YEAR		119.6	142.8	(16.2%)
NET CASH INFLOW FROM OPERATING ACTIVITIES		90.8	99.3	(8.6%)
OTHER KEY STATISTICS		2018/19	2017/18	
		Number	Number	
Full Time Students:-	Home / EU undergraduates	13,038	12,448	4.7%
	Home / EU postgraduates	2,449	2,526	(3.0%)
	Overseas undergraduates	2,871	2,730	5.2%
	Overseas postgraduates	3,852	3,597	7.1%
Total number of students (Full Time Equivalent)		23,776	22,761	4.5%
Total staff numbers (Full Time Equivalent)		6,142	5,932	3.5%

financial review

Introduction

The last year has seen the higher education sector exposed to a period of significant political and financial uncertainty. In particular, the outcome of the Government's Post 18 Review of Education and Funding was received making recommendations for profound change in student funding arrangements. Whilst the continuing political upheaval in Westminster has resulted in these recommendations being currently set to one side, there remains the prospect of significant change for some time to come. This year the sector has also faced continuing uncertainty over the costs associated with providing staff with the benefit of Universities Superannuation Scheme (USS) membership, with the impact of recent scheme valuations being a significant feature of the University's reported results. The sector has also shared, together with individuals and businesses across the country, the ongoing uncertainty around Brexit.

In the light of this challenging environment I am pleased to report that the University has been able to deliver a strong underlying financial performance. During 2018/19 the University has also made good progress in the implementation of its new "Excellence with Purpose" strategy and the achievements detailed in this report demonstrate progress made towards ensuring that Warwick is classed as one of the world's exceptional universities by 2030.

In November 2018, Warwick became one of the founder members of a joint initiative with five other European universities to form a new international alliance, "EUTOPIA". This alliance aims to create a connected and inclusive academic community across the continent and confirms Warwick's desire to continue working with our European partners, regardless of the outcomes of Brexit. This venture unites over 165,000 students and 30,000 members of staff over six countries, with 90,000 international alumni associated with its member universities. Together, the six universities have research centres in 760 areas of knowledge. At the heart of the alliance is an open learning community, which is co-created in partnership with academics, students and non-academic partners. In June, EUTOPIA was successful in winning €5m of Erasmus+ funding to build a European University of the future. Ultimately, it is hoped, the alliance will include other like-minded higher education institutions both within and outside Europe, thus extending the opportunities for Warwick to participate on a global platform.

In addition to the progress made with our new international strategy in Europe and around the globe, Warwick also continues to invest significant sums in our home campus to improve and enhance the experience and environment of students and staff. The 2018/19 financial year saw a number of our new buildings opening their doors for the first time, with the Mathematical Sciences building, the new Sports and Wellness Hub and the Professor Lord Bhattacharyya Building being just some of the major developments completed this year. Work continues on a host of other projects including residential refurbishments and this Autumn we saw the first blocks of our new residences at Cryfield Village coming into use and the opening of the Degree Apprenticeship Centre (DAC).

The continuing investment in our campus also ensures that it provides an outstanding, inclusive location for academic, community and business events. In particular, we were delighted this year to welcome onto campus The British Science Festival, Europe's longest established science festival. Nearly 13,000 people booked to attend the festival's events, performances and activities, which put a national spotlight on the cutting-edge research, development and innovation taking place here at Warwick and across our region. The festival was supported by industry leaders and regional partners and a special family day was added to the programme to ensure engagement with local communities.

We are also pleased to report that this year's National Student Survey (NSS) returned very positive results, with improvements in 21 of the 27 areas reviewed, increasing overall satisfaction by 2.2% to 86.8%. This outcome is testament to the ongoing efforts of all staff to improve the quality of teaching and the experience of our students. In addition to the pleasing NSS outcome, Warwick continues to deliver a strong performance in the key Higher Education league tables, including Warwick rising two places in the Times Higher Education World University Rankings - this rise coming on top of Warwick's leap of a dozen places in the 2018 table.

financial review

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Amidst the progress and achievements of 2018/19, this year will also be remembered with great sadness. On 1 March 2019, the University lost a leading light in the fields of manufacturing, engineering and technology, when after a short illness, Professor Lord Kumar Bhattacharyya passed away. It is impossible to overstate the impact that Lord Bhattacharyya has had on the history of the University and the wider community. A tireless advocate of the benefits of industry and education working together, Lord Bhattacharyya founded Warwick Manufacturing Group (WMG) in 1980 to allow business and University researchers to create innovations for the benefit of all.

Since its creation four decades ago, WMG has developed a global reputation for research, education and industrial partnership. During that period WMG has taught around 40,000 students from over 60 countries. It currently earns around £60m per year of research income and 90% of its research is recognised as world leading. WMG has developed strong relationships with over 1,000 global companies and provides support for 1,800 SMEs. Its partnerships with industry are further enhanced through its role as one of the founding members of the High Value Manufacturing Catapult. As well as the creation of a new Degree Apprenticeship Centre (DAC) for 1,000 apprentices, WMG has also brought its experience into schools with the establishment of two WMG Academies for Young Engineers in Coventry and Solihull.

In addition to his peerage Lord Bhattacharyya received many other honours at home and abroad including the Padma Bhusan award from India and the Chinese Government Friendship Award - the premier national award to a non-Chinese National. He also received accolades from academia, including being a Fellow of the Royal Academy of Engineering and a Fellow of the Royal Society. In 2016 WMG was awarded a Regius Professorship by the Queen's Royal Warrant and Lord Bhattacharyya became Regius Professor of Manufacturing (Engineering).

Lord Bhattacharyya's legacy is a WMG that faces the future with confidence and undiminished ambition. The excellent staff, global reputation and world class facilities he put in place provide a unique foundation for yet further achievement. This is perhaps best illustrated by WMG's most recent development, the National Automotive Innovation Centre (NAIC), which opened this year. This £150m partnership between WMG, Jaguar Land Rover, Tata Motors European Technical Centre and the Government will be a beacon for automotive research for years to come - bringing together the brightest minds from industry and academia to develop future automotive technology. It is a fitting tribute that this outstanding facility is housed in the newly named Professor Lord Bhattacharyya Building.

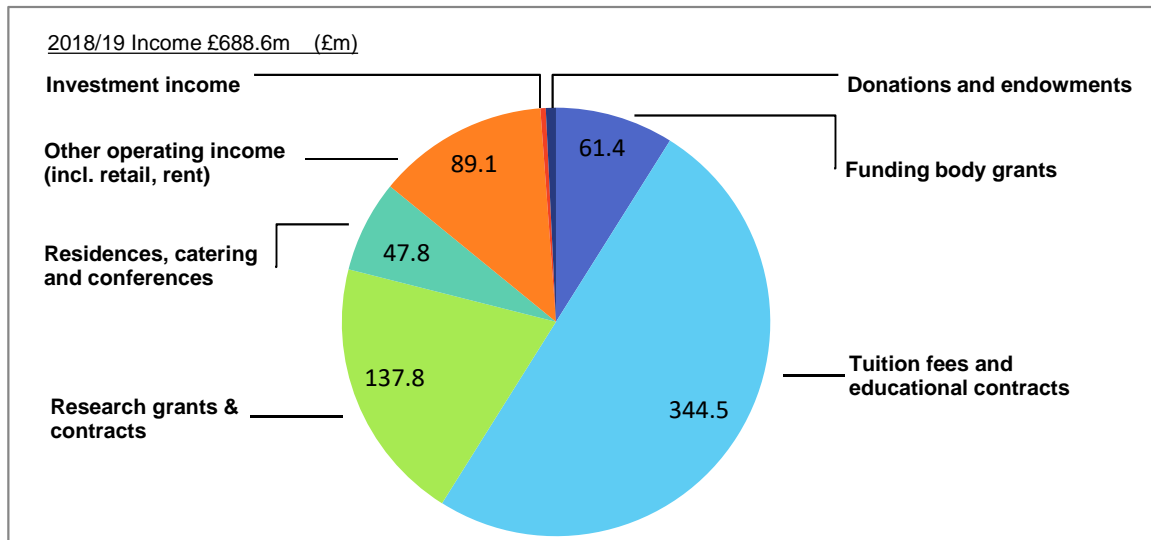
Financial Performance

In 2018/19 the University incurred a deficit of £74.8m compared to the prior year surplus of £56.0m. However, this deficit is solely caused by a single adverse adjustment of £134.6m, being the increase in the USS pension liability resulting from the 2017 scheme valuation. As explained further below, if this pension adjustment, which is a non-cash movement, were excluded the University would have achieved a surplus of £59.8m, which is largely consistent with the prior year. A surplus of £59.8m represents 8.7% of turnover (2017/18: 8.9%), exceeding the current University target of 7% per annum and indicating a continued strong financial performance.

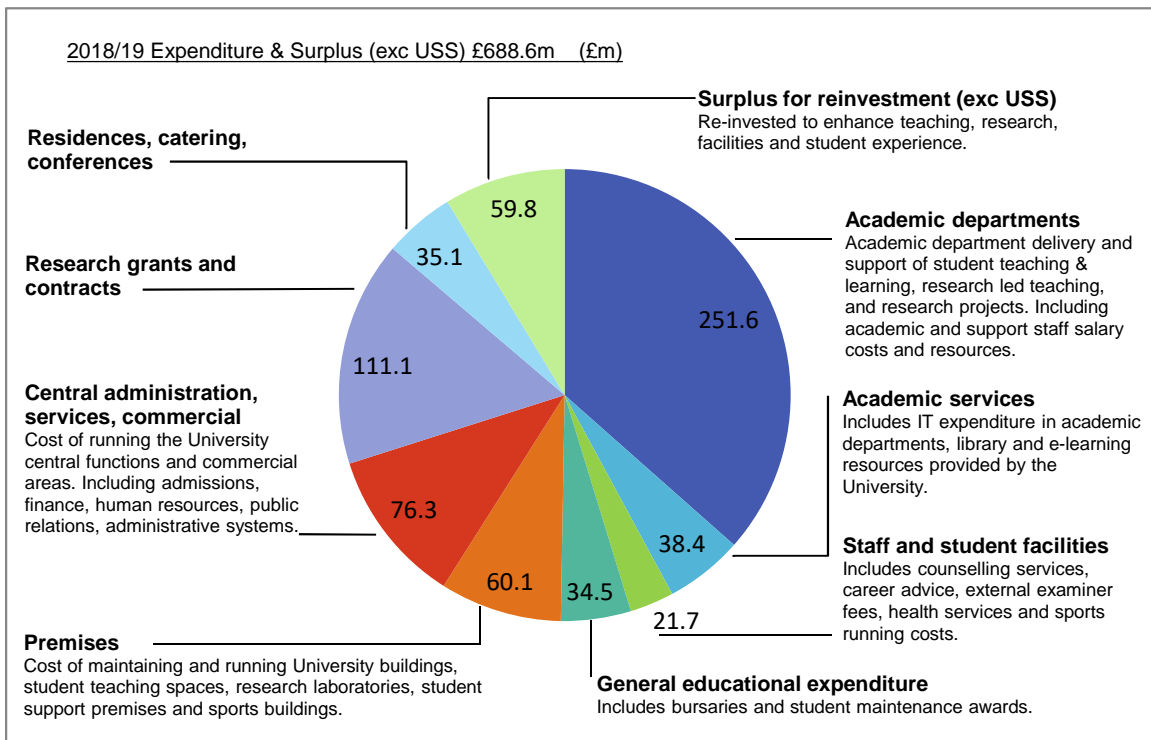
The University's total operating income increased 9.0% from the previous year, from £631.5m to £688.6m. The majority of this increase is derived from an increase in tuition fee income due to strong student recruitment in 2018/19. Research income also showed an increase of £11.3m in the year to a total value of £137.8m. WMG experienced another highly successful year and saw significant growth in research income, building on their strong industry links and government grant funding. Other operating income has also seen some increases due to the commencement of activities in the NAIC.

financial review

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As a result of the USS pension adjustment the financial statements show an increase in staff costs from £321.1m to £480.0m. After removing the impact of pension adjustments from both years, staff costs have increased from £324.6m to £346.7m. Importantly, staff costs (adjusted for pension movements) as a percentage of income remained relatively constant at 50.3%. This is largely consistent with expectations and in line with sector norms. The following chart illustrates how the income generated by the University during 2018/19 was spent, with the expenditure being grouped under key activity headings. The surplus, being the excess of income over expenditure (excluding pensions provisions), is all re-invested in teaching, research, facilities and student experience.



The accounts also show the University's total comprehensive income, which is composed of the reported surplus, any actuarial movements on the University's own pension fund and movements in the market value of financial instruments. This year's result is a deficit of £68.2m, but after removing the impact of the £134.6m USS adjustment the result becomes a surplus of £66.4m. Actuarial gains of £15.4m (2017/18: £13.5m) in respect of the University's own pension scheme were reported during the year. This credit is primarily due to the latest mortality expectations within the scheme and are discussed in more detail later in this report.

financial review

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The change in fair value of hedging financial instruments in relation to the University's interest rate swaps is a debit of £8.8m compared to a credit in the previous year of £6.3m with the movement due to the latest expectations around future interest rates. The amounts noted above included within comprehensive income do not impact cash so while the numbers are significant, they do not affect the ongoing operations of the University in a positive or negative way.

Financial Position

The Balance Sheet remains strong demonstrating that the University is in a robust position to deal with future challenges. Our non-current assets have increased from £722.3m to £795.7m driven by ongoing investment in our capital programmes. Total net assets decreased from £288.9m to £220.7m. This adverse movement is driven entirely by the non-cash movement on the USS pension scheme.

Trade and other receivables increased to £64.8m (2017/18: £50.8m). The increase is due to higher than usual trade debtor balances due to a number of large invoices being raised close to the year end and increased accrued income in relation to research projects.

Creditors falling due in less than one year increased moving from £178.7m to £201.1m during the year. This increase is due to higher deferred income in relation to student fees and higher accruals due to a number of large estates projects at the year end.

Creditors falling due after more than one year also increased from £397.7m to £470.8m. Much of the increase relates to a new £75m loan that was taken out during the year to fund the construction of student residences. As mentioned above, our interest rate swap derivative liability increased to £52.5m from £43.7m during the year reflecting the latest expectations around future interest rates.

The net pension provision, which relates to both USS and the University's own pension scheme (University of Warwick Pension Scheme, UWPS), has increased from £70.6m to £190.7m. The USS liability increased significantly from £62.9m to £197.5m, as a result of the recovery plan and agreed schedule of contributions in place at the year end, which are drawn from the 2017 scheme valuation. The year to year movement of £134.6m is split in the accounts as an additional staff cost of £133.2m and an interest cost of £1.4m. While the accounting treatment for this movement requires it to be recognised in full in this year's accounts, the actual cash outflows will be in line with the agreed schedule of contributions over many years.

Post year end, agreement has been reached on the 2018 USS valuation which involves universities paying slightly less into the scheme than under the 2017 outcome and for a shorter period of time. As a result of this, in 2019/20 the pension provision is likely to reduce significantly and the University will report a large credit back to surplus. The volatility in reported surplus levels caused by these pension valuation movements should be viewed with care. On the one hand they do not impact immediately on University cash balances but on the other hand, increased contribution levels which, if for a sustained period, could restrict future capacity for investment with potential implications for research, teaching and international competitiveness. However, in the short to medium term Warwick is well positioned to meet this financial challenge and the University's current financial plan is able to accommodate expected increased contributions levels whilst maintaining previous investment commitments, giving assurance of ongoing financial sustainability.

In contrast to USS, the defined benefit section of UPS has seen last year's deficit of £7.7m become an asset of £6.8m. This improvement is primarily driven by using the latest assumptions in the calculation of the defined benefit liability, particularly the use of updated mortality data. The actuarial gain of £15.4m is reported in the Total Comprehensive Income and Expenditure for the year but it does not have an effect on the surplus before other gains and losses. Whilst being able to report an asset should be seen as a positive outcome, it is important to note that the accounting methodology adopts less prudent assumptions than required for the triennial scheme valuation,

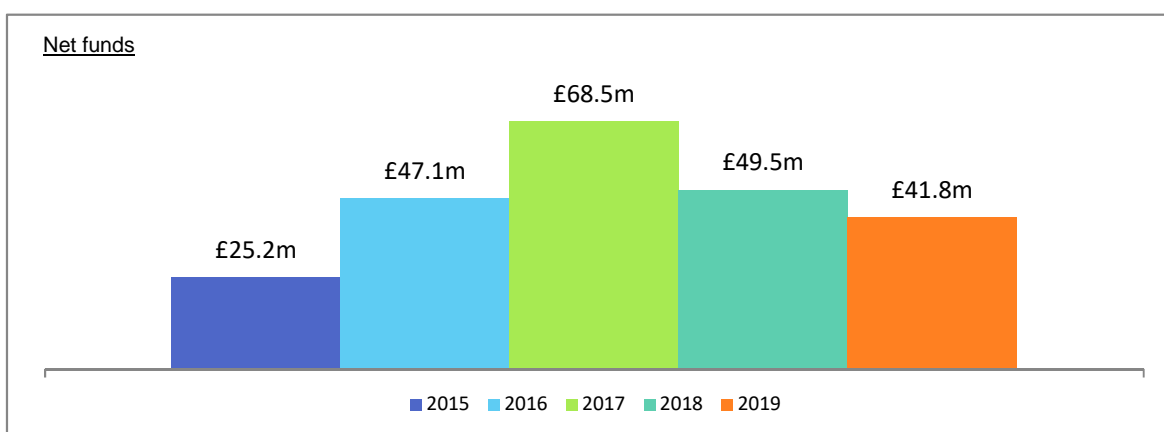
financial review

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which remains in deficit. The University is therefore in the unusual position of reporting an accounting surplus yet being required to continue to pay deficit contributions to the scheme.

Liquidity and Borrowing

The University has seen the total of its cash and cash equivalents and its current asset investment balance increase significantly from £165.1m to £225.1m, primarily as a result of a £75m loan draw down that took place during the year. Correspondingly, University borrowings increased to £183.3m from £115.6m as a result of the new facility. This additional loan facility is being used to fund the construction of our new student residences at Cryfield Village.



Net funds are comprised of the following:

	2015 £ million	2016 £ million	2017 £ million	2018 £ million	2019 £ million
Short term deposits	69.0	70.0	89.0	38.5	81.5
Cash and cash equivalents	82.9	100.0	98.7	126.6	143.6
Unsecured loans	(126.7)	(122.9)	(119.2)	(115.6)	(183.3)
	<u>25.2</u>	<u>47.1</u>	<u>68.5</u>	<u>49.5</u>	<u>41.8</u>

Whilst investing surplus cash in capital projects, the University will always ensure that an appropriate minimum cash level is maintained for working capital purposes. Net cash flow from operating activities for 2018/19 was £90.8m and the University must continue to generate sufficient cash balances from its operations to enable it to invest in both its capital infrastructure and other strategic priorities.

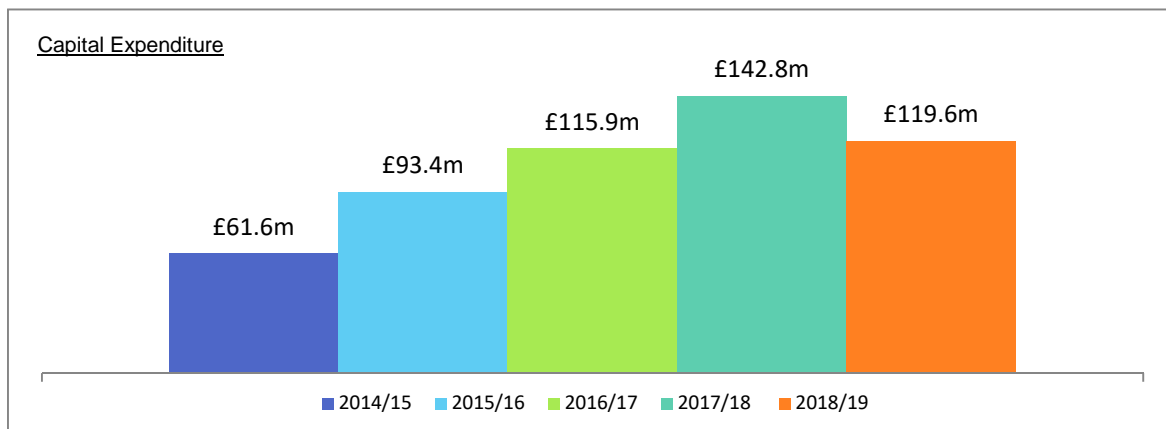
The University cash balances are invested across a range of approved financial institutions, principally in short term deposit accounts of up to two years in length and to a maximum value of £55m per financial institution. The University investment policy maintains at its core the principal aim of protecting the charitable assets of the University and, as such, cash balances are currently restricted to UK clearing banks and the larger UK building societies. The University also maintains an investment portfolio, managed by Rathbones (see note 13 of the accounts), principally with a view to holding for the longer term and as an instrument for repaying bullet loan commitments. All cash and investment funds are held in accordance with the University's socially responsible investment policy.

Capital projects

The University has continued to deliver an extensive capital programme during 2018/19 spending £119.6m (2017/18: £142.8m). This is the third consecutive year we have spent in excess of £100m and is the second largest amount of money we have ever spent on capital in a single year. Evidence of the scale of investment in our facilities is clearly visible around campus, ensuring the best possible future environment for our staff and students.

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The new Sports and Wellness Hub costing £49.0m opened in April. This new Hub is a major upgrade on existing sporting facilities and boasts the latest in high specification facilities and equipment. The Sports and Wellness Hub will be transformational in helping to realise the University's vision to be the most active campus community in the UK by 2020, with everyone active, every day. Included within the Hub are a 25m 12 lane swimming pool, a 12 court sports arena, 6 glass-backed squash courts, a 230 station gym and a cutting edge climbing centre, ensuring students, staff and the wider community have access to highest quality of world leading facilities.

The first phase of our new Cryfield Village student residences opened in September with 382 rooms becoming available. These residences are a new and rather different model of student residences, with Cryfield essentially being a miniature village on campus - a series of townhouse-style apartments and studios with a hub in the centre, containing a laundrette, a post room, student meeting areas and offices.

As mentioned earlier in this report, the National Automotive Innovation Centre (NAIC) in the Professor Lord Bhattacharyya Building opened during the year. This major new facility, one of the largest buildings on campus, is an outstanding example of what can be achieved in academic-industry partnerships. NAIC will enable over 1,000 designers, engineers and researchers to work in a state of the art environment on a range of future vehicle and mobility solution projects. Students and apprentices will work alongside expert staff as part of their development to become the engineers and designers of tomorrow. WMG's Degree Apprenticeship Centre (DAC) has also recently opened to receive its first cohort of students. The DAC will provide training programmes up to master's degree level with an initial capacity for 1,000 students at any one time. The facility provides flexible teaching and lab space and an environment for technology-enhanced learning as well as advice and support for apprentices and organisations.

Further campus developments are underway which will come to fruition over the next couple of years. The Interdisciplinary Biomedical Research Building (IBRB) on the Gibbet Hill campus will provide world-class research facilities for up to 300 biomedical researchers from the School of Life Sciences and Warwick Medical School, plus a new large lecture theatre. The Faculty of Arts Building will unite the faculty's departments under one roof, creating a space that is open, inviting and flexible, enabling collaboration, creativity and innovation to flourish. Both buildings are significant investments in our academic facilities and will allow the departments involved to continue to compete at the highest level for years to come.

financial review

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Risks

The University has a Risk Management Policy which is approved by the Council. The Council, supported by Audit and Risk Committee 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:

- Adverse changes in the funding of universities from public sources, including changes to the tuition fee regime and the potential impact of Brexit on grant funding and the recruitment of students from the EU;
- Failing to recruit and retain a strategically desirable number, quality and diversity of students, particularly international students in a competitive and global market;
- Further adverse changes to pension scheme contributions which increase cash outflows from the University;
- Failure to maintain an internationally competitive position in respect of the quality and recognition of both teaching and research; and
- Failure to recruit and retain internationally recognised scholars in a highly competitive global 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;
- engages in regular, frequent review of recognition and reward mechanisms and leadership and development training programmes; and
- continues to act on the outcomes from the 2017 Institutional Teaching and Learning Review to embed sustained excellence in teaching, whilst continuing to implement the strategy to maintain and build on our world class research reputation.

Warwick continues to plan prudently for a number of different outcomes and has performed financial stress testing in respect of the key risks of Brexit, reductions in tuition fee income and increasing pension costs. This work has demonstrated that the University is well-placed to respond to future financial shocks and if significant action is required to adjust to major adverse events, then the University has sufficient reserves to implement such action over a timescale that facilitates a planned and measured response.

Future outlook

The future outlook for the sector continues to be one of great uncertainty and this may arguably be considered to be the new normal. As touched on earlier, over the last year we have seen significant developments in respect of some of our key risks, in particular the publication of the Augar report on post-18 education and funding and the conclusion of two USS pension valuations.

financial review

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In the case of the Augar report we will need to wait a while longer to know whether the recommendations will be implemented; indeed, the future general election could lead to HE funding policies that are very different from those proposed by Augar. In respect of USS, we have seen contribution levels rise and continue to face the risk of industrial action. The Joint Expert Panel, which was appointed on behalf of employers and the University and College Union (UCU) to review the 2017 valuation is due to produce its second report shortly and the sector will be keen to see whether a set of recommendations to bring about a resolution can be agreed between stakeholders.

Brexit continues to present significant risk and uncertainty, in particular if the UK leaves the EU without a deal. As reported last year, risks include our ability to attract the best staff and students being jeopardised, loss of access to EU funding and European research partnerships and indirect exposure to negative shocks to the wider UK economy. The University will continue to take steps to mitigate the most damaging impacts and our involvement in the EUTOPIA partnership is a key feature of this. In addition to this strategic response the University is of course undertaking more routine preparations to enable it to function effectively in a post-Brexit landscape.

The progress that the University has made this year in the implementation of its new strategy illustrates that despite these uncertain times, Warwick is well-equipped to determine its own agenda and to deliver it. Furthermore, this year's financial statements report a strong, underlying financial performance which further strengthens our resilience to withstand potential future shocks. We therefore remain confident of the University's financial sustainability and its capability to achieve the goal of being one of the world's exceptional universities.

Keith Bedell-Pearce CBE, University Treasurer

20 November 2019

public benefit statement

We provide public benefit principally by pursuing our core objects, as set out in our Charter: ‘the advancement of learning and knowledge by teaching and research and the provision of University education’. Members of the University Council, as charity trustees, have complied with their responsibility to have due regard to the Charity Commission’s guidance on public benefit in exercising their powers and duties.

Our strategy, [Excellence with Purpose](#), has now been in place for a year. At a time of considerable change we have clearly stated that we continue to strive for excellence whilst rejecting intolerance in all of our activity. Our strategy is underpinned by a core set of values that address our duty to the public interest through the impact of our teaching and research. Extensive work was carried out in 2019, in consultation with our community, to give life to these values and a set of five guiding principles was published in July. They represent our expectations of how we behave as individuals and an institution and will be embedded across all our activities, serving as a positive example to our community and beyond.

We recently approved a new education strategy which provides a framework and road map for the enhancement of our education for the next five years. Our quality assurance framework provides assurance on the standards of awards and the quality of taught provision provided, as well as on quality enhancement and the student experience. The annual Teaching Excellence Group (TEG) process was introduced in 2018/19, enhancing the effectiveness of ongoing monitoring and review of taught courses.

High quality teaching and research is consistently demonstrated at Warwick. In 2018/19, the University was ranked 54th in the world by the QS World University Rankings, 8th in the UK by *The Guardian* and 1st in the West Midlands by *The Times*. The *Times Higher Education* World Rankings also placed us in the world top 100 for research and teaching. We were awarded silver status in the Teaching Excellence and Student Outcomes Framework (TEF). We were praised for our high quality teaching, supported through our highly valued culture of research that enables learning and excellent future outcomes for students. There was also acknowledgement of the significant investment made into resources to actively support student learning.

In the most recent Research Excellence Framework (REF 2014), we were ranked 7th in the UK, with 87% of the University’s research rated as ‘world leading’ or ‘internationally excellent’.

The University Council seeks to ensure that our education and knowledge generation are at the forefront of excellence in national and international agendas, and is committed to continuing to work in partnership with our students and staff to maintain and further enhance the distinctiveness of education and research at Warwick.

Teaching and Learning

We are committed to providing the highest standard of educational experience for all students, enabling the achievement of outstanding academic and career outcomes. For over 50 years, our mission has been to equip our students with the knowledge and skills required to succeed in a global society. We enable them to work creatively and flexibly within and across disciplinary boundaries and to achieve their full potential in employability and career progression.

- We prepare our students to contribute to society and in the workplace. Our graduates are highly sought after: in 2018, ‘High Fliers’ identified Warwick as the third most targeted university by the UK’s leading graduate employers. Warwick was also placed in the world’s top 100 universities for graduate employability in the QS rankings.

public benefit statement

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- As well as over 100 awards recognising the quality of teaching through the Warwick Awards for Teaching Excellence (WATE), this year saw the first three winners of the Warwick Award for Personal Tutoring Excellence (WAPTE), a new scheme designed to promote the essential work of personal tutors. By 2018, 22 exceptional Warwick educators had been awarded a National Teaching Fellowship (NTF) which recognises the highest standards of teaching at the University. A further two staff members joined the group in 2019.

Widening participation and social inclusion is core to our mission, embodied by our commitment to provide a transformative educational experience for all students and manifested in sector leading academic attainment and career outcomes. Our overarching goal is to ensure that individual background has no profound impact on the ability to access, succeed in, and progress from higher education through providing equality of opportunity and outcomes for all students.

- 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.
- Our Widening Participation strategy is driven by our vision of becoming a recognised global leader in enhancing social diversity and participation in higher education. In 2019 we launched a transformational social mobility programme, Warwick Scholars, which supports post-16 widening participation students in the region to gain a place at Warwick and to be successful once here. Warwick Scholars will offer tuition fee reductions and bursaries alongside enhancing access to and participation in opportunities such as study abroad, careers and skills development, work experience and internships. <https://warwick.ac.uk/study/outreach/whatweoffer/warwickscholars>
- We co-sponsor an IntoUniversity centre in Coventry. The centre is a higher education presence in the local community which provides a range of programmes working over the long term with young people aged 7-18. Since the partnership began in 2018, 893 students have received support through the centre. IntoUniversity centres are based in areas of disadvantage and students are carefully targeted to ensure they are from groups underrepresented in higher education. <https://intouniversity.org/content/intouniversity-coventry>
- We are leading the Office for Students (OfS) funded National Collaborative Outreach Programme (NCOP) consortium in partnership with Coventry University, Warwickshire County Council and local Further Education colleges. It is a highly targeted programme primarily focused on nine 'hub' schools in Rugby, Nuneaton and Bedworth and North Warwickshire areas.
- We are a partner in the University Schools Trust (UST) focused on schools in East London. The UST comprises a unique partnership of like-minded universities, companies and community organisations, which work with the member schools to ensure the highest possible educational outcomes for young people from some of the most deprived communities in the UK. <https://www.ust.london/452/welcome-from-the-chief-executive>
- We sponsor two University Technical Colleges (UTC), the WMG Academies for Young Engineers based in Coventry and Solihull, building on their expertise in this area providing for 14-19-year-olds through an applied, problem-based curriculum. The University has worked in partnership with local employers to develop a bespoke learning experience that is delivering both technical and academic education, and

public benefit statement

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employability skills that will maintain manufacturing knowledge and excellence within the West Midlands region and beyond. The Coventry Academy was rated as 'Good' following its Ofsted 2017 inspection. The Solihull Academy was also rated as 'Good' in its first ever Ofsted inspection in 2019.

- Warwick Business School (WBS) offers a BSc (with Foundation Year) in Accounting and Finance, and a BSc (with Foundation Year) in Management. The Foundation Year aims to equip students with the skills and knowledge they will need for successful progression to year one of the existing three-year BSc degrees. The Foundation Year is targeted at students from Widening Participation groups who have the potential to succeed on the WBS undergraduate programme. The University saw its first set of graduates in summer 2019.
- Through degree apprenticeships, we are looking to diversify our educational offer, align ourselves with key national government policy changes and respond to a changing external landscape to ensure that we contribute to regional and national employment needs. The University has developed a range of degree apprenticeship routes that aim to enhance access to higher education through more flexible and industry-orientated study.
- We continue to build on the evidence developed through the Postgraduate Support Schemes in prioritising resource to support the progression to postgraduate study for underrepresented groups. In recognition of some of the barriers to Postgraduate study, the University has committed up to £500k per year in continuing the Warwick Taught Master's Scholarship Scheme (WTMSS) which provides targeted students with a £5k scholarship, in addition to any financial support they are eligible for. The University has also been involved in a collaborative project focused on addressing barriers to student success, specifically progression to and success in taught postgraduate study by students who are BAME and from areas with low participation in higher education.
- Our Centre for Lifelong Learning provides opportunities for adults seeking to return to learning or wishing to pursue studies in HE through offerings such as its foundation, part-time and 2+2 degree and the innovative Gateway to HE and degree apprenticeship programmes.
- Warwick in Africa is a well-established philanthropically funded programme that continues to innovate supporting learners and their teachers with Maths and English teaching in South Africa, Tanzania and Ghana. In 2018 our team of 78 volunteers trained 717 teachers and taught 15,036 learners. 605,000 learners have benefited from the scheme since its inception in 2006. https://warwick.ac.uk/giving/projects/wia/warwick_in_africa_-_2018_annual_report.pdf
- Warwick in India provides tutorial support to approximately 500 Indian children each year near Delhi in collaboration with the Laksh Foundation. https://warwick.ac.uk/giving/projects/india/uow_laksh_impact_report.pdf

Research

As one of the UK's leading universities, we are committed to producing internationally recognised research with impact and purpose. Launched in April 2019, our refreshed research strategy presents an ambitious vision for the future, one in which our research will transform the way that we understand the world, creating lives that are healthier, more resilient and fulfilled. Our Global Research Priorities (GRPs) programme has also undergone an extensive review to ensure that global concerns – from energy, to manufacturing, to sustainability – can be tackled through excellent interdisciplinary research. The GRPs harness academic excellence from across the University, with researchers working together to generate real world impact. We strive to inspire curiosity, working with, and being challenging of, our partners from the public, private and charity sectors.

public benefit statement

(continued)

Highlights this year include:

- Professor Siobhan Quenby and Professor Jan Brosens from Warwick Medical School were recognised as two of the Nation's Lifesavers – the top 100 individuals or groups based in universities whose work is making a life-changing difference to health. Their research has helped develop understanding of the causes of recurrent miscarriage and led to tests to identify women at risk of further pregnancy loss.
<https://warwick.ac.uk/giving/health/miscarriage/miscarriage>
- Two research centres for sustainable technologies launched at Warwick in June 2019. A £20m investment from Energy Research Accelerator (ERA) will enable new battery testing at Warwick Manufacturing Group's (WVG) Energy Innovation Centre. Innovate UK invested a further £2m for the development of Innovate UK in the Midlands Innovation thermal laboratories in the School of Engineering, where new facilities will be used to develop low carbon heating and cooling technologies.
https://warwick.ac.uk/newsandevents/pressreleases/22m_battery_and
- Warwick Medical School's MILESTONE Project sought to improve the transition from child to adult mental healthcare across Europe. The project's findings were disseminated at a 2019 event which explored issues surrounding transition, such as service structures, policy and training for health professionals.
<https://warwick.ac.uk/fac/sci/med/research/hscience/mhwellbeing/mh/transition/milestone>
- The Enterprise Research Centre (ERC) is the UK's leading centre of excellence for research on innovation and productivity in small and medium-sized enterprises (SMEs). By providing robust insights since 2013, the ERC has equipped policymakers and practitioners with a better understanding of issues surrounding SME development across the UK.
<https://www.wbs.ac.uk/research/specialisms/research-centres/erc/>
- The PERSEPHONE Trial found that shortening the duration of a breast cancer therapy does not increase the risk of cancer returning and significantly reduces treatment-related side effects. The £2.6m trial, co-led by Warwick's Clinical Trials Unit and the University of Cambridge, was larger than any previous study in this field.
https://warwick.ac.uk/newsandevents/pressreleases/study_shows_that
- The Centre for Educational Development, Appraisal and Research (CEDAR) led a project on neurodevelopmental disorders to improve support for parents of adults with learning difficulties and/or challenging behaviour. Researchers maximised impact by serving on government advisory committees and offering guidance to charities and social and health care providers. They also successfully trialled ways of enabling carers and people with learning disabilities to contribute to designing the support that they receive.

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 work with local and national government and other institutions to magnify our economic impact and remain true to the principles of equality, 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 work in partnership with all of our local councils and a wide range of local business and community organisations to make sure that the University has a real and positive impact on our local area, and that the community at large benefits from our teaching, research, facilities and other activities. We work very closely with new and emerging regional partners, such as West Midlands Combined Authority (WMCA) and the West Midlands Growth Company, who will deliver the strategic policy, investment and infrastructure to underpin the future prosperity of the West Midlands. The University is represented on the Coventry and Warwickshire Local Enterprise Partnership (C&WLEP) board.
- We're nurturing a thriving local economy through our regional, national and international partnerships, bringing innovation, creating jobs and enhancing quality of life for everyone. We sustained 9,245 jobs in the West Midlands in 16/17 and our Science Park has supported 1,171 businesses and 240 start-ups in the last three years.
- Our researchers are actively engaged with policy development and evidence supporting place-based strategies, including inward investment and contributing to key WMCA commissions on, for example, Mental Health, Productivity and Skills. We continue to engage with influential regional organisations such as the West Midlands CBI in order to ensure our relevance to the region.
- Warwick was a founding principal partner supporting the Coventry 2021 City of Culture bid along with Coventry University and the City Council. We are delighted that Coventry was successful in its bid and are looking forward to participating in this major cultural event. In summer 2019, the second phase of work began on the redevelopment and expansion of the Warwick Arts Centre which sits at the heart of campus. The University is investing c£40m into the building, which is expected to be a key location for City of Culture activity. Work has also commenced on the new Faculty of Arts building which will add further cultural capital to our campus and the region.
- 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 has a vision to have the most active campus community by 2020 and Warwick Sport is fully committed to providing a broad range of opportunities for students, staff and the external community. In 2019 Warwick Sport was shortlisted for both the UK Active Physical Activity Excellence Award and the British Universities and Colleges Sport (BUCS) Participation Programme of the Year Award which we won last year.
- The University has invested £49m into exceptional sports facilities which include a water-based AstroTurf pitch, a 4G pitch and outdoor activity zone that is free for all to use, as well as the new Sports and Wellness Hub that was opened in April 2019. The Sports and Wellness Hub is a world class facility that is already being heavily used by the community, local clubs and National Governing Bodies. An inspiring and motivating space, the Hub is fully inclusive and welcoming to all.
- Warwick Sport is engaged with the Coventry Sports Network, aiming to provide more physical activity opportunities in Coventry and is a key partner in delivering activities for the European City of Sport 2019.

public benefit statement

(continued)

- Our strong drive on extra-curricular activity is demonstrated through a high level of student engagement in volunteering, as well as involvement in clubs and societies. In 2018/19, 53 local primary and secondary schools and 120 charities and community groups were supported by Warwick volunteers. The Outstanding Student Contribution Awards (OSCAs) recognise and celebrate exceptional students who excel academically and campaign for good causes, raise enormous amounts for charities, start small business and work with local charities. The fifth OSCAs were conferred on ten students in 2019.
- As part of our social responsibility to our local community, the Regional and Community Engagement Team ensures that the University is a 'good citizen' in the way we engage and behave with those communities where it has a major physical, student or staff footprint. The team, working in collaboration with local and regional stakeholders, proactively develops strategic place-making programmes which deliver transformational impact where it is most needed.
- During 2018-19 we delivered an ongoing programme of activities to support the nearby Canley neighbourhood, a community with high levels of multiple deprivation in both city and national terms. Activities included a free Community Leadership course, run out of the community centre by Warwick academics, a digital skills development programme delivered by some of our mature students, Warwick Volunteers were involved in regular pop-up community cafes (set-up and run by one of our graduates) and a Tuesday Fun Club for young people, Early Years students established a free parent and toddler group with a local primary school, the University nursery partnered with Herald Lodge, a dementia care home, enabling residents and nursery children to spend time together each week.
- Two Family Days were held in December 2018 and June 2019 to bring families onto campus. Organised by Warwick Arts Centre, the days were open to anyone to attend and each attracted around 2,500-3,000 visitors. The programmes included over 40 events and activities which were largely free to participate in. www.warwick.ac.uk/familydays
- Coventry and Warwickshire *Pint of Science* was launched in 2018 to highlight the innovative and impactful research being carried out at the University of Warwick. The 2019 festival ran across three nights, taking place in five venues in Coventry and Leamington Spa, with 14 events featuring 47 speakers with 368 attendees. www.warwick.ac.uk/pintofscience
- The Regional Public Engagement and Community webpages (www.warwick.ac.uk/warwickengages) (www.warwick.ac.uk/global/regional), (www.warwick.ac.uk/community) share and promote the University's regional and community activities. Twice a year we share our latest news via our *CommUnity* newsletter, which is delivered to 15,500 households in Coventry, Kenilworth and Leamington Spa, and is also circulated to around 800 other partners, organisations and individuals.

Social Inclusion

- Inclusion is one of four strategic priorities identified in the University 2030 strategy. A new Social Inclusion strategy was approved by the Council in summer 2019. Through this strategy, the University aspires to remove economic, social and cultural barriers that have prevented people from working, studying and succeeding at Warwick, and to be recognised as best in class in its approach to equality, diversity and inclusion, for staff and students by 2030.
- At Warwick, we promote equality, diversity and inclusion as evidenced by our continued achievement of the HR Excellence in Research award (successful six year review completed in January 2019), our Institutional Silver Athena SWAN and numerous departmental Athena SWAN awards, our status as a

public benefit statement

(continued)

Stonewall Diversity Champion and our participation in the Stonewall Equality Index, where we have risen 182 places in three years.

- We continue to build on the development and careers of women to ensure even greater equality of experience and opportunity. Building on our current Taskforce Groups (including Gender, LGBTUA+, Race, Disability, and Sexual Violence and Hate Crime), a new Social Inclusion Committee has been established. The LGBTUA+ supporters programme now has nearly 500 supporters and all policies have been reviewed for gender neutral language.
- In addition we continue to work towards the RACE Equality Charter Mark, Thrive at Work Wellbeing Charter Mark and the Business Disability Standards.

Environmental Sustainability

- We are firmly committed to sustainability and work in partnership with our staff and students to promote environmental sustainability. Our 2030 Strategy identifies developing sustainable transport, energy and a green campus to enhance the environmental sustainability of our University as a key priority. Our Environmental Policy is available at: <https://warwick.ac.uk/about/environment/warwick/policies>
- Our commitment to sustainability can be seen through both investment and behaviour. We aim to develop sustainable transport and energy to enhance the environmental sustainability of the campus, and to embed sustainable development principles across all our activities.
- We generated 44% of our own heat and power in the year ended 31 July 2019.
- We've invested over £11m in sustainability since 2009.
- We ensure new buildings are more efficient than the older ones we're replacing.
- Through these interventions, we have so far reduced our carbon emissions by 46% per unit of income since 2005/06.
- Students are encouraged to engage with sustainability issues through teaching, research and student society projects, including the provision of optional modules, such as the Global Sustainable Development degree or an MSc in Sustainable Energy Technologies. Additionally, we have 16 student societies involved in promoting sustainability.

Responsible Investment

- Our investments are managed in line with our Socially Responsible Investment Policy (available at https://warwick.ac.uk/services/finance/corporate_information/socially_responsible_investment_policy/). We promote and monitor compliance with the highest standards of research ethics as embodied in UK regulation and practice. We carefully consider the nature of any funding we are offered from an ethical perspective.

corporate governance

1. The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. It is therefore exempt from certain requirements of that Act, including the need to register with the Charity Commission. Since 1 April 2018 the Office for Students (OfS) replaced the Higher Education Funding Council for England (HEFCE) as the “principal regulator” for charity law purposes of those English universities which are exempt charities and the new regulatory framework came fully into effect on 1 August 2019. 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, which were modernised with effect from 13 February 2019, following a review of the University’s Governing Instruments in 2018/19.
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 had been provided by the OfS and the Committee of University Chairs (CUC) in the Higher Education Code of Governance. A ‘fit and proper’ test for all members of Council has been adopted. The University is mindful of its charitable purpose and its strategy aims to encompass its public benefit role.
3. 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, Vice-Chair and the 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 24 and 25 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. There were 25 members of the Council in 2018/19. During the financial year ending 31 July 2019 (and continuing except where indicated), the following individuals were members of the Council: D Normington (Chair), K Bedell-Pearce (Treasurer), A Bhalla, Professor D Branch (to 31 July 2019), Dr D Britnell (from 7 November 2018 to 31 July 2019), B Claire (from 1 May 2019), V Cooke (Vice-Chair), Professor S Croft (Vice-Chancellor and President), Professor C Ennew, Dr J Ferrie, C French (from 1 August 2018), N Gordon (to 1 March 2019), Professor C Hughes, L Jackson (from 1 August 2018 to 31 July 2019), P Kehoe (to 30 September 2018), Dr D Keith, Professor A Lockett (from 1 August 2018), B Newsham (as Democracy and Development Officer from 1 August 2018 to 31 July 2019), A Penfold, A Pulford (to 31 July 2019), Professor L Roberts (to 31 July 2019), N Sachdev, Professor S Swain (to 31 July 2019), Professor P Thomas, G Tucker; for the subsequent period from 1 August 2019 to the approval of these financial statements (and beyond): Professor J Angouri, L Ainsworth, A Chambers, Professor S Jacka, M Last, Professor D Leadley, J Nickalls, B Newsham (as Students’ Union President), Professor M Shipman.

corporate governance

(continued)

7. 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.
8. The Secretary to 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 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:
 - Vice-Chancellor and President;
 - Provost;
 - Registrar;
 - Pro-Vice-Chancellors;
 - Vice-Presidents;
 - Group Finance Director;
 - Commercial Director;
 - Secretary to Council;
 - Chairs of Faculty;
 - Chair of Warwick Manufacturing Group;
 - Executive Dean of Warwick Business School;
 - Executive Dean of Warwick Medical School; and
 - Director of the People Group.
 - (b) The determination of the level of severance pay to be awarded to those members of staff whose salary exceeds £100,000.

The Council appoints members of the Remuneration Committee who have expertise in leadership and/or senior remuneration in other sectors. The constitution of the Remuneration Committee during 2018/19 was as follows: Chair of the Council (Chair), Treasurer, three independent members of the Council, with expertise in leadership and/or senior remuneration (N Bentley (to 1 September 2018), K Gadhok (to 1 September 2018), Dr J Ferrie, C French (from 31 July 2019), Dr D Keith (from 31 July 2019)), one independent member external to the Council, with expertise in leadership and/or senior remuneration (J Furse (from 20 November 2018)).

The Remuneration Committee meets four times each year. It reports annually to the Council on the work of the Committee, including decisions taken under delegated authority.

The Remuneration Committee exercises its delegated authority on behalf of the Council within an agreed remuneration policy framework. Any matters in relation to remuneration or severance pay that do not fall within the approved remuneration policy framework or the delegated authority of the Committee are referred to the Council for approval. In proposing and applying the framework, the Remuneration Committee had regard to 'Guidance on decisions taken about severance payments in HEIs' published by the CUC, as required by the OfS.

corporate governance

(continued)

The framework for University Senior Remuneration 2018/19 has been approved by the University Council and is published online: <https://warwick.ac.uk/services/gov/committees/rc/rcframework18>

In addition, the Remuneration Committee approves annually the operating framework within which the Vice-Chancellor shall exercise his authority to determine senior remuneration, and receives an annual report on the work of the University Executive Board (Remuneration). The constitution and terms of reference of the Remuneration Committee are available in the Code of Practice on Corporate Governance.

In terms of all recruitment to the University we provide a welcoming and inclusive working and learning environment, recognising and respecting all individuals' differences. We therefore welcome applications from people who identify with any of the Protected Characteristics, such as race/ethnicity, disability, sexual orientation, or gender identity/expression.

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 Regulatory Framework for Higher Education in England between the University and the OfS, 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.
14. This statement relates to the period covered by these financial statements, and the period up to the date of approval of these audited financial statements.

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 professional services 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 opinion on value for money 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 reports to the Council at each of its meetings, 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, the Office for Students (OfS) 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 management, control and

statement of internal control

(continued)

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. A broader sector-wide discussion is conducted on an annual basis.
- The Senate maintains an oversight of all academic risks facing the institution. The Senate undertakes strategic planning activities in relation to academic risk identification.
- The University Executive Board (UEB) 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 strategic planning activities in relation to strategic risk identification.
- The Academic Resourcing Committee, 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 adoption of the principles of business continuity 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 internal control

(continued)

Risk Management Policy

The University has a Risk Management Policy which is approved by the Council. The policy sets out the approach to risk management and is a guide for individuals and committees whose responsibilities include some or all of the elements of risk management or oversight.

Full details of the Risk Management Policy are available here:

https://warwick.ac.uk/services/gov/riskmanagement/updated_risk_management_policy_approved_by_council_july_2018_without_ra.pdf

All senior managers and heads of departments are required to implement the Risk Management Policy and ensure colleagues are appropriately equipped to manage risk within their responsibilities.

Risk management operates across all levels of the University, from daily departmental activities and the management of projects, to formal bodies charged with institutional governance, decision-making and institutional strategy-setting. Irrespective of the level at which risk management is operating, the definition of risk used by the University is: 'The combination of the probability of an event and its consequence impacting upon the achievement of agreed objectives. Consequences can range from positive to negative'. The definition of risk management used by the University is: 'The process by which uncertainty is quantified (where possible), assessed, recorded and managed in order to enable innovation and support good, well-informed decision-making at all levels of the institution'.

Risk Management at the University adheres to five guiding principles. Risk management should be:

- **Proportionate** to the level of risk with the institution.
- **Aligned** with other business activities.
- **Comprehensive**, systematic and structured.
- **Embedded** within the business processes of the institution.
- **Dynamic** and responsive to emerging and changing risks.

The University has a Risk Management Assurance Architecture and illustrates the coordination of the risk management activities that take place across all parts of the University. It shows how assurance is provided to the University Executive Board and the Council that the process of identification, management and reporting of risks is taking place effectively at all levels.

The Council is ultimately accountable for ensuring that effective risk management is undertaken by the University. The Council must be kept informed of the University's total risk portfolio when reaching its decisions as well as receiving appropriate reassurance as to the effectiveness of the processes in place to monitor and assess the University's risks. The Council has delegated to the Audit and Risk Committee the responsibility for concluding on the adequacy and effectiveness of the processes in place for the management of risk. In forming its judgement on an annual basis, the Audit and Risk Committee takes into account the work of the Internal Audit function. Internal Audit undertakes an annual assessment of the institution's overall risk management capabilities using tools such as the HM Treasury Risk Management Toolkit and the CIIA Risk Maturity Model, as well as assessing the adequacy and effectiveness of local risk management processes as part of their audits of departments. The Council will formally consider the strategic risk register twice a year.

This statement relates to the period covered by these financial statements, and the period up to the date of approval of these audited financial statements. The system of internal control has operated as intended and there were no significant control failures during the period. The University continues to strengthen its control over its arrangements for data security and compliance in the light of the external environment.

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 (HE) Code of Governance published by the Chairs of University Committees (CUC) 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 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 Office for Students' 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 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. The Council has to ensure that the going concern basis is appropriate for the preparation of the financial statements and to be satisfied that they give a true and fair view.
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 receive assurance that adequate provision has been made for the general welfare of students.
15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
16. To be responsible for effective planning, ongoing control, monitoring and review of the University's health and safety management procedures.
17. 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

opinion

We have audited the financial statements of the University of Warwick ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

other information

The Council is responsible for the other information, which comprises the Financial Highlights, the Financial Review, the Public Benefit Statement, the Corporate Governance Statement, the Statement of Internal Control and the Indicators of Financial Health. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

independent auditor's report

to the Council of the University of Warwick (continued)

Council responsibilities

As explained more fully in their statement set out on page 24, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

report on other legal and regulatory requirements

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes; and
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

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

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

Michael Rowley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham B4 6GH

consolidated and university statement of comprehensive income

for the year ended 31 July 2019

	Note	Consolidated		University	
		2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
Income					
Tuition fees and educational contracts	2	344.5	316.6	344.5	316.6
Funding body grants	3	61.4	59.6	61.4	59.6
Research grants and contracts	4	137.8	126.5	137.8	126.5
Other income	5	136.9	123.0	125.5	108.9
Investment income	6	2.7	1.7	2.5	1.5
Donations and endowments	7	5.3	4.1	5.2	4.1
Total income		688.6	631.5	676.9	617.2
Expenditure					
Staff costs	8	480.0	321.1	461.6	304.1
Other operating expenses		227.4	208.4	234.9	211.2
Depreciation	12	47.5	38.4	46.2	37.1
Interest and other finance costs	10	9.7	8.4	9.7	8.4
Total expenditure		764.6	576.3	752.4	560.8
(Deficit) / surplus before other gains or losses		(76.0)	55.2	(75.5)	56.4
(Loss) on disposal of non-current assets	11	0.0	(0.8)	0.0	(0.8)
Gain on investments		1.2	1.6	1.1	1.4
(Deficit) / surplus before tax		(74.8)	56.0	(74.4)	57.0
Taxation		0.0	0.0	0.0	0.0
(Deficit) / surplus for the year		(74.8)	56.0	(74.4)	57.0
Actuarial gain in respect of pension schemes	20	15.4	13.5	15.4	13.5
Change in fair value of hedging financial instruments	18	(8.8)	6.3	(8.8)	6.3
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR		(68.2)	75.8	(67.8)	76.8
Represented by:					
Endowment comprehensive income and expenditure for the year		0.5	1.1	0.4	1.0
Unrestricted comprehensive income and expenditure for the year		(68.7)	74.7	(68.2)	75.8
Attributable to the University		(68.2)	75.8	(67.8)	76.8

All items of income and expenditure relate to continuing activities.

consolidated and university statement of changes in reserves

for the year ended 31 July 2019

Consolidated	Income and expenditure account		Total
	Endowment £ million	Unrestricted £ million	£ million
Balance at 1 August 2017	10.4	202.7	213.1
Surplus from the income and expenditure statement	1.1	54.9	56.0
Other comprehensive income and expenditure	0.0	19.8	19.8
Total comprehensive income and expenditure for the year	1.1	74.7	75.8
Balance at 1 August 2018	11.5	277.4	288.9
Surplus / (deficit) from the income and expenditure statement	0.5	(75.3)	(74.8)
Other comprehensive income and expenditure	0.0	6.6	6.6
Total comprehensive income and expenditure for the year	0.5	(68.7)	(68.2)
Balance at 31 July 2019	12.0	208.7	220.7
University	Income and expenditure account		Total
	Endowment £ million	Unrestricted £ million	£ million
Balance at 1 August 2017	4.8	169.5	174.3
Surplus from the income and expenditure statement	1.0	56.0	57.0
Other comprehensive income and expenditure	0.0	19.8	19.8
Total comprehensive income and expenditure for the year	1.0	75.8	76.8
Balance at 1 August 2018	5.8	245.3	251.1
Surplus / (deficit) from the income and expenditure statement	0.4	(74.8)	(74.4)
Other comprehensive income and expenditure	0.0	6.6	6.6
Total comprehensive income and expenditure for the year	0.4	(68.2)	(67.8)
Balance at 31 July 2019	6.2	177.1	183.3

consolidated and university balance sheet

as at 31 July 2019

		Consolidated		University	
	Note	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Non-current assets					
Fixed assets	12	767.1	695.0	753.0	679.8
Investments	13	28.6	27.3	30.3	29.1
		795.7	722.3	783.3	708.9
Current assets					
Stock	14	0.8	0.9	0.7	0.8
Trade and other receivables	15	64.8	50.8	73.5	57.2
Investments	16	81.5	38.5	81.5	38.5
Cash and cash equivalents		143.6	126.6	140.8	123.6
		290.7	216.8	296.5	220.1
Less: Creditors : Amounts falling due within one year	17	(201.1)	(178.7)	(232.7)	(207.4)
Net current assets		89.6	38.1	63.8	12.7
Total assets less current liabilities		885.3	760.4	847.1	721.6
Creditors : Amounts falling due after more than one year	18	(470.8)	(397.7)	(470.0)	(396.7)
Provisions					
Pension provisions	20	(197.5)	(70.6)	(197.5)	(70.6)
Pension asset	20	6.8	0.0	6.8	0.0
Other provisions	21	(3.1)	(3.2)	(3.1)	(3.2)
TOTAL NET ASSETS		220.7	288.9	183.3	251.1
Restricted reserves					
Income and expenditure reserve - endowment reserve	22	12.0	11.5	6.2	5.8
Unrestricted reserves					
Income and expenditure reserve - unrestricted		208.7	277.4	177.1	245.3
TOTAL RESERVES		220.7	288.9	183.3	251.1

The financial statements on pages 28 to 63 were approved by the Council on 20 November 2019, 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 2019

	Note	2018/19 £ million	2017/18 £ million
Cash flow from operating activities			
(Deficit) / Surplus for the year		(74.8)	56.0
Adjustment for non-cash items			
Depreciation	12	47.5	38.4
(Gain) on investments	13	(1.2)	(1.6)
Decrease in stock	14	0.1	0.2
(Increase) in debtors	15	(14.0)	(2.9)
Increase in creditors	17 & 18	15.8	25.5
Increase / (decrease) in pension provision	20	135.5	(1.2)
(Decrease) in other provisions	13 & 21	(0.1)	(1.0)
Adjustment for investing or financing activities			
Investment income	6	(2.7)	(1.7)
Interest payable	10	7.5	6.1
Endowment income	22	(1.4)	(1.8)
Loss on the sale of non-current assets	11	0.0	0.8
Capital grant income		(21.4)	(17.5)
Net cash inflow from operating activities		90.8	99.3
Cash flows from investing activities			
Proceeds from sales of fixed assets		0.0	0.1
Capital grants receipts		24.6	28.5
Disposal of non-current asset investments		0.1	0.2
Withdrawal of deposits		0.0	50.5
Investment income	6	2.7	1.7
Payments made to acquire fixed assets	12	(119.6)	(142.8)
New non-current asset investments	13	(0.2)	(1.7)
New current asset investments	16	(43.0)	0.0
		(135.4)	(63.5)
Cash flows from financing activities			
Interest paid	10	(7.5)	(6.1)
Endowment cash received	22	1.4	1.8
New unsecured loans		75.0	0.0
Repayments of amounts borrowed	19	(7.3)	(3.6)
		61.6	(7.9)
Increase in cash and cash equivalents in the year		17.0	27.9
Cash and cash equivalents at beginning of the year		126.6	98.7
Cash and cash equivalents at end of the year		143.6	126.6

notes to the accounts

1. 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 Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the FRS 102. 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, and the University of Warwick Foundation. 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 Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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 block grants, capital grants and Government research grants are recognised within the Consolidated Statement of Comprehensive 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 Comprehensive Income and Expenditure in line with such conditions being met.

notes to the accounts

(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 of the 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 Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

4. Accounting for retirement benefits

Universities Superannuation Scheme (USS)

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

University of Warwick Pension Scheme (UWPS)

The Defined Benefit (DB) section of the University's own scheme, an exempt approved pension scheme, provides retirement benefits (based on final pensionable salary), lump sum and spouse's death-in-service benefits. The

notes to the accounts

(continued)

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. The rules of the scheme permit any surplus existing after all benefits have been extinguished to be returned to the University. 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. Employer contributions to this section of the scheme are accounted for through the Consolidated Statement of Comprehensive Income 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. 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.

notes to the accounts

(continued)

Land and buildings

Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated in equal instalments over their expected useful lives of up to 50 years, car parks are depreciated over 35 years and laboratory and other major refurbishments over 10 to 20 years. Where an item of land and buildings comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred. 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.

The Professor Lord Bhattacharyya Building, home to the National Automotive Innovation Centre (NAIC), has been built for the furtherance of the University's objectives while working closely with our industry partners. The primary aims of the NAIC with our partners are:

- to foster innovation in the British automotive industry;
- to connect academic research with leading manufacturers and attract the next generation of engineers;
- to create a collaborative environment that can encourage teamwork and innovation across disciplines;
- to be a showcase for forward thinking in British engineering and design.

It is a space for advanced research and learning, knowledge transfer and collaboration. The activities happening within the building are core to the main objectives and strategy of the University and as such, the building has been classified as a functional fixed asset within these financial statements.

A number of the Group's Leasehold buildings are rented to third parties. This supports the transfer of University 'know-how' and research into industry, as well as providing accommodation for growing knowledge-based companies and as such are treated as tangible fixed assets. These activities further support the University by helping to enhance its reputation, and promoting the University's strategic priorities, in particular Regional Leadership and Innovation.

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 usually 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 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.

notes to the accounts

(continued)

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.

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. 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.

14. 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.

notes to the accounts

(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.

15. Basic financial instruments

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other payables are recognised initially at transaction price plus attributable transaction costs.

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 in perpetuity or as an expendable fund where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

18. 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 27.
- ii. The calculation of the defined benefit pension asset/liability in the UWPS scheme is made using actuarial assumptions, as set out in note 27.

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.

notes to the accounts

(continued)

2. TUITION FEES AND EDUCATIONAL CONTRACTS

	Consolidated		University	
	2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
Accredited course fees from home/EU students	156.1	146.7	156.1	146.7
Accredited course fees from overseas students	166.7	149.2	166.7	149.2
International foundation programme fees	3.5	3.7	3.5	3.7
Non-accredited short course fees	5.6	4.0	5.6	4.0
Research Training Support Grants	12.1	12.6	12.1	12.6
Other fees	0.5	0.4	0.5	0.4
	344.5	316.6	344.5	316.6

3. FUNDING BODY GRANTS

	Consolidated		University	
	2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
Recurrent grants:				
HEFCE / Office for Students teaching grant	13.4	13.3	13.4	13.3
HEFCE / Research England research grant	37.4	36.3	37.4	36.3
Specific grants:				
HE Innovation Fund	4.3	4.2	4.3	4.2
Catalyst Fund	0.0	0.2	0.0	0.2
National Collaborative Outreach	0.3	0.3	0.3	0.3
Other specific grants	0.0	0.3	0.0	0.3
Capital grants released in year:				
Buildings	4.4	3.6	4.4	3.6
Equipment	1.6	1.4	1.6	1.4
	61.4	59.6	61.4	59.6

4. RESEARCH GRANTS AND CONTRACTS

	Consolidated		University	
	2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
Research councils	39.2	38.4	39.2	38.4
Central government, local authorities and public corporations	53.9	44.6	53.9	44.6
UK charitable bodies	9.8	9.7	9.8	9.7
European Union	13.7	14.9	13.7	14.9
UK industry and commerce	8.5	8.2	8.5	8.2
Overseas	11.1	9.3	11.1	9.3
Others	1.6	1.4	1.6	1.4
	137.8	126.5	137.8	126.5

Income from research grants and contracts includes £12.7m in respect of capital grants released in the year (2017/18: £11.6m)

notes to the accounts

(continued)

5. OTHER INCOME

	Consolidated		University	
	2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
Residences, catering and conferences	47.8	44.7	47.8	44.7
Other services rendered	3.7	2.6	3.7	2.6
Other capital grants	0.8	0.9	0.6	0.6
Retail operations	40.9	38.8	19.3	16.8
Post-experience centres	14.0	13.0	0.7	0.0
Other income	29.7	23.0	40.3	33.6
Covenant income	0.0	0.0	13.1	10.6
	136.9	123.0	125.5	108.9

6. INVESTMENT INCOME

	Consolidated		University	
	2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
Restricted permanent endowment investment income (note 22)	0.1	0.1	0.0	0.1
Restricted expendable endowment investment income (note 22)	0.1	0.1	0.0	0.0
Other investment income	2.5	1.5	2.5	1.4
	2.7	1.7	2.5	1.5

7. DONATIONS AND ENDOWMENTS

	Consolidated		University	
	2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
New endowments	1.4	1.8	1.4	1.8
Unrestricted donations	3.9	2.3	3.8	2.3
	5.3	4.1	5.2	4.1

notes to the accounts

(continued)

8. STAFF

	Consolidated		University	
	2018/19	2017/18	2018/19	2017/18
	£ million	£ million	£ million	£ million
Staff costs: Salaries and wages	276.5	260.6	259.7	245.5
Social Security costs	27.6	25.5	26.6	24.6
Other pension costs	175.9	35.0	175.3	34.0
	480.0	321.1	461.6	304.1

	Consolidated	
	2018/19	2017/18
	Number	Number
The number of full time equivalent staff, by area of activity, can be summarised as:		
Academic staff within academic departments	2,327	2,316
Other staff within academic departments	1,276	1,163
Academic services	408	407
Premises management and maintenance	528	508
Residences and catering	403	439
Other services and activities, including commercial operations	1,200	1,099
	6,142	5,932

Professor Stuart Croft is the Vice-Chancellor and President of the University and is its senior post-holder. The total costs of the University include payments to Professor Croft and benefits. These were as follows:

Professor Stuart Croft	2018/19	2017/18
	£000	£000
Basic salary	303	299
Salary in lieu of pension	40	39
Taxable benefit - accommodation	10	4
Taxable benefit - medical insurance	0	1
Total emoluments (including taxable benefits-in-kind) before pension contributions	353	343
Pension contributions in respect of the Vice-Chancellor and President	6	6
Total emoluments (including taxable benefits-in-kind)	359	349
Non-taxable benefits-in-kind - accommodation	11	13
Total emoluments (including taxable and non-taxable benefits-in-kind)	370	362

Following a revision of rules by HMRC whereby University Vice-Chancellors' accommodation ceased to be non taxable, from 6 April 2019 a taxable benefit arose on the provision of furnished accommodation to Professor Croft in addition to the taxable running costs. Previous to this Professor Croft was not taxed on the provision of furnished accommodation and related Council tax, only running costs gave rise to a taxable benefit. A professional valuation suggested that a rent of £1,250 a month would approximate to the market rent of the accommodation. Council tax was c£125 per month.

The Chair of Council conducts an annual review of the performance and contribution of the Vice-Chancellor and President which incorporates observations from members of Council (primarily external) and from student representatives. The review is conducted against objectives agreed annually with the Chair of Council, including the

notes to the accounts

(continued)

8. STAFF - continued

performance of the University in research, development of strategy, of external engagement including international partnerships, of educational provision and the student experience and the overall positioning of the University locally, regionally and internationally.

The outcome of this assessment is then reviewed by the Remuneration Committee (the Vice-Chancellor was not present for this discussion, the Chair of Council oversaw all meetings and discussions except those relating to the Vice-Chancellor's remuneration, in this instance, another member of the Committee assumed the Chair). The Committee agreed with the assessment that the Vice-Chancellor's challenging and comprehensive objectives had been met in a difficult and demanding environment and in some respects exceeded. Professor Croft had shown resilience and leadership whilst leading the University to an excellent overall performance, both academically and financially. Particular achievements include the delivery of the new University Strategy 'Excellence with Purpose', the completion of the masterplan, a blueprint for the future development of the University campus, the establishment of EUTOPIA, an alliance of six European Universities which has recently secured a €5 million Erasmus+ grant to build a European University of the future, and the University's largest ever research income of £137.8m. While, under the performance arrangements for senior staff, Professor Croft was, therefore, eligible for a non consolidated performance bonus, the Committee agreed with, and welcomed, his stated wish not to receive such a bonus. Professor Croft has chosen not to undertake any paid work outside of the University. The year-on-year increase in the base salary of Professor Croft is solely due to the overall national salary settlement.

In comparison to the Russell Group Universities, using January 2019 data per the 2019 Survey of Vice-Chancellor's Remuneration conducted by the Committee of University Chairs, the University of Warwick's Vice-Chancellor and President's base salary is positioned between the median and the mean. The University is a very significant operation, with total turnover of £688.6 million; the University of Warwick is consistently in the top 10 in significant league tables published in the UK (notably ranked 9th and 10th in the 2020 Guardian University league tables and the 2020 Times Good University Guide respectively) and is currently 77th in the Times Higher Education World University rankings, Warwick's highest ever position.

The relationship between the Vice-Chancellor and President's remuneration, expressed as a multiple of other employees is set out below, for both basic salary and total remuneration. In 2017/18 (the first year of reporting the above multiple) the University excluded "atypical" staff (primarily temporary and agency workers) within the calculation due to the complexity in the data, in particular due to data availability to allow a full time equivalent (FTE) calculation. Multiples are shown for three groupings: excluding "atypical" staff (as reported in 2017/18), including "atypical" staff, and including "atypical" staff other than the University's Unitemps staff.

	2018/19 Number	2017/18 Number
Basic salary as a multiple of median basic salary of staff - excluding atypicals	8.9	8.9
Total remuneration as a multiple of median total remuneration of staff - excluding atypicals	9.1	9.1
Basic salary as a multiple of median basic salary of staff - including atypicals	11.5	11.3
Total remuneration as a multiple of median total remuneration of staff - including atypicals	11.6	11.4
Basic salary as a multiple of median basic salary of staff - including atypicals but excluding Unitemps	9.4	9.4
Total remuneration as a multiple of median total remuneration of staff - including atypicals but excluding Unitemps	9.7	9.6

The Vice-Chancellor and President's total remuneration in the above calculation includes taxable and non-taxable benefits. The calculation of the ratio is affected by the University's decision to normally employ directly its staff in support and ancillary services roles, including in its commercial businesses. This means that many more lower paid staff are included in the calculation than would be the case in institutions which have outsourced these services or have less significant commercial businesses.

The ratio of the Vice-Chancellor and President's basic salary to the median academic salary is 6.2 (2017/18: 6.4).

notes to the accounts

(continued)

8. STAFF - continued

Basic salary of other Higher Paid Staff:

	2018/19	2017/18
	FTE	FTE
£360,000 - £364,999	0.0	1.0
£235,000 - £239,999	1.0	0.0
£230,000 - £234,999	0.0	1.0
£225,000 - £229,999	2.3	0.0
£220,000 - £224,999	0.2	2.3
£215,000 - £219,999	1.0	0.2
£210,000 - £214,999	0.0	1.0
£205,000 - £209,999	1.0	0.0
£200,000 - £204,999	1.0	1.0
£195,000 - £199,999	0.0	0.2
£190,000 - £194,999	3.1	0.0
£185,000 - £189,999	4.1	2.6
£180,000 - £184,999	1.6	4.1
£175,000 - £179,999	3.8	2.3
£170,000 - £174,999	3.9	3.2
£165,000 - £169,999	0.7	2.2
£160,000 - £164,999	3.6	2.1
£155,000 - £159,999	4.9	3.8
£150,000 - £154,999	8.6	5.1
£145,000 - £149,999	2.1	7.6
£140,000 - £144,999	7.7	6.1
£135,000 - £139,999	6.0	1.9
£130,000 - £134,999	7.8	6.7
£125,000 - £129,999	9.4	7.5
£120,000 - £124,999	18.1	7.1
£115,000 - £119,999	16.1	22.7
£110,000 - £114,999	16.5	24.1
£105,000 - £109,999	28.9	19.9
£100,000 - £104,999	28.9	36.1

Excluded from the above list are staff who joined or left part-way through a year but who did not exceed the threshold during the financial year. Salary partly funded by another body is also excluded. Salary bands are stated on a full time equivalent basis.

£1,072k in compensation for loss of office and redundancy was paid to 144 employees at all salary levels, in addition to their emolument entitlement for the year. In 2017/18, 140 employees were paid £695k.

All severance payments including compensation for loss of office in respect of higher paid staff are approved by the University's Remuneration Committee. Amounts for compensation for loss of office and redundancy for all other staff are approved by University management in accordance with delegated authority.

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 and President, Provost, Registrar, Group Finance Director, Commercial Director (from 1 August 2018), Pro-Vice Chancellors and Secretary to Council (from 1 January 2018). Compensation paid to key management personnel during the year (including any employer's pension contributions and including compensation for loss of office payments, any benefits-in-kind and additional salary in lieu of pension contributions for certain staff) is disclosed below:

	2018/19	2017/18
	£000	£000
Key management personnel	2,082	1,753

notes to the accounts

(continued)

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Consolidated		University	
	2018/19 Total £ million	2017/18 Total £ million	2018/19 Total £ million	2017/18 Total £ million
Academic departments	251.6	230.6	251.6	230.6
Research grants and contracts	111.1	102.5	111.1	102.5
Total teaching and research	362.7	333.1	362.7	333.1
Academic services	38.4	38.8	38.4	38.8
Central administration and services	34.3	26.0	34.0	25.4
General educational expenditure	34.5	30.6	34.3	30.5
Staff and student facilities	21.7	18.0	21.7	18.0
Premises	60.1	50.2	61.4	51.4
Residences, catering and conferences	35.1	33.4	36.2	34.8
Other services rendered	2.8	2.0	2.8	2.0
Retail operations	25.9	27.1	19.4	18.5
Post-experience centres	11.2	10.9	3.8	2.2
Other activities	3.3	8.1	3.1	8.0
USS pension provision movement	134.6	(1.9)	134.6	(1.9)
Total per income and expenditure account	764.6	576.3	752.4	560.8

Other operating expenses include:

	2018/19 £000	2017/18 £000
Auditor's remuneration for the University of Warwick Group (An amount of £49k (2017/18: £45k) relates to the Auditor's remuneration for the University)	98	90
Auditor's remuneration in respect of non-audit services appointed by the University	97	188
Grants to Warwick Students' Union	3,076	2,978

During the year the University made payments totalling £8,000 (rounded to the nearest £1,000) including reimbursement of expenses, on behalf of nine independent members of the Council (2017/18: thirteen members claimed a combined total of £7,000). 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 independent 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.

notes to the accounts

(continued)

10. INTEREST AND OTHER FINANCE COSTS

	Consolidated		University	
	2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
Loan interest	7.5	6.1	7.5	6.1
Net charge on the University of Warwick Pension Scheme	0.2	0.5	0.2	0.5
Administration costs paid from scheme assets	0.6	0.6	0.6	0.6
Net charge on USS pension scheme	1.4	1.2	1.4	1.2
	9.7	8.4	9.7	8.4

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

11. DISPOSAL OF NON-CURRENT ASSETS

	Consolidated		University	
	2018/19 £ million	2017/18 £ million	2018/19 £ million	2017/18 £ million
Loss on disposal of non-current investments	0.0	(0.7)	0.0	(0.7)
Loss on disposal of fixed assets	0.0	(0.1)	0.0	(0.1)
	0.0	(0.8)	0.0	(0.8)

notes to the accounts

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12. FIXED ASSETS

CONSOLIDATED

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2018	1,104.4	649.9	229.7	224.8
Additions at cost	119.6	48.6	17.5	53.5
Asset transfers	0.0	176.7	9.2	(185.9)
Write offs and disposals at cost	(0.9)	0.0	(0.9)	0.0
At 31 July 2019	1,223.1	875.2	255.5	92.4
Depreciation				
At 1 August 2018	409.4	224.4	185.0	0.0
Charge for the year	47.5	26.8	20.7	0.0
Eliminated on write offs and disposals	(0.9)	0.0	(0.9)	0.0
At 31 July 2019	456.0	251.2	204.8	0.0
Net Book Value at 31 July 2019	767.1	624.0	50.7	92.4
Net Book Value at 31 July 2018	695.0	425.5	44.7	224.8

UNIVERSITY

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2018	1,069.6	617.0	227.8	224.8
Additions at cost	119.4	48.5	17.4	53.5
Asset transfers	0.0	176.7	9.2	(185.9)
Write offs and disposals at cost	(0.8)	0.0	(0.8)	0.0
At 31 July 2019	1,188.2	842.2	253.6	92.4
Depreciation				
At 1 August 2018	389.8	206.8	183.0	0.0
Charge for the year	46.2	25.4	20.8	0.0
Eliminated on write offs and disposals	(0.8)	0.0	(0.8)	0.0
At 31 July 2019	435.2	232.2	203.0	0.0
Net book value at 31 July 2019	753.0	610.0	50.6	92.4
Net book value at 31 July 2018	679.8	410.2	44.8	224.8

notes to the accounts

(continued)

13. NON-CURRENT INVESTMENTS

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Balance at 1 August	27.3	24.1	29.1	25.9
Net additions in the year	0.1	0.8	0.2	1.0
Increase in market value	1.2	1.6	1.1	1.4
Decrease / (increase) in provision for diminution in value	0.0	0.8	(0.1)	0.8
Balance at 31 July	28.6	27.3	30.3	29.1
Represented by:				
Group undertakings	0.0	0.0	6.8	6.8
Associated undertakings	1.1	1.1	0.0	0.0
Other equity investments	0.6	0.6	0.5	0.5
Cash held within managed funds	0.7	1.5	0.5	1.3
Bonds held within managed funds	0.8	0.6	0.3	0.2
Equity investments held within managed funds	25.4	23.5	21.5	19.5
Alternative investments held within managed funds	1.3	1.3	1.2	1.2
	29.9	28.6	30.8	29.5
Provision for diminution in value	(1.3)	(1.3)	(0.5)	(0.4)
	28.6	27.3	30.3	29.1

Associated undertakings include:

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 25). UWSP BIC and UWSP IC are not consolidated into the results of the University nor 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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13. 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 40 active spin-out companies, all of which are incorporated in Great Britain and registered in England. In total these spin-out companies employ 174 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/>.

The University provides for investment in spin-out companies immediately upon acquisition and, whilst shareholdings vary in range, up to 55.0%, 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.

14. STOCK

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Consumables and goods for resale	0.8	0.9	0.7	0.8

15. TRADE AND OTHER RECEIVABLES

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Amounts falling due within one year:				
Other trade receivables	30.0	20.7	25.8	17.3
VAT and other taxes	0.0	1.3	0.0	1.3
Prepayments and accrued income	34.8	28.8	34.1	28.0
Amounts owed by group undertakings	0.0	0.0	13.6	10.6
	64.8	50.8	73.5	57.2

16. CURRENT INVESTMENTS

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Short term deposits	81.5	38.5	81.5	38.5

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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17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Unsecured loans (note 19)	7.3	3.6	7.3	3.6
Deferred income	97.4	87.6	94.9	85.3
Deferred capital grants	18.2	15.1	18.1	14.9
Trade payables	19.6	22.9	19.1	22.5
Social security and other taxation payable	10.4	8.5	9.3	7.3
Accruals	48.2	41.0	46.4	39.0
Amounts owed to group undertakings	0.0	0.0	37.6	34.8
	201.1	178.7	232.7	207.4

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

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Derivatives	52.5	43.7	52.5	43.7
Unsecured loans (note 19)	176.0	112.0	176.0	112.0
Deferred income	87.1	85.9	87.1	85.9
Deferred capital grants	155.2	155.1	154.4	154.1
Other payables	0.0	1.0	0.0	1.0
	470.8	397.7	470.0	396.7

The University holds derivative instruments (interest rate swaps) on its borrowings to convert its floating rate debt to fixed rate in order to hedge against the interest-rate risk arising. The fair value of the derivative instruments (hedging instruments) at 31 July 2019 was £52.5m (2017/18: £43.7m). The change in fair value of the hedging instruments during the financial year of £8.8m adverse (2017/18: £6.3m favourable) is shown within the Consolidated Statement of Comprehensive Income.

19. ANALYSIS OF UNSECURED LOANS

Amounts owing on unsecured loans as at 31 July 2019 fall due as follows:

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Due within one year or on demand (note 17)	7.3	3.6	7.3	3.6
Due between one and two years (note 18)	7.3	3.6	7.3	3.6
Due between two and five years (note 18)	21.9	10.7	21.9	10.7
Due in five years or more (note 18)	146.8	97.7	146.8	97.7
	183.3	115.6	183.3	115.6

notes to the accounts

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19. 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 effectively fixed rate borrowing over the life of the loans.

Bank loan arrangements for the University as at 31 July 2019:

	Total original facility £ million	Outstanding 31 July 2019 £ million	Effective Interest rate
Drawn facilities			
Amortising loan, drawn July 2007, repayable July 2037	40.0	23.7	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	47.8	5.19%
Amortising loan, drawn August 2018, repayable July 2038	75.0	71.2	2.49%
	215.0	182.7	

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. £0.1m remains outstanding as at 31 July 2019.
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.

notes to the accounts

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20. PENSION PROVISIONS AND PENSION ASSET

	Consolidated	University
	£ million	£ million
Obligation to fund deficit on USS Pension (Note 27)		
Provision at 1 August 2018	62.9	62.9
Unwinding of discount factor	1.4	1.4
Deficit contributions paid	(2.8)	(2.8)
New provisions in year	136.0	136.0
	134.6	134.6
Provision at 31 July 2019	197.5	197.5

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 27. The new deficit recovery plan would have resulted in a revised provision of £110.0m, a decrease of £87.5m from the current year end provision, with all other assumptions used to calculate the provision unchanged.

	Consolidated	University
	£ million	£ million
Defined benefit obligations for University of Warwick Pension Scheme (UWPS) (Note 27)		
Provision at 1 August 2018	7.7	7.7
Net service cost contributions	0.1	0.1
Net return on assets	0.2	0.2
Administrative expenses	0.6	0.6
Actuarial gain	(15.4)	(15.4)
(Asset) at 31 July 2019	(6.8)	(6.8)

21. OTHER PROVISIONS

	Consolidated	University
	£ million	£ million
Life Sciences restructuring provision		
At 1 August 2018	3.2	3.2
Utilised in year	(0.1)	(0.1)
At 31 July 2019	3.1	3.1

notes to the accounts

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22. ENDOWMENTS

CONSOLIDATED

	Restricted Permanent £ million	Restricted Expendable £ million	2019 Total £ million	2018 Total £ million
As at 1 August				
Capital	5.4	5.4	10.8	9.7
Accumulated income	0.6	0.1	0.7	0.7
	6.0	5.5	11.5	10.4
New endowments	0.1	1.3	1.4	1.8
Investment income	0.1	0.1	0.2	0.2
Expenditure	(0.1)	(1.1)	(1.2)	(1.2)
Increase in market value of investments	0.1	0.0	0.1	0.3
As at 31 July	6.2	5.8	12.0	11.5

	Restricted Permanent £ million	Restricted Expendable £ million	2019 Total £ million	2018 Total £ million
Represented by:				
Capital	5.7	5.7	11.4	10.8
Accumulated income	0.5	0.1	0.6	0.7
Total	6.2	5.8	12.0	11.5

Analysis of endowment funds by type and purpose

Chairs and lectureships	2.0	1.2	3.2	3.0
Scholarships and bursaries	2.2	2.1	4.3	4.2
Prize funds	1.8	0.1	1.9	1.8
General	0.2	2.0	2.2	2.1
Research support	0.0	0.4	0.4	0.4
Total	6.2	5.8	12.0	11.5

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Analysis by asset				
Current and non-current asset investments	7.2	7.0	2.5	2.3
Cash and cash equivalents	4.8	4.5	3.7	3.5
Total endowment asset investments	12.0	11.5	6.2	5.8

notes to the accounts

(continued)

22. ENDOWMENTS - continued

UNIVERSITY

	Restricted Permanent £ million	Restricted Expendable £ million	2019 Total £ million	2018 Total £ million
As at 1 August				
Capital	2.5	3.1	5.6	4.7
Accumulated Income	0.2	0.0	0.2	0.1
	2.7	3.1	5.8	4.8
New endowments	0.1	1.3	1.4	1.8
Investment income	0.0	0.0	0.0	0.1
Expenditure	0.0	(1.0)	(1.0)	(1.0)
Increase in market value of investments	0.0	0.0	0.0	0.1
As at 31 July	2.8	3.4	6.2	5.8

Represented by:

	Restricted Permanent £ million	Restricted Expendable £ million	2019 Total £ million	2018 Total £ million
Capital	2.6	3.4	6.0	5.6
Accumulated income	0.2	0.0	0.2	0.2
Total	2.8	3.4	6.2	5.8

23. CAPITAL COMMITMENTS

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Commitments contracted at 31 July	118.0	112.5	118.0	112.5

24. LEASE OBLIGATIONS

	Consolidated		University	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Operating lease commitments in respect of buildings and equipment on leases:				
Within one year	11.5	12.5	11.3	12.5
Between one and five years	20.8	19.5	20.8	19.4
Over five years	37.2	30.2	37.2	30.2
	69.5	62.2	69.3	62.1

notes to the accounts

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25. 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	600,004
Warwick University Services Limited	125,000
Warwick University Enterprises Limited	20,000
Warwick Learning Limited	2,200
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
Warwick Ventures Company Limited (to 12 October 2018: WMG-Tech Limited) (Dormant)	1
Warwick Innovation Network Limited (Dormant)	1
Warwick Event Solutions Limited (Dormant)	1
UWSP Connect Limited (Dormant)	1
HRI Limited (Dormant)	3
UPS Pension Trustee Limited (Dormant)	1
Horticulture Research International (Dormant)	Limited by guarantee

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

	<u>No. of \$1(Aus) Ordinary Shares</u>
Warwick University Enterprises (Australia) Pty Ltd	1,380,000

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 26 of these accounts.

WMG Academy for Young Engineers (WMG Academy)

WMG Academy was formed on 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 operates two University Technical Colleges specialising in engineering.

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

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26. CONNECTED CHARITABLE INSTITUTIONS

The University is required to disclose details of connected charitable institutions, in order to allow for appropriate review by the Office for Students, 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, are consolidated into the University's group accounts, as described in note 25.

Consolidated results		2018/19 £ million	2017/18 £ million	
Net assets				
As at 1 August		34.4	34.7	
Income		0.8	0.7	
Expenditure		(1.0)	(1.2)	
Gain on investments		0.1	0.2	
As at 31 July		34.3	34.4	
Endowment Funds				
	Restricted Permanent £ million	Restricted Expendable £ million	2018/19 Total £ million	2017/18 Total £ million
As at 1 August	3.3	2.4	5.7	5.6
Income	0.1	0.1	0.2	0.1
Expenditure	(0.1)	(0.1)	(0.2)	(0.2)
Gain on investments	0.1	0.0	0.1	0.2
As at 31 July	3.4	2.4	5.8	5.7

notes to the accounts

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27. PENSION SCHEMES

Universities Superannuation Scheme (USS)

The total net cost to the profit and loss account is £134.6m (2017/18: net income £1.9m) as shown in note 20.

The University participates in the USS. With effect from 1 October 2016, the scheme changed from a defined benefit only scheme to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. At 31 March 2019 USS had over 202,000 active members (2018: 198,000+) and the University had 4,657 active members participating in the scheme as at 31 July 2019 (2018: 4,289).

As at the year end the latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme was at 31 March 2017 (the valuation date), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was underway but not yet complete.

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

The 2017 valuation was the fourth 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.

Actuarial valuation date	31 March 2017
Valuation method	Projected Unit
Value of scheme assets	£60.0bn
Value of technical provisions	£67.5bn
Net pension deficit	£7.5bn
Funding level from accrued benefits	89.0%

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles:

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.	
Discount rate (forward rates)	Years 1-10:	CPI-0.53% reducing linearly to CPI-1.32%
	Years 11-20:	CPI+2.56% reducing linearly to CPI+1.7% by year 21
	Years 21+:	CPI+1.7%

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

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	N/A	N/A
Price inflation (CPI)	2.11%	2.02%

The main demographic assumption used relates to the mortality assumptions. Mortality is assumed to be in line with the Continuous Mortality Investigation's (CMI) tables: for pre-retirement, 71% of AMC00 (duration 0) is used for males, and 112% of AFC00 (duration 0) for females. For post retirement, 96.5% of SAPS S1NMA "light" is used for males and 101.3% of RFV00 for females. Use of these mortality tables reasonably reflects the actual USS experience. To allow for future improvements in mortality rates, the CMI 2016 projections with a smoothing parameter of 8.5 and long term improvement rates of 1.8% pa for males and 1.6% pa for females were also adopted. The current life expectancies on retirement at age 65 are:

Males (females) currently aged 65:	24.6 (26.1) years
Males (females) currently aged 45:	26.6 (27.9) years

notes to the accounts

(continued)

27. PENSION SCHEMES - continued

The existing position is as follows:	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

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. In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the USS. The recovery plan in the 2017 actuarial valuation requires employers to contribute 5.0% of salaries towards repairing the deficit over the period 1 April 2020 to 30 June 2034. In the prior year, the deficit payments were 2.1% of salaries up to March 2031. Details of this provision, which has been discounted at a rate of 1.58% as at 31 July 2019, are included in note 20 to the financial statements. The University has provided £197.5m in the current year (2017/18: £62.9m).

The University's liability calculation assumes a salary inflation rate growing to 4.7%, an annual increase in staff FTE in line with the University five-year plan and 0.5% beyond and a discount rate of 1.58%. A change in the assumption for salary inflation by +/- 0.5% would increase the obligation to fund the USS deficit by +£8.5m/-£8.1m. Similarly changes to the assumptions to the increase in staff FTE numbers by +/-0.5% would impact the provision by +£8.8m/-£8.4m as at 31 July 2019.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £110.0m, a decrease of £87.5m from the current year end provision and a lower cost within the Consolidated Statement of Comprehensive Income and Expenditure of £87.5m.

Sensitivity analysis:

The result of the 2018 valuation shows the potentially significant impact on the year end provision that may arise from any future changes in deficit contribution rate and duration of payments. Based on the inputs to the calculation, the following sensitivity analysis outlines the potential impact on the liability at the year end of £197.5m (per the 2017 valuation assumptions, with the same discount rate of 1.58%) were employer deficit repair contributions and duration to increase:

Duration	Employer deficit repair contributions		
	2.1%	5.0%	6.0%
	£ million	£ million	£ million
Base	83.0	197.5	237.1
+3 years	103.6	246.6	295.9
+6 years	126.5	301.1	361.3

notes to the accounts

(continued)

27. PENSION SCHEMES - continued

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 also recorded in the Consolidated Statement of Comprehensive Income and Expenditure. 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 2019 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 2016
Valuation method		Projected Unit
Value of notional assets		£177.1m
Funding level from accrued benefits		87%
Discount rates per annum	- short term	3.65%
	- long term	2.15%
Salary scale increases per annum		1.90%
Pension increases per annum (subject to limited price indexation)		3.00%

All assumptions have been derived with reference to the full gilt yield curve and implied inflation curve, from the Willis Towers Watson Investment Model. Detailed in the above table are the single equivalent financial assumptions. These represent the equivalent single assumptions which taken in isolation would produce the same liability figure as that derived from using the full curves for each respective financial assumption.

As at 31 July 2019 there were 461 members of staff actively contributing to the DBS of the scheme (2018: 504), with a further 1,619 staff being active members of the DCS (2018: 1,468).

Following the scheme's March 2016 actuarial valuation, the University will maintain an overall flat contribution rate of £3.29m into the DBS of the scheme, inclusive of deficit recovery contributions. With effect from 1 April 2017, the University's £3.29m DBS contribution is made up 20.4% ordinary annual contributions and the balance in deficit recovery 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 Heritage section, are between 4% and 10% of pensionable salary (from April 2019: between 6% and 10%), dependent upon the level of employee contributions chosen by the scheme member. The University's contributions to the Enterprise section are based on the statutory minimum basis. Contributions to both sections 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 of the DBS of the scheme were:

	2019	2018	2017	2016	2015
Rate of increase in salaries	2.25%	2.15%	3.15%	2.70%	3.25%
Discount rate	2.05%	2.55%	2.60%	2.55%	3.80%
Inflation assumption (RPI)	3.25%	3.15%	3.15%	2.70%	3.25%
Inflation assumption (CPI) *	2.25%	2.15%	2.15%	1.70%	2.25%

* CPI used for revaluation of deferred pensions where appropriate.

notes to the accounts

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27. PENSION SCHEMES - continued

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.

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

	2019 Years	2018 Years	2017 Years	2016 Years	2015 Years
Male member aged 45	22.1	23.3	23.2	23.2	23.1
Female member aged 45	25.3	27.0	27.0	27.0	26.9
Male member aged 65	20.8	21.1	21.1	21.0	20.9
Female member aged 65	23.9	24.7	24.6	24.7	24.6

The assets in the Scheme were:

	2019 £ million	2018 £ million	2017 £ million	2016 £ million	2015 £ million
Value of assets					
- Equities	33.0	47.8	59.0	53.4	53.3
- Other growth assets	88.1	77.6	69.7	79.8	55.0
- Bonds and other	116.6	85.2	75.5	66.8	58.7
Total market value of assets	237.7	210.6	204.2	200.0	167.0
Value of liabilities	(230.9)	(218.3)	(224.7)	(238.5)	(190.2)
Net pension surplus / (deficit)	6.8	(7.7)	(20.5)	(38.5)	(23.2)

Analysis of movement in the market value of scheme assets

	2018/19 £ million	2017/18 £ million
Fair value of plan assets at beginning of the year	210.6	204.2
Expected rate of return on scheme assets *	5.3	5.3
Actuarial gains	24.3	3.2
Contribution paid by the employer	3.8	3.8
Benefits paid	(5.7)	(5.3)
Administrative expenses paid from plan assets	(0.6)	(0.6)
Fair value of plan assets at end of the year	237.7	210.6

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

notes to the accounts

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27. PENSION SCHEMES - continued

Analysis of movement in the present value of scheme liabilities	2018/19 £ million	2017/18 £ million
Benefit obligation at beginning of the year	218.3	224.7
Current service costs	3.3	3.4
Interest cost	5.5	5.8
Actuarial loss / (gain)	8.9	(10.3)
Benefits paid	(5.7)	(5.3)
Past service cost	0.6	0.0
Benefit obligation at end of the year	230.9	218.3

Analysis of amount recognised in Other Comprehensive Income	2018/19 £ million	2017/18 £ million
Actual gain on scheme assets	29.6	8.5
Expected return on assets	(5.3)	(5.3)
Experience of gains and losses on liabilities	0.7	2.6
Changes in assumptions	(9.6)	7.7
Net actuarial gain recognised in Other Comprehensive Income	15.4	13.5

Summary of movement in net liability during the year	2018/19 £ million	2017/18 £ million
Current service cost	(3.3)	(3.4)
Contributions	3.8	3.8
Past service costs	(0.6)	0.0
Net return on assets	(0.2)	(0.5)
Administrative expenses	(0.6)	(0.6)
Net charge	(0.9)	(0.7)
Actuarial gain recognised in Other Comprehensive Income	15.4	13.5
(Deficit) in scheme at 1 August	(7.7)	(20.5)
Surplus / (deficit) in scheme at 31 July	6.8	(7.7)

History of experience of gains and losses	2018/19 £ million	2017/18 £ million	2016/17 £ million	2015/16 £ million
Actual return less expected return on scheme assets	24.3	3.2	1.6	28.3
% of scheme assets:	10.2%	1.5%	0.8%	14.2%
Experience of gains and losses on liabilities	0.7	2.6	24.2	0.0
% of scheme liabilities:	0.3%	1.2%	10.8%	0.0%
Changes in assumptions	(9.6)	7.7	(6.3)	(42.8)
Total amount recognised in Total Comprehensive Income	15.4	13.5	19.5	(14.5)
% of scheme liabilities:	6.7%	6.2%	8.7%	(6.1%)

Sensitivity analysis: variation of assumptions would have the following potential impact on the UWPS pension asset at the year end of £6.8m. Discount rate 0.1% lower, pension asset £2.3m. Inflation rate (RPI) 0.1% higher, pension asset £5.2m. Inflation rate (CPI) 0.1% higher, pension asset £5.9m.

notes to the accounts

(continued)

27. PENSION SCHEMES - continued

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:

	2018/19 £ million	2017/18 £ million
Universities Superannuation Scheme (USS)	36.8	32.7
University of Warwick Pension Scheme (UWPS) Defined Benefit Section	3.3	3.4
University of Warwick Pension Scheme (UWPS) Defined Contribution Section	1.9	1.7
Other schemes	0.6	0.7
	<hr/>	<hr/>
	42.6	38.5
Increase / (decrease) in pension provision for staff costs	133.3	(3.5)
	<hr/>	<hr/>
Pension cost for year (note 8)	175.9	35.0

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.

In addition to the amounts shown above are pension payments of £0.4m in relation to temporary staff.

Guaranteed Minimum Pension benefits equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The University is working with the Trustee of The University of Warwick Pension Scheme to understand the extent to which the judgment crystallises additional liabilities for the scheme. The extent to which the judgment will increase the liabilities in The University of Warwick Pension Scheme has been estimated at 0.25% of the total pensions liability at this point. The actual cost of GMP equalisation will be reflected after the benefits have been equalised. For the University's other significant defined benefit scheme, the USS, the provision included within the financial statements at note 20 will only be impacted to the extent the change in benefits increases cash financing.

notes to the accounts

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28. 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 in note 9.

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 2019, payments were made to the Warwick Students' Union for the value of £3.3m (2017/18: £3.0m), invoices were raised from the University for the value of £0.8m (2017/18: £0.5m). There were balances of £59k and £11k (2017/18: £40k and £nil) outstanding in debtors and creditors at the year end.

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 13). 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 £100k for the reported financial year, is summarised below:

	2018/19 £ million	2017/18 £ million
Interface Polymers Limited	0.0	0.1
Sarissa Biomedical Limited	0.0	0.1
Stoli Catalysts Limited	0.0	0.2
Virion Biotherapeutics Limited	0.3	0.0

Other related parties

WMG Academy is a private company, limited by guarantee and also an exempt charity where the University is one of the members. It operates two University Technical Colleges specialising in engineering. During the year ended July 2019, invoices were raised from the University to the WMG Academy for the value of £6k (2017/18: £17k). There was a £nil balance outstanding at the year-end (2017/18: £1k).

notes to the accounts

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29. 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.

30. EVENTS AFTER THE REPORTING PERIOD

As set out in Note 27 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. Recalculating the USS provision on the basis of these contributions would result in a reduced obligation to fund the deficit of £110.0m, a decrease of £87.5m. If the Schedule of Contributions remains unchanged, the University's Financial Statements for the year ended 31 July 2020 will reflect this lower provision, subject to any other changes in financial and operational assumptions.

notes to the accounts

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31. CONSOLIDATED FOUR YEAR RESULTS

	2018/19 £ million	2017/18 £ million	2016/17 £ million	2015/16 £ million
Income				
Tuition fees and educational contracts	344.5	316.6	287.5	275.2
Funding body grants	61.4	59.6	58.4	57.9
Research grants and contracts	137.8	126.5	120.3	117.1
Other income	136.9	123.0	120.3	117.0
Investment income	2.7	1.7	1.6	1.6
Donations and endowments	5.3	4.1	2.9	4.8
Total income	688.6	631.5	591.0	573.6
Expenditure				
Staff costs	480.0	321.1	298.0	280.0
Other operating expenses	227.4	208.4	210.7	195.2
Depreciation	47.5	38.4	35.6	32.4
Interest and other finance costs	9.7	8.4	8.8	10.1
Total expenditure	764.6	576.3	553.1	517.7
(Deficit) / surplus / before other gains or losses	(76.0)	55.2	37.9	55.9
(Loss) / gain on disposal of non-current assets	0.0	(0.8)	1.2	(0.9)
Gain on investments	1.2	1.6	2.4	1.1
Taxation	0.0	0.0	0.0	(1.9)
Actuarial gain / (loss) in respect of pension schemes	15.4	13.5	19.5	(14.5)
Change in fair value of hedging financial instruments	(8.8)	6.3	14.6	(21.2)
Total comprehensive income and expenditure for the year	(68.2)	75.8	75.6	18.5
Assets				
Fixed Assets	767.1	695.0	590.7	510.5
Investments	28.6	27.3	24.1	19.7
Current assets	290.7	216.8	236.7	216.8
Liabilities				
Creditors : Amounts falling due within one year	(201.1)	(178.7)	(160.5)	(146.5)
Creditors : Amounts falling due after more than one year	(470.8)	(397.7)	(389.2)	(358.8)
Other provisions	(3.1)	(3.2)	(3.4)	(3.7)
Net assets, excluding pension provisions	411.4	359.5	298.4	238.0
Pension provisions	(197.5)	(70.6)	(85.3)	(100.5)
Pension asset	6.8	0.0	0.0	0.0
Net assets	220.7	288.9	213.1	137.5
Capital expenditure				
Land and buildings	102.1	126.3	99.2	79.5
Fixtures, Fittings and Equipment	17.5	16.5	16.7	13.9
	119.6	142.8	115.9	93.4

indicators of financial health

	2018/19	2017/18	2016/17	2015/16
(a) Net cash flow as % of total income	13.2	15.7	18.8	16.2
(b) External borrowing as % of total income	26.6	18.3	20.2	21.4
(c) Total assets ÷ total liabilities	1.3	1.4	1.3	1.2
(d) Net liquidity / (total expenditure – depreciation) (days)	115	112	132	128
(e) Surplus / (deficit) as % of total income	(11.0)	8.7	6.4	9.7
(f) Unrestricted reserves as % of total income	30.3	43.9	34.3	22.3