

Financial Statements and Statistics  
2016–2017



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**Consolidated Financial Statements for the year ended 31 July 2017**

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## Summary

The income generated by the University for the year to 31 July 2017 increased by £34.3 million to a record level of £589 million, an improvement of 6.2% compared with 2015/16. This growth was mainly due to an increase in research grants and contracts income and a higher level of donations. The University achieved a surplus of £40.3 million (6.8% of income) in the year to 31 July 2017 before actuarial losses from pension schemes leaving total comprehensive income of £37.2 million.

This year we are about to start what is arguably our most ambitious investment programme in our 155-year history. Over the next decade, we plan to invest £600 million in our infrastructure and facilities – £300 million of which has been raised through a highly successful 40-year public bond issued in April 2017. The bond will mature in 2057 and is subject to a fixed interest rate of 2.25% – a record low interest rate for a public bond issued by a UK university. As part of the bond process, Moody's assigned an Aa2 issuer rating to Southampton in March 2017. In October, this was downgraded to Aa3 in line with a general public sector downgrading.

We have seen the continued growth of research income to a record level of £136.9 million due to our success in winning research grants including £26 million from the Engineering and Physical Sciences Research Council (EPSRC) for the National Infrastructure Laboratory which is being funded under Phase 1 of the UK Collaboratorium for Research in Infrastructure and Cities (UKCRIC) Capital Programme and will complete our Boldrewood Innovation Campus.

Our current rankings by the three main UK university league tables are: 35th in the Guardian University Guide 2018, with 6 of our subject areas in the top 10; 26th in the Complete University Guide 2018, with 9 of our subject areas in the top 10; 30th in The Times and Sunday Times Good University Guide 2018, with 8 of our subject areas in the top 10. We continue to feature in the upper echelons of the two main global rankings: 102nd in the world by QS World University Rankings 2018, and 18th amongst the UK universities listed; 126th in the world by Times Higher Education (THE) World University Rankings 2018, and 15th amongst the UK universities listed.

We remain focused on student experience and were pleased with the progress we have made in some areas in the latest National Student Survey (NSS) results. For the first time ever, we received 100% Overall Satisfaction ratings in four subject areas and two

achieved 99% satisfaction. Amongst the 23 core questions asked of final-year undergraduate students, the University was at or above the sector average for teaching, academic support, organisation and management, learning resources and personal development. Within the Russell Group of universities, Southampton was placed in the top 10 based on the results of seven questions across assessment and feedback, organisation and management and personal development where the University ranked sixth overall in the Group.

Our strategy is to increase the quality of our undergraduate intake to ensure the best possible student experience. The University received a Bronze award in the pilot year of the Teaching Excellence Framework. The TEF panel highlighted that students from all backgrounds achieve good outcomes at Southampton, a large number progress to highly skilled employment or further study, and our retention levels notably exceed the benchmarks of our peer universities. The panel also praised an innovative approach to curricula, a challenging academic environment, improving students' satisfaction with assessment and feedback, our digital and other library resources, and our range of opportunities and extra-curricular activities which create high employability and skilled graduates.

This year we opened our rebuilt Chamberlain hall of residence providing an additional 356 beds and continued to invest in the University estate. Work has started on a new teaching and learning building (South Gower) on the Highfield Campus, and the first dedicated Centre for Cancer Immunology in the UK based on the University Hospital Southampton NHS Foundation Trust site is nearing completion, funded substantially by philanthropy.

## Financial Review 2016/17

### Income

The University produced a surplus of £40.3 million (£28.0 million in 2015/16), which represents 6.8% of income (5.0% in 2015/16). University income increased by £34.3 million (6.2%) to £589 million, mainly due to an increase in research grants and contracts income and a higher level of donations.

Total income from tuition fees and education contracts has increased slightly by £3.5 million (1.4%) from £244.0 million in 2015/16 to £247.5 million in 2016/17. Student numbers saw a small decrease from 23,826 to 23,669 as at the 1st December census date.

## Strategic Report (continued)

Research grants and contracts income has increased by 21.7% to £136.9 million. During the year we received £26 million from EPSRC for the National Infrastructure Laboratory, which is being funded under Phase 1 of the UKCRIC Capital Programme. The underlying result excluding this capital grant was a small reduction in income of £1.6 million. Grants from the UK Research Councils declined for the second year in a row which was partially offset by increases in research grants and contracts from other sources including an increase of £1.4 million (9.6%) from EU Government and a £1.0 million (6.4%) increase from UK Central Government, local authorities, health authorities and hospitals.

Other operating income remains stable at £120.9 million (£119.3 million in 2015/16). Increases in income from residences can be attributed to the re-opening of the Chamberlain hall of residence. Income from consultancy, trading and other enterprise activities has increased slightly by £1.9 million; and other income includes VAT recovery of £1.0 million.

Investment income increased from £1.1 million to £1.4 million, with income from short-term deposits and investments increasing from £1.0 million to £1.2 million, and income from endowments remaining at £0.2 million. The average interest rate achieved on cash balances and short-term deposits in 2016/17 of 0.47% is less than the 0.68% achieved in 2015/16 reflecting the continued reduction of rates available in the market. Investment income rose due to the increased cash levels held for the last quarter of the financial year, reflecting the cash proceeds from the public bond.

Donations and endowment income increased from £3.3 million to £6.4 million. During the year a grant of £0.5 million was received from the Wolfson Foundation towards the Campaign for Cancer Immunology. This campaign is nearing completion with donations of £2.3 million in 2016/17 towards a total received of £19.4 million against a £25 million target.

### Expenditure

University expenditure increased by £20.5 million (3.9%) from £525.1 million in 2015/16 to £545.6 million.

Staff expenditure increased by 1.9% from £295 million in 2015/16 to £301 million. Excluding the reduction associated with the USS provision release (see below), there was an underlying increase in costs of £18.7 million. The increase arises from:

- The 2016 national pay award was 1.1% and around 40% of staff are entitled to annual pay scale increments of 3% in addition to this.

- The number of average full-time equivalent staff employed by the University during the year increased by 1.7%. The increase in staff numbers was across both academic and management, specialist and administrative staff.
- The costs of employment also rose with the impact of the abolition of the State Earnings Related Pension Scheme (SERPS) from April 2016 increasing employer National Insurance contributions; this year there was a full year effect of this increase.
- Increased employer contributions to the USS pension scheme from 16% to 18% of salary also from April 2016; this year there was a full year effect of this increase.
- Introduction of the Apprenticeship Levy from April 2017 which increased staff expenditure by £0.4 million.

The USS provision release of £9.6 million (£3.6 million charge in 2015/16) included within staff costs is shown within other activities in the analysis of expenditure by activity within note 12.

Other operating expenditure decreased by £0.7 million (0.4%) to £186.0 million (2015/16 £186.7 million). Excluding the impairment of property value in 2015/16 of £3.2 million, the underlying result is an increase of £2.6 million (1.4%). The decrease in bursaries, scholarships and prizes is primarily due to the phased removal of the University's entitlement card scheme, a reduction in externally funded studentships and a change in focus of OFFA Access Agreement related spend from studentship support payments to outreach and success activity. Energy prices increased by £1.6 million reflecting the higher contract prices paid for electricity.

The depreciation charge has increased by £1.8 million (5.9%) to £31.9 million. This reflects the University's continued investment in its halls of residence and in our teaching and learning space.

Interest payable and other finance costs have increased by £14.0 million (109.1%) to £26.8 million. This includes a one off payment to Barclays Bank plc of £13.7 million as part of the restructuring of existing loans prior to the issue of our public bond and interest payable on the bond itself of £2.1 million.

### Balance Sheet

Despite the continuing challenges of our pension deficits, our total net assets remain strong at £504.1 million. In April 2017, the University significantly improved its resources available for investment through the issue of a 40-year public bond which raised £300 million. The bond will mature in 2057 and is subject to a fixed interest rate of 2.25%, a record low interest rate for a public bond issued by a UK university.

Over the next decade, we plan to invest £600 million in our infrastructure and facilities. In the year to July 2017 we spent £56.9 million acquiring or constructing capital assets. Investment in our halls of residence continued, rebuilding our Chamberlain hall which welcomed students in September 2016. Work has started on a new teaching and learning building on the Highfield Campus and the first dedicated cancer immunology centre in the UK based on the University Hospital Southampton NHS Foundation Trust site is nearing completion.

The University has significant funds to invest in substantially improving the estate over the next 10 years whilst maintaining a strong liquidity position. Our cash and cash equivalents rose by £23.0 million whilst our cash investments rose by £302 million reflecting the impact of the bond proceeds. The total of cash in hand and short-term deposits (less than three months) is £115.9 million which is more than sufficient to meet our treasury policy requirements of holding more than two months payroll costs (approximately £52 million) in funds that are available within three months. Our cash inflow from operating activities increased to £90.0 million (£62.0 million in 2015/16).

Our long-term financing arrangements have increased with the issue of a £300 million public bond in April 2017. These funds will be used for investment in the estate over the next 10 years. There are no capital repayments to be made over the term of the bond, with full repayment due in 2057. The long-term finance lease commitment relating to Mayflower halls has decreased from £48.1 million to £47.8 million and the long-term element of our bank loans has decreased from £74.6 million to £70.4 million reflecting planned repayments. The financing arrangements are held with two commercial banks with final repayments due from 2019 to 2037. Further information on this and the rates payable are outlined in note 21 to the financial statements.

The pension liability of the University of Southampton Pension and Assurance Scheme (PASNAS) fund has increased by £12.3 million to a deficit of £104.5 million. The basis of the valuation assumptions has remained unchanged from 31 July 2016. The main reason for the increase in the deficit is the increase in market expectations of long-term inflation, increasing the likely cost of future payments out of the Scheme. This has been partially offset by higher than assumed investment returns on the Scheme's assets. The Scheme's investment strategy is set with this inflation exposure in mind, and is designed to achieve higher investment returns in times of higher inflation. However, the calculation of the deficit on an accounting basis does not make any allowance for the Scheme's actual investment strategy, and so does not allow for any

potential higher returns in a higher inflation environment.

The results of the triennial valuation of the Universities Superannuation Scheme (USS), undertaken in 2014, resulted in a significant increase in the deficit on the scheme from £2.9 billion (92% funded) at 31 March 2011 to over £12 billion at 31 March 2014 prior to benefit restructure. In July 2015, the scheme actuaries were able to submit a deficit recovery plan to the Pensions Regulator for a deficit of £5.3 billion (89% funded). Employer contributions rose from 16% to 18% from April 2016 and the final salary scheme closed on 31 March 2016, with benefits increased in line with CPI. Members moved to a career average scheme with a threshold salary of £55,000 per annum above which contributions are made into the defined contribution section of the scheme. The USS 2017 triennial valuation is underway with USS indicating that despite the scheme changes and increases to employer contributions in 2016, the deficit has continued to increase. The University's USS pension provision for 2016/17 reduced by £8.5 million to £54.1 million, driven by revised staff and salary inflation assumptions and an improved discount rate of 1.85% (1.71% as at July 2016).

The University of Southampton Science Park supports the long-term strategy of the University by providing opportunities for our research to spin out into enterprise activities, for student work experience during studies and for student employment when they graduate. The Science Park also makes a significant contribution to the economic growth and social development in both our city and region. In September 2016, the Rt Hon Sir Vince Cable officially opened the new Benham 5 building which offers 30,600 square feet of office accommodation, meeting and conference rooms to cater for new tenants and the expansion of existing tenants of the Science Park. During the year total occupancy levels including this building have reduced to approximately 84%, down from 94% in August 2016. Turnover was £4.4 million (2015/16 £4.2 million) and there was a loss before covenant payments and taxation of £0.7 million due to the impact of the annual revaluation of the Park (2015/16 profit £1.8 million).

We continue to invest in our Campus in Johor, Malaysia (USMC), developing new degree courses for the continued expansion of our activity. From a financial perspective the level of performance remained stable and the strengthening of the pound saw a reduction in the deficit to £1.4 million. The lower than planned recruitment of students has contributed to this loss, but this should be addressed going forward with the continued development of course offerings.

## Strategic Report (continued)

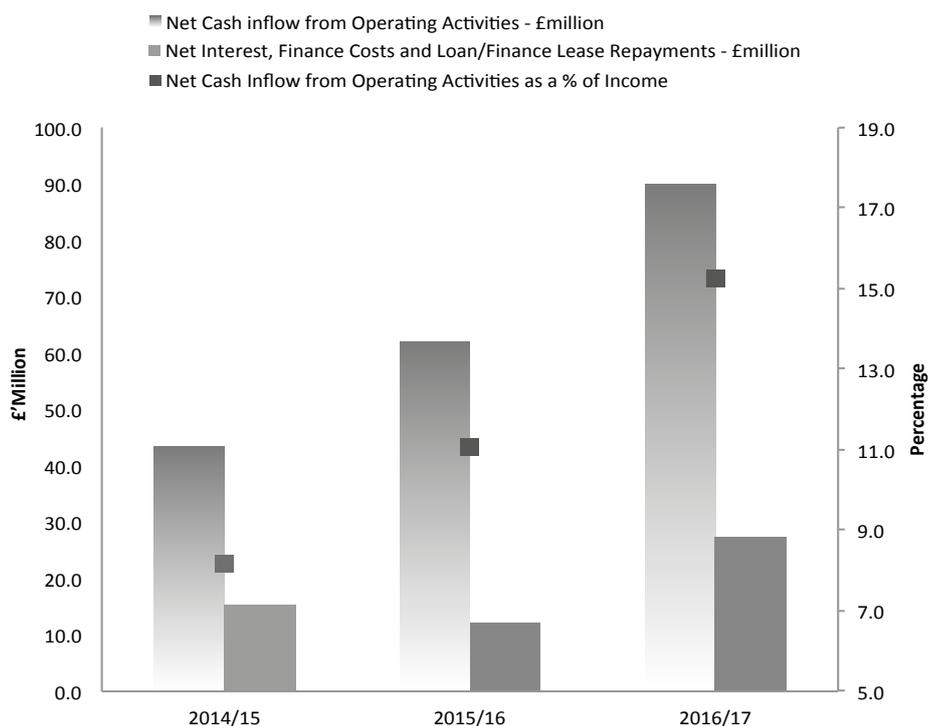
### Financial Data

The University monitors its financial performance throughout the year to ensure that it is in line with agreed budgets and the overall strategy.

Financial Measure on a consolidated basis	2016/17 Target	2016/17 Achievement	
Operating cash flow	£48.4m	£90.0m	Outperformed
Staff Costs as a % of Income	Less than 56.3%	51.1%	Outperformed

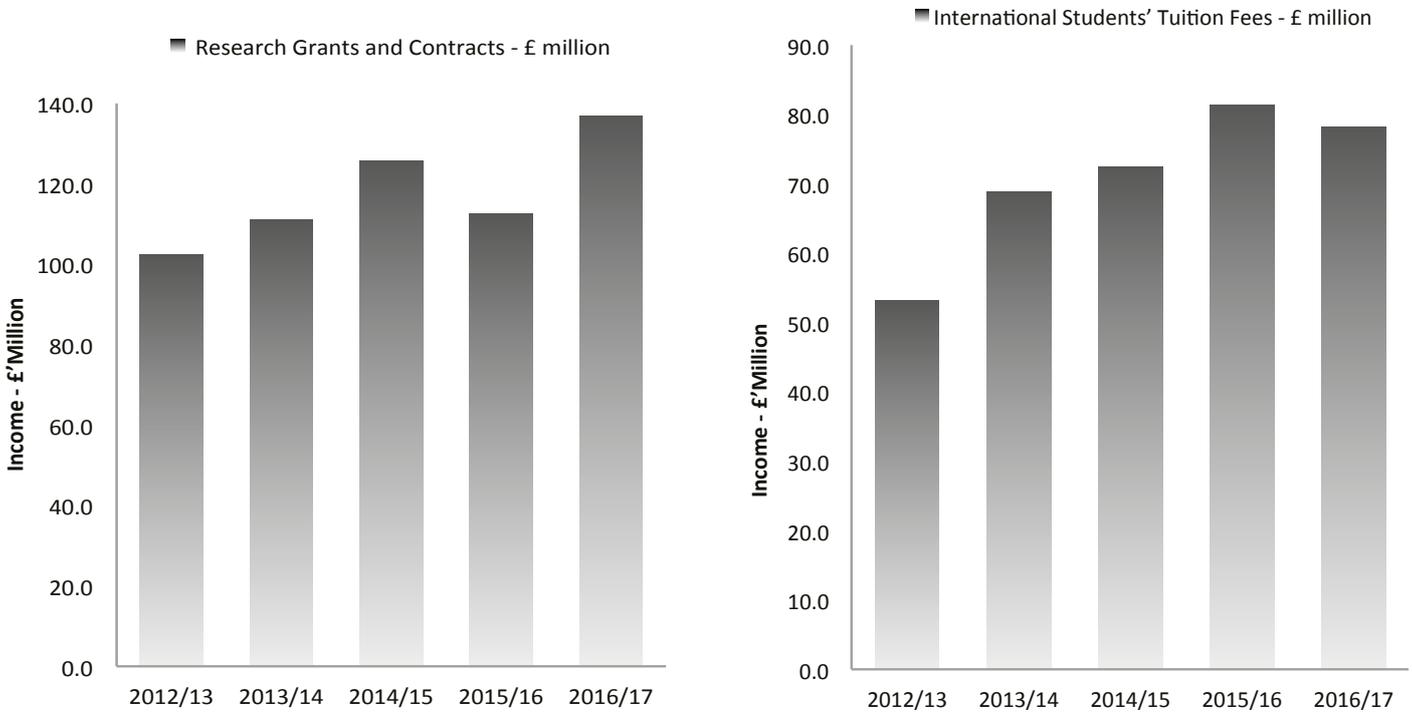
#### Net Cash Inflow from Operating Activities 2014/15 – 2016/17

The net cash inflow from operating activities is the amount of cash generated by the University before external financing costs and investment. This provides a good sustainability indicator showing, after deducting net interest payments and loan and lease repayments, the extent to which the University is able to self-finance investment in tangible assets. The net cash inflow from operating activities in 2016/17 of £90.0 million includes the receipt of Research and Development Expenditure tax Credits (RDEC) of £8.2 million which were recognised as income in prior years and an increase in creditors and accruals of £13.2 million of which £6.5 million relates to research income in advance of spend.



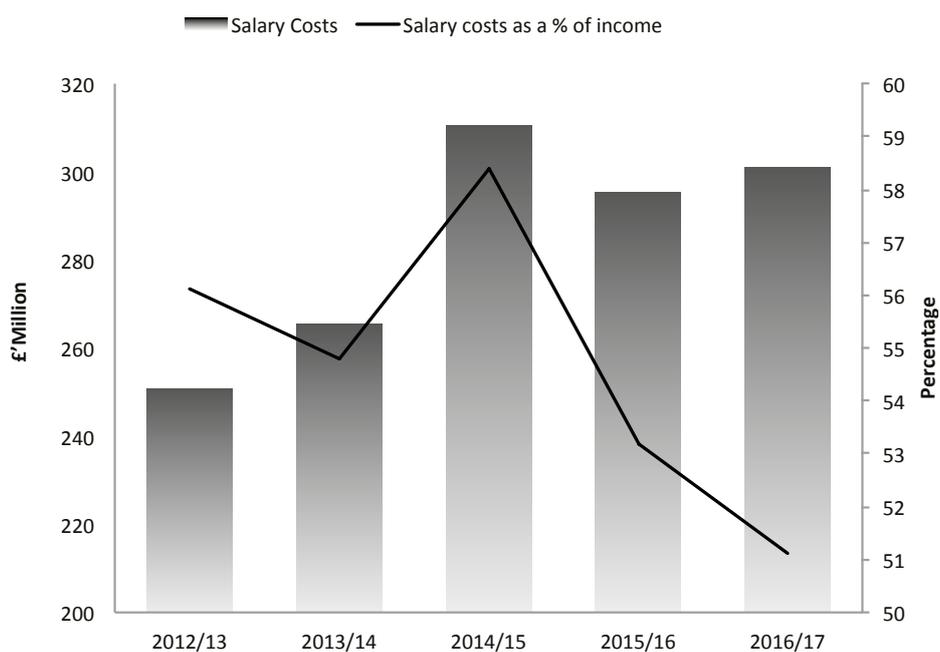
**Research Grants and Contracts and International Students' Tuition Fees 2012/13 – 2016/17**

Research grants and contracts earnings and international students' tuition fees are two key sources of income to the University. Research grants and contracts income was £136.9 million in 2016/17 compared with £112.5 million in 2015/16 although this includes a £26.0 million capital grant from EPSRC. In 2014/15 the University benefitted from income of £11.3 million from RDEC. International students' tuition fee income saw a decrease of £3.2 million to £78.2 million.



**Salary Costs as Proportion of Income 2012/13 – 2016/17**

Salary costs as a proportion of income was 51.1% in 2016/17 against a target of 56.3% due to the increase in income to a record level of £589 million. The pressures on staff costs from pension contributions, National Insurance and the Apprenticeship Levy have all been set out earlier. Focus on controlling staff costs is a major part of the University strategy for the future.



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## Strategic Report (continued)

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### “Simply Better” – The University Strategy

In October 2015, we welcomed Professor Sir Christopher Snowden as President and Vice-Chancellor of the University. Sir Christopher published his strategy, entitled ‘Simply Better’, in May 2016 and has recently launched his Ten Year Plan to deliver the strategy.

### Our mission: to change the world for the better

The University of Southampton is an exceptional place whose people achieve remarkable things. We are a world-leading, research-intensive university, with a strong educational offering, renowned for our innovation and enterprise. This is a great platform from which to sharpen our focus with our new strategy.

It’s a very simple strategy. It’s about our aspirations. It’s about building our reputation. It’s about being simply better than our competitors at what we do.

### Our strategy

We will strengthen our reputation, increasing our national and international rankings to secure a position in the top 10 in the UK and top 100 internationally.

Our ranking increases our reputation and our reputation increases our ranking.

A reputation for delivering excellence and an exemplary student experience will lead to greater demand from the best student applicants, sustained support from research funders and strong support from our alumni.

### Our core principles

Central to the success of our strategy and underpinning all of our activities are four principles:

**Collegiality:** one team working, planning and delivering together, toward our shared vision.

**Quality:** always striving to achieve the highest quality in everything we do.

**Internationalisation:** delivering across global markets and building strong partnerships with other leading organisations.

**Sustainability:** ensuring our actions lead to financial, social and environmental sustainability.

We will develop graduates who are confident global citizens, equipped to make a positive contribution to the world. Our knowledge and technologies, developed through our research and applied through our enterprise, will have real economic and social benefit for the world. People will choose Southampton because of

its reputation for quality and to play a part in changing the world. Our staff will say it is a great place to work, where they are encouraged to be creative and are part of a team that achieves more together.

Our student satisfaction will be among the highest in the country, reflected in the National Student Survey. Our graduate prospects will be among the best. Our entry tariff will reflect our reputation as a leading university, with completion rates and good degrees reflecting our commitment to fully developing the potential of our students. Our world-leading research will underpin an excellent Research Excellence Framework position. We will achieve all of this while improving our sustainability and generating a surplus that allows us to invest in our University.

In May 2017, the University unveiled its new Education, Research and International strategies. In Education, we will improve quality at all stages of the student journey. In parallel we will work to ensure that our educational activity is productive and sustainable, placing emphasis on the support and development of our staff.

To enhance our ability to change the world we will ensure our research is of the highest quality, that it underpins our education activities and that we generate the level of funding that maximises the volume of research that we can sustainably undertake.

To compete with the very best we will embed an international dimension in all aspects of our strategy. Internationalisation will permeate our academic endeavours, our community and our operations, enhancing the quality and impact of our education and research.

### Major Financial Risks

University Council and Audit Committee review the University risk register at regular intervals. Both consider that it is consistent with their knowledge of the University's activities and addresses the key aspects of the University's Strategic Plan.

A comprehensive financial risk assessment was considered by Council in setting the 2017/18 University budget. The major risk areas are summarised below:

Area:	Risk:	Mitigating action:
Student income	Actual student income for 2017/18 may fall below the business plan target.	The University has considered the financial implications of increasing quality as part of the planning process.
	Planned student numbers may not be achievable alongside increasing student quality.	Revised budgets are set once student numbers are known. The University will take action to reduce costs to meet the impact of reduced income levels.
	The business plans do not take account of any changes in regulations or demand as a result of Brexit beyond including the effect of a decrease in EU student firm acceptances for 2017.	The University will continue to engage with Government to press for early clarity of policy.
	The business plans assume that the Government set maximum home/EU undergraduate fee rates increase for 2017/18 with inflation.	The University's strategy focuses on sustainability of staff and non-staff costs to put the University in the strongest position possible to be able to cope with inflationary erosion. Council regularly monitor the position, and review mitigating actions
Research grants and contracts income	The University may fail to achieve the expected levels of external research funding.	Maximising research income is a key performance indicator. The Research Strategy will support delivery.
	The business plans do not take account of any changes in regulations, demand or the availability of funding as a result of Brexit.	The University will continue to engage with the Government to press for commitment to UK science and research and for early clarity regarding participation in H2020 post Brexit. The plans to increase international (Non-EU) research income have shown good growth in recent years.
Staff costs	There is a risk that national pay awards or staff costs will increase above the assumptions included in the business plan.	Financial sustainability targets have been identified within the Ten Year Plan and embedded within the business planning and budgeting process.
	University pension schemes may become unaffordable or unsustainable.	External advisors have been appointed to review the PASNAS scheme in advance of the 2018 valuation. Formal consultation with UUK regarding the USS triennial valuation is expected to begin in September 2017.
Sustainability	The business plan operating cash flow is below the target of the Ten Year Plan of £70 million per annum required to generate sufficient funding for future capital investment.	The £300 million bond proceeds, existing cash reserves and the level of ongoing operating cash generation are sufficient to fund the capital investment programme for the next five years.

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## Strategic Report (continued)

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### Capital Developments

We continue to invest significantly in our estate and halls of residence. In September 2016, we opened our rebuilt Chamberlain hall which houses 356 students. This continues our significant investment in our halls of residence, with City Gateway hall (which opened in August 2015) adding around 360 beds and Mayflower halls (which opened in August 2014) adding 1,100 beds.

In 2014, we launched our Campaign for Cancer Immunology to fund the first dedicated cancer immunology centre in the UK to house the pioneering Southampton research team, first established over 40 years ago. Connected to leading institutions worldwide, this cutting-edge research hub will enable our interdisciplinary teams to expand clinical trials, explore new areas and develop life-saving drugs. This is the biggest fundraising campaign the University has ever undertaken. We have already received donations totalling almost £20 million from our supporters. The building works are nearing completion and the building will be opened during the 2017/18 academic year.

Work has started on a new teaching and learning building on the Highfield Campus which will provide high quality, flexible teaching facilities including additional lecture theatres and staff offices. Also, the Boldrewood Campus is near completion with the National Infrastructure Laboratory, a world-class structures laboratory, as part of the UK Collaboratorium for Research in Infrastructure and Cities (UKCRIC), a multi university collaboratorium providing leadership and support for a step change in the nation's approach to infrastructure investment.

### Future Plans

The President and Vice-Chancellor, Professor Sir Christopher Snowden, has set out his vision for the University and is developing an ambitious 10-year plan which has four core principles: Collegiality, Quality, Internationalisation and Sustainability. The further development of the Teaching Excellence Framework will put additional focus on the student experience alongside our continued focus on our Research Excellence.

There is a strong focus on sustainability through the management of costs, enhanced productivity, capital and IT investment and the generation of operating cash flows that are sufficient to support future capital investment. Through a focus on our sustainability, we will ensure we can generate the funds we need to continue to invest in our ambition to change the world for the better through our teaching, research and enterprise.

Over the next decade, we plan to invest £600 million in our infrastructure and facilities, ensuring that Southampton is a university of choice, meeting the needs of our students and staff.

### Conclusion

The University has had another successful year with income growing by 6.2% to reach a new record level of £589 million. Student income was relatively stable with only 1% of growth whilst research grants and contracts grew strongly by over 21%. The University again outperformed on both its key financial measures and achieved a surplus of £40 million, representing 6.8% of total income.

The net cash inflow from operating activities increased substantially to £90 million, which allowed the University to invest over £56 million in new buildings and equipment. This includes the start of work on a new teaching and learning building on the Highfield Campus and the rebuilt Chamberlain halls to provide accommodation for 356 students.

The University raised £300 million to support its long-term investment strategy through a 40-year public bond. This bond was issued with a fixed interest rate of 2.25%, which is a record low rate for a public bond issued by a UK university. As part of the bond process, Moody's assigned an Aa2 issuer rating to Southampton in March 2017. Moody's commented that "the Aa2 issuer rating assigned to Southampton reflects its comprehensive strategy for improving its already strong market position, steady growth in student applications in an increasingly competitive environment, and demonstrated strong financial management including a track record of delivery on large-scale capital projects". This represents a positive external endorsement of the University and our long-term strategy.

David Price  
University Treasurer

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## Introduction

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The University of Southampton is a Chartered Corporation, established by Royal Charter on 29 April 1952 to be a teaching and examining body and to further the prosecution of research. Details of our Charter are available online at [www.calendar.soton.ac.uk/sectionIII/charter.html](http://www.calendar.soton.ac.uk/sectionIII/charter.html)

A founding member of the Russell Group of research intensive universities, the University has a reputation for excellence in research and education, which is reflected in our consistently high international league table rankings.

In April, the University featured in a new list of the world's best universities founded after the Second World War. According to the Times Higher Education's inaugural ranking of 'Golden Age' universities – those institutions founded between 1945 and 1966 – Southampton was placed 11th overall and second in the UK.

We invest significantly to provide a relevant, flexible education for our students. In 2016/17, over 25,000 full-time and part-time students benefited from our world-class educational programmes in the UK, Malaysia and China.

Our leading-edge research continues to change the world for the better, making a positive impact on individuals, communities and the economy.

We work with business to foster innovations that address some of society's greatest challenges and we actively encourage enterprise activities. Southampton has again been named one of Europe's Most Innovative Universities by Thomson Reuters, the world's largest international multimedia news agency. We were ranked 78th – one of only 17 UK universities to feature in their ranking of Europe's top 100 innovative universities. The list identifies the higher educational institutions that are doing the most to advance science, invent new technologies, and help drive the global economy.

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## Charitable status

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The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. In accordance with the Act, the Higher Education Funding Council for England (HEFCE) monitors our compliance with charity law and we report annually on the ways in which the University has delivered charitable purposes for public benefit.

Our governing body, the University Council, has due regard to the Charity Commission's guidance on public benefit requirements in setting and reviewing our objectives and activities. Members of the University Council are also the charitable trustees of the University.

Beneficiaries of the University's charitable objectives include our undergraduate and postgraduate students, our research collaborators, employers, policymakers, industry and the wider public. They derive considerable benefit from the contributions of the University's teaching, research and enterprise, as well as our significant economic and social impact locally, regionally and nationally.

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## Student education, admissions and widening participation

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The University offers a distinctive education in a modern learning environment underpinned by world-class research. We offer choice and flexibility in study options and support our students as they prepare for employment and life after university. Our programmes are designed to challenge our students to develop the critical thinking and independent learning they require in their future careers.

We offer a suite of MOOCs (massive open online courses). These free programmes of study, accessible by mobile, tablet and desktop allow large numbers of learners to engage with higher education. We currently have 18 MOOCs hosted through the FutureLearn platform and in 2016/17 over 18,000 learners completed courses.

We have a strong track record in supporting access and achievement by students from under-represented groups. We were one of the first universities to introduce a Widening Access to Medicine programme (BM6); one of the first to receive the Buttle Trust Quality Mark in recognition of our support for care leavers; and a founding institution in the Pathways to Law programme.

We work closely with schools, colleges, community groups and other third sector organisations to encourage prospective students to consider higher education. Young people and mature learners are able to make more informed choices about higher education through programmes developed by our Student Recruitment and Outreach team. Working with nearly 15,000 young people and adults in primary schools, secondary schools, sixth form colleges and community settings across the region,

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## Public Benefit (continued)

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we deliver a wide range of workshops and activities to support learners.

Through our Learn with US outreach programme we take a long-term and targeted approach to raising the aspirations of the young people with whom we engage. This programme is linked to our Access to Southampton scheme, providing special consideration and financial support to students from designated under-represented groups. This includes students from areas where there is low participation in higher education, or who are the first generation of immediate family to apply to higher education, or who live, or have grown up in local authority care.

The impact of our commitment to widening access and student success has been evidenced in our performance indicators for UK students. We have performed consistently well in recruiting state school students, with 85.6% in 2015/16. In the last six years, we have significantly increased our proportion of first-year undergraduate black and minority ethnic students from 10.2% in 2008/09 to 18.9% in 2015/16. In 2015/16 7.2% of our students came from low participation neighbourhoods.

To support students from low income households we provide bursaries and fee waivers of up to £3,000 per annum. The overall total for student financial support in 2016/17 was £9.7 million.

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## Outreach and public engagement

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The University continued to expand its outreach and public engagement activities in 2016/17.

- INTO University, in partnership with the University of Southampton, provided a full programme of support for local families and young people, including mentoring and after school study in a community setting.
- Also in partnership with the University, the Brilliant Club recruited and placed doctoral and postdoctoral researchers in non-selective state schools as tutors to share their expertise. Through its Scholars Programme, researchers have delivered university-style tutorials to small groups of pupils, from Year 6 through to Year 12. The university-style learning experience provides the participants with the knowledge and skills that will help them secure places at highly selective universities.
- Our annual Bringing Research to Life roadshow continues to tour regionally and nationally between March and September, showcasing a diverse selection of Southampton research. It reaches over 20,000 visitors annually, with invaluable support from an enthusiastic team of volunteer research-

communicators and undergraduate student ambassadors.

- The University's annual Science & Engineering Festival took place in March 2017, with a wide-ranging and diverse programme which attracted more than 7,000 visitors.
- Our Human Worlds Festival (aligned with national 'Being Human' events) ran during November 2016 on the theme of 'Hopes and Fears', including a Hands-on-Humanities Day which attracted many family groups.
- Our LifeLab project, overseen by academics in Medicine and Education, helped 1,894 school children from Southampton and the surrounding areas learn about science and health, through visits to our hospital-based classroom and laboratory facility in 2016/17.
- Our Researchers' Café, Pint of Science and Bright Club events have continued strongly, with events taking place through the year on campus and in different parts of the city.

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## Social impact

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Through our research and education programmes the University contributes to health and wellbeing, training doctors, nurses, midwives, other allied health professionals, health visitors and school nurses – many of whom work in the region.

We work closely with hospitals in the region and University medical staff work alongside colleagues at University Hospital Southampton NHS Foundation Trust in translational research, offering patients novel and effective treatment options in many specialist areas.

Student volunteers and our schools' outreach programmes benefit the wider community and help with widening participation in higher education for individuals who might not otherwise have a connection with Higher Education.

The University has teamed up with Southampton City Council, Public Health School Nursing and the charity No Limits to deliver a qualification that encourages young people to get involved in health issues in their communities.

The Youth Health Champions programme, administered by the Royal Society of Public Health, empowers young people aged 14 to 18 years old to have a positive influence on their own health and the health of those around them.

Overseas, our engineering students have continued their valuable work with Cameroon Catalyst, a student-led charity founded by Southampton undergraduates eight years ago. They have

**Public Benefit (continued)**

been making a substantial contribution to living conditions in rural eastern Cameroon, with the latest project working with local people to secure safe water supplies, reflecting the UN's Sustainable Development Goals.

**Research impact**

We have a global reputation for the quality, depth and breadth of our research at Southampton.

Our academics are tackling some of the most pressing challenges facing society today and deliver a range of direct public benefits from their work. We have an open access policy for research which aims to maximise the visibility, usage and impact of our research through global access.

Over 40% of our annual research is conducted in collaboration with commercial partners. As one of the top UK universities in terms of working with SMEs, industrial partnerships are strategically very important to us and are a proven route for wider benefit and impact of our research activities.

We received a record number of Knowledge Transfer Partnership (KTP) awards through the first open call of 2017. The awards, totalling over £650,000 of income to the University, provide funding for the recruitment of recent graduates to act as embedded knowledge transfer bridges with our industry partners, enabling University research to be used in the solution of specific business problems.

We support the conception and delivery of evidence informed policy, leading to better outcomes for communities, through Public Policy|Southampton, which facilitates connections between the University of Southampton's world class researchers and local, national and international policymakers.  
[www.southampton.ac.uk/publicpolicy](http://www.southampton.ac.uk/publicpolicy)

**Research highlights from 2016/17**

It was announced in July that the University is to spearhead research into rail infrastructure as part of a £92 million partnership between the rail supply industry and a consortium of eight universities aimed at establishing the UK as a world-leading centre of excellence.

The University will receive a share of two major investments in research partnerships worth a total of £138 million that will strengthen the links between the UK's research base, industry and business partners. Both investments show the pivotal importance

of engineering and the physical sciences to the country's continued development as a global research and innovation leader.

In May a group of Southampton doctors and scientists marked the 10th anniversary of an expedition to the summit of Mount Everest to investigate how low oxygen levels affect the body. Their ground-breaking discoveries from that research trip continue to enhance our understanding of life-threatening trauma and critical illness, leading to important new approaches to intensive care.

Law researchers here are taking a leading role in a multi-million euro project that could see a transformation of how the global shipping industry operates, delivering a more efficient transport chain and the lowering of harmful pollution levels. The Southampton team is examining the legal implications of introducing the Sea Traffic Management system, which involves the sharing of real-time travel, weather and safety data.

Audiology researchers have devised a new hearing test for military personnel to help assess whether soldiers have sufficient hearing to be safe and effective in combat.

Doctors here have pioneered the development of a nose drop containing a type of 'friendly' bacteria that could help prevent meningitis and other infections. Professor Robert Read, director of the NIHR Southampton Biomedical Research Centre, and his team have inserted a gene into a harmless bacterium that will be able to live inside the nose. It is hoped that the modified bacteria will protect against the bacterial species responsible for causing a severe type of meningitis.

Life Sciences researchers at the University will play a major role in a new national institute that aims to create a UK centre of excellence in technology development and innovation. The Rosalind Franklin Institute (RFI), which is being funded by a £100 million investment from the government, will bring together the UK's strengths in life sciences, physical sciences and engineering. Together with archaeologists from the University of Leicester, Southampton researchers have found a striking and apparently unique square megalithic monument beneath the world-famous Avebury stone circle in Wiltshire. This has the potential to be one of the very earliest structures on this remarkable site.

Thanks to a project led by Professor Jeanice Brooks in Music, a collection of Jane Austen's family music albums has been brought to the world through a digitisation project in collaboration with

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## Public Benefit (continued)

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the University's Hartley Library Digitisation Unit. Alongside the digital conversion project, Jeanice and PhD student Samantha Carrasco were able to study little-known volumes of the collection, providing fresh insights into the role of music in Austen's life and in the broader cultural world.

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### Principles

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Southampton is a world-class university built on the quality and diversity of our community and our mission is to change the world for the better. We value excellence and creativity, supporting independence of thought and the freedom to challenge existing knowledge and beliefs through critical research and scholarship.

Our four core principles are collegiality, quality, national and international reputation, and sustainability.

In October 2016 it was announced that the University had earned a silver-level Athena SWAN award in recognition of its continued efforts to improve fairness and equality for women in academic careers. We join a distinguished group of ten universities whose gender equality work has been recognised by a silver-level award. Our submission was built on the success of our nine departmental awards – including silver-level awards for Medicine and Chemistry – as well as institutional projects like promotions workshops, Springboard and the Reward Project.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. In light of the obligation to report on measures to ensure that all parts of our business and supply chain are slavery free, we continue to review our workplace policies and procedures to assess their effectiveness in identifying and tackling modern slavery issues.

Our workplace policies and procedures will demonstrate our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

The University has paid the Fundraising Regulator Levy of £1,000 to sign up to the best fundraising practices. Our Development and Alumni Relations staff are well trained and fully compliant with Data Protection and e-Privacy regulation. We take steps to ensure that vulnerable people are not inundated with telephone calls or direct mail fundraising asks. As a result, we receive very low

complaint numbers (less than 0.02%) and our donors are pleased to continue to support excellence in research and education that has significant societal benefit.

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### Public and community engagement and culture

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With over 6,500 members of staff (5,824 full-time equivalent), the University is the second largest employer in Southampton. Many of our students contribute to the city through their volunteering activities, and many remain in the region after graduation, providing a skilled workforce and contributing professionally.

Our excellent sports and arts facilities are open to members of the local community and schools. Uniquely within UK higher education, we support three world-class arts venues that are “national portfolio organisations” funded by Arts Council England. These are the John Hansard Gallery, Turner Sims Concert Hall and the Nuffield Theatre.

We work closely with our Students' Union, local agencies and neighbours to promote the positive benefits of the University's presence in the community and ensure we mitigate any potentially negative impacts.

Members of the public use the University library for reference, without charge; and we offer borrowing rights to a number of community groups. Our Library houses a large and valuable collection of archives, including the Wellington Papers and the Broadlands Archives – a large collection of original documents relating to the lives and work of, among others, the Seventh Earl of Shaftesbury, Viscount Palmerston and Earl Mountbatten of Burma.

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### Creating a sustainable organisation

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Sustainability is a central principle in the University's strategy.

We lead activities on our campuses to reduce the University's environmental impact, and our students and staff work together to deliver improvements that lower our energy usage, minimise waste and promote biodiversity.

In July 2017, our Environmental Management System was re-certified to the ISO 14001:2015 standard. This is an internationally recognised standard for environmental management and the external auditors remarked on the considerable effort that we continue to put into managing our environmental impacts.

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**Public Benefit (continued)**

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We recognise that as a research-intensive university there is a tension between carrying out our work and minimising environmental impacts. Our carbon emissions over the last year remained stable compared to the previous year, and our emissions per staff and student full-time equivalent on our campuses is 18% below our 2005/06 baseline. We continue to look for, and invest in, opportunities to lower our emissions.

The University's Travel Plan covers the period 2015–2020 and sets out a series of measures to encourage staff, students and visitors to adopt more sustainable travel habits. The University's bus service – Unilink – was established in 2001 to transport University staff and students between teaching sites and halls of residence, while also providing a service that is open for visitors and the local community. Over the last year, Unilink carried over 5 million passengers. We also work closely with local authority partners to develop and improve the local cycle network.

Southampton is part of a consortium of seven universities that work together to tender for recycling services, ensuring that as much of our waste as possible is diverted from landfill. During the last year we diverted 98.95% of our waste from landfill and instead sent it for composting, recycling or to an 'energy from waste' facility so that heat can be recovered and electricity generated.

In March, more than 50 students participated in our 11th annual Waste Wars event. The students audited waste from different parts of the University and the data has helped us to plan interventions to boost recycling rates.

In June, the annual Southampton BioBlitz took place on Highfield Campus, featuring an evening bat walk and a biodiversity survey to find and record species of animals and plants in the University's Valley Gardens. The University estate is home to a number of protected species including bats, great crested newts, birds, and reptiles. The data collected will be added to a database at the Hampshire Biological Information Centre.

At the end of term students donated over 2.3 tonnes of unwanted clothes, food and household items as they moved out of rented accommodation, once sorted these items were donated to local charities. At our halls of residence we work with the British Heart Foundation to collect unwanted items.

## Corporate Governance

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The following corporate governance statement provides information about the University's governance, management and legal structure during the year ended 31 July 2017 and up to the date of signing of these Financial Statements.

### Legal status of the University

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The University of Southampton is a chartered corporation established by Royal Charter in 1952. Its aims, powers and framework of governance are set out in the Charter and supporting Statutes and Ordinances.

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 June 2010, the Higher Education Funding Council for England (HEFCE) has been 'principal regulator' for charity law purposes of those English universities which are exempt charities.

### Governance

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The University's constitution is set out in the Charter, Statutes and Ordinances. These are the overarching governance documents that outline the University's aims, structure, responsibilities and powers. These require the University to have two separate governing bodies, Council and Senate, each with clearly defined functions and responsibilities to oversee and manage the University's activities, as follows:

**Council** - is the governing body of the University, and is charged by the Charter with responsibility for "...the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University..." (Article 10 of the Charter). In carrying out its functions, the Council is bound by the terms of the Memorandum of assurance and accountability between HEFCE and the University.

Council has a membership consisting of *ex officio* members, lay members, representatives of both academic staff and other staff, and the President of the Students' Union (see below for Council membership). The Chair and Vice-Chair of Council are appointed from among the lay membership which forms a majority on the Council.

Council normally meets six times a year (seven times in 2016/17), and receives reports on the functioning of the University and of

its subsidiary companies. These include the critical assessment of agreed Key Performance Indicators. Matters specifically reserved for Council decision include the Mission and strategic direction of the University, and the approval of budgetary allocations and major new developments.

**Senate** - is the University's main academic authority, and its responsibilities include (subject to Council approval where necessary) the direction and regulation of education and examinations, the award of degrees, and the promotion of research.

Whilst Council is the ultimate authority within the University, it cannot be directly involved in decision making on all matters for which it is formally responsible: the range of business undertaken inevitably means that some delegation of powers to individuals and to committees is necessary.

**Audit Committee** is responsible for reviewing the University's arrangements for matters of governance, internal control, risk management, data assurance, and for reviewing and commenting on the annual financial statements and accounting policies. It meets four times a year with the University's senior officers and the external and internal auditors. The Committee will discuss detailed audit reports and recommendations for the improvement of the University's systems of control, together with management's response and implementation plans. The Committee also considers reports from HEFCE relating to the conduct of business and monitors adherence to the regulatory requirements. Whilst senior executives are in attendance at meetings, they are not members of the Committee, which reserves the right to meet separately with external and internal auditors for independent consultations.

**Nominations Committee** is responsible for making recommendations for the filling of vacancies in the lay membership of Council, following internal and external advertisement and reference to the alumni of the University. The Committee also appoints the lay members of the Audit Committee and Senior Salaries Committee.

**Senior Salaries Committee** (replaced by Remuneration Committee in September 2017) determines the salaries of University Executive Board members and maintains an overview of the salary costs of senior professorial and administrative staff. Lay members of the Committee determine the President and Vice-Chancellor's salary.

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## Corporate Governance (continued)

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**Finance Committee** considers and makes recommendations to Council regarding the University's financial plans and interests and takes into consideration both local constraints and aspirations together with the context of the wider environment of Higher Education funding, public policy and the demand for Higher Education services.

All these committees are formally constituted with terms of reference and comprise lay and academic members, one of whom is in the chair. All members of Council and of its committees, together with the executive officers, are subject to Standing Orders, which *inter alia* require the maintenance of a Register of Interests. Members may not be present at any discussion in which they have a direct or indirect financial interest.

Council has other committees tasked with overseeing health and safety.

The University has complied with the key recommendations of the Committee of University Chairs' 'The Higher Education Code of Governance'. The Statement of Primary Responsibilities adopted by the University's governing body can be viewed at:

<http://www.southampton.ac.uk/about/governance/council.page>

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### President and Vice-Chancellor

The President and Vice-Chancellor is the principal academic and administrative officer of the University and has overall responsibility to Council for the executive management of the University. Under the terms of the formal Memorandum of assurance and accountability between the University and HEFCE the President and Vice-Chancellor is the designated 'accountable officer', and in that capacity is required to advise Council on the discharge of all its responsibilities under the Memorandum and the Audit Code of Practice.

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### Statement of Internal Control

Council is responsible for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, whilst safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to understand and manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore provide only a reasonable, but not absolute, assurance against financial misstatement or loss.

The key elements of the system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities and delegated authority of Deans of Faculties or the Chief Operating Officer;
- a medium and short-term planning process, supplemented by detailed annual income, expenditure and capital budgets and cash flow forecasts;
- regular reviews of business, operational, compliance and financial risk;
- regular reviews of overall performance and at least termly reviews of financial performance and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, appointment of staff, investment and borrowing decisions;
- comprehensive Financial Regulations approved by the Audit Committee and Council;
- a professional internal audit service, whose responsibilities cover the entire internal control systems of the institution.

The system of internal control is supplemented by an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks and the likelihood and impact of those risks becoming a reality; and to manage them efficiently, effectively and economically.

Council has approved a process of identifying major risks and encouraging risk management awareness throughout the University with formal risk management strategies, policies and reporting systems, which are regularly monitored by Audit Committee and Council. This includes a focus on primary strategic aims and Key Performance Indicators. Risk management and internal control are considered on a regular basis during the year and there is an adequate risk and control assessment system.

Risk management has also been incorporated fully into the corporate planning and decision-making processes of the University. Council reviews the University's strategic risk register on a regular basis, and reviews the University Key Performance Indicators annually in July.

Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control

## Corporate Governance (continued)

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framework, and by comments made by the external auditors in their management letter and other reports.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the systems of internal control. Any such system can, however, only provide reasonable, but not absolute, assurance against financial misstatement or loss.

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### Role of Council in the Preparation of the Financial Statements

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Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the 'Statement of Recommended Practice (SORP): Accounting for Further and Higher Education' and other relevant accounting and financial reporting standards. In addition, within the terms and conditions of the Memorandum of assurance and accountability agreed between HEFCE and the Council of the University, Council, through the President and Vice-Chancellor, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

Council has, through its committees and officers, ensured that in the preparation of the financial statements:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting and financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis has been used in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of assurance and accountability and any other conditions which the Funding Council may have prescribed;
- ensure that there are appropriate financial and management controls in place to safeguard funds from all sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

Members of Council have had due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

**Corporate Governance (continued)****Members of the Council**

There are five classes of Council membership.

Class 1: Officers

Class 2: Lay members appointed by the Council

Class 3: Academic members of staff

Class 4: Non-academic member of staff

Class 5: Representatives of the Students' Union

Membership for the period 1 August 2016 – 15 November 2017

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 15 Nov 2017	Attendance Aug 2016 – Jul 2017	Membership of other Committees of Council (including joint committees)
Dr G Rider	Class 1 Chair	August 2012	July 2018	7/7	Standing Committee of Council Nominations Committee Senior Salaries Committee Finance Committee
Dr R C Rivaz Hon DSc	Class 1 Vice-Chair	August 2014	July 2017	5/7	Standing Committee of Council Nominations Committee Senior Salaries Committee
Dr D J Price CBE	Class 1 Treasurer	August 2015	July 2018	7/7	Standing Committee of Council Nominations Committee Senior Salaries Committee Finance Committee
Professor Sir C Snowden	Class 1 President and Vice-Chancellor	October 2015		7/7	Standing Committee of Council Nominations Committee Senior Salaries Committee Finance Committee
Professor C Grant	Class 1 Vice President	September 2016	July 2017	5/7	Standing Committee of Council Nominations Committee
Professor M Spearing	Class 1 Vice President	August 2017	July 2018	0/0	Standing Committee of Council Nominations Committee
Ms F Barnes	Class 2	November 2016	July 2019	5/6	Finance Committee Nominations Committee
Mr G Berruyer	Class 2	October 2015	July 2018	5/7	Senior Salaries Committee
Rear Admiral P D Greenish CBE	Class 2 (until 31 July 2017) Class 1 Vice-Chair (from 1 August 2017)	March 2011	July 2020	6/7	Health and Safety Audit and Assurance Committee Standing Committee of Council (from 1 August 2017) Nominations Committee (from 1 August 2017) Senior Salaries Committee (from 1 August 2017)

**Corporate Governance (continued)**

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 15 Nov 2017	Attendance Aug 2016 – Jul 2017	Membership of other Committees of Council (including joint committees)
Mr G Hobbs	Class 2	August 2016	July 2019	5/7	Audit Committee
Mr P Hollins	Class 2	April 2016	March 2019	6/7	
Ms S Kumar	Class 2	March 2012	July 2017	4/7	
Dame J Macgregor	Class 2	April 2017	July 2020	2/2	Senior Salaries Committee
Mr T P O'Brien CBE	Class 2	April 2009	July 2017	6/7	Senior Salaries Committee
Mr W Shannon	Class 2	July 2015	July 2018	6/7	Finance Committee
Dr A Vincent	Class 2	August 2017	July 2020	0/0	
Dr B Lwaleed	Class 3	August 2015	July 2018	6/7	
Professor R Mills	Class 3	August 2017	July 2020	0/0	
Professor M Niranjana	Class 3	March 2016	July 2017	7/7	
Professor P Reed	Class 3	March 2016	July 2018	7/7	
Professor J A Vickers	Class 3	March 2012	July 2018	7/7	Nominations Committee
Mr A Reyes-Hughes	Class 4	August 2014	July 2020	6/7	
Mr A Hovden	Class 5	July 2016	June 2017	6/6	
Ms F Noble	Class 5	July 2017	June 2018	1/1	

## Opinion

We have audited the financial statements of the University of Southampton (the 'University') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of principal accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice)).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the University's affairs as at 31 July 2017, and of the group's and University's income and expenditure, other comprehensive income and expenditure and changes in reserves and of the group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the group and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## Independent auditor's report to the Council of the University of Southampton (continued)

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### • Revenue Recognition

#### *Key audit matter*

The University's accounting policy in respect of revenue recognition is set out in the accounting policy notes on 'income recognition' on pages 33 and 34. Government grants and research grants are recognised under the Performance model where the income is recognised as the work is completed. Under this policy, the amount of income recognised in a year will represent the fair value of the University's entitlement to consideration in respect of research or teaching completed in that year. In determining the entitlement to consideration, the University estimates the proportion of each project that is complete at the year-end.

Reflecting the judgmental nature of the assessments of the completeness of these projects, especially in relation to research grants, we have identified revenue recognition as a significant risk that requires special audit consideration.

#### *Our response*

Our audit procedures over revenue recognition included general procedures on the methodology adopted and substantive testing on a sample of grants.

Our audit procedures included, but were not limited to:

- assessing the related internal control environment, including testing specific controls that we considered to be key in the determination of revenue to be recognised; and
- substantive analytical procedures, enquiry of management, and corroboration of explanations provided.

Substantive sampling and non-sampling procedures included, but were not limited to:

- selection of a sample of research and government grants;
- for each item selected assessing the right to consideration by reference to the grant agreement; and
- discussing and challenging the assumptions and estimates applied by the University in determining the level of revenue recognised.

#### *Our findings*

On the basis of our audit procedures, we have not identified any misstatements in the level of grant income recognised in the financial statements.

### • Treatment of Capital Expenditure

#### *Key audit matter*

The University's accounting policy in respect of fixed assets is set out in the accounting policy notes on 'tangible assets', 'heritage assets' and 'intangible assets' on pages 35 and 36. As in previous years, there has been significant capital expenditure during 2016/17 on premises and equipment; this gave rise to a risk that either assets might be incorrectly capitalised or that capital assets might be expensed incorrectly. There are also a number of significant capital projects in the planning/tender stage where decisions made prior to the year-end about progression or specific plans could impact on the treatment of costs already capitalised within the financial statements; these are potentially material.

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## Independent auditor's report to the Council of the University of Southampton (continued)

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### *Our response*

Our audit procedures included, but were not limited to:

- Selection of a sample of items capitalised in the year in order to ensure that these had been capitalised in accordance with the accounting policy;
- Selection of a sample of repairs and maintenance costs which had been treated as expenditure in order to identify any assets which should have been capitalised; and
- Reviewing capital projects in progress to identify any projects cancelled where an impairment of assets needed to be considered.

### *Our findings*

On the basis of our audit procedures, we have not identified any misstatements in respect of the fixed assets capitalised in the year.

### ● **Defined benefit pension scheme provision**

#### *Key audit matter*

The University's accounting policy in respect of pension schemes is set out in the accounting policy notes on 'Pension Schemes' on page 34. The University's commentary on the related judgements and estimates is set out on page 38 under 'Defined benefit pension scheme provision'.

The pension arrangements include two defined benefit schemes (one specific to the University - 'PASNAS' - and one multi-employer scheme where assets and liabilities can be assigned to individual employers - 'HCC'). A significant provision has been included on the University's balance sheet in respect of these within 'Pension provisions'. The measurement of the pension scheme liabilities in accordance with FRS 102 is performed by the scheme actuaries, and is subject to complex assumptions that involve significant judgement. Details of the assumptions used and the calculation of the liabilities are included in note 28 'Pension Schemes'.

In addition there is an additional multi-employer scheme where the actuaries have not been able to allocate assets and liabilities between employers ('USS'). This has been treated as a defined contribution scheme and the present value of the future payments under the deficit reduction plan recognised as a liability, which involves management judgement in respect of the discount rate used.

### *Our response*

Our audit procedures included, but were not restricted to:

- assessing the qualification and objectivity of the scheme actuaries, and the scope of their work;
- in conjunction with our internal actuarial specialists, considering the appropriateness of the valuation methodologies and assumptions;
- corroborating scheme asset values to the underlying asset manager statements; and
- reviewing the associated financial statement disclosures in the context of requirements and best practice.

### *Our findings*

Based on our audit procedures, we found the actuarial assumptions to be both balanced and consistent with the expectations of our internal actuarial specialists when considered individually and when taken as a suite of assumptions. We consider the valuation methodologies to be appropriate. No exceptions were noted from our testing of scheme assets. We consider that the related disclosures are appropriate and adequate.

## **Our application of materiality**

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on the financial statements, and in forming our audit opinion. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements.

We establish materiality by reference to the total income of the University which we consider to be one of the principal considerations of the users of the financial statements in assessing the financial performance of the University. We determined materiality for the consolidated financial statements as a whole to be £2.9m (2016: £2.2m), representing approximately 0.5% of total income.

We agreed with the Audit Committee that we would report to that committee all identified corrected and uncorrected audit differences in excess of £50,000 (2016: £50,000) as agreed with the Audit Committee together with differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## **An overview of the scope of our audit**

Our audit scope included an audit of the consolidated financial statements of the University of Southampton. All audit work on subsidiary undertakings undertaken for the purposes of our audit opinion was performed by the audit team at the University's main Highfield Campus in Southampton with the exception of the two overseas subsidiaries which were audited by Mazars LLP's member firms in Singapore and Malaysia respectively. These comprise 0.3% of the income of the group.

We identified and tested certain controls over key financial systems identified as part of our risk assessment, including a review of general IT controls, the accounts production process, and controls addressing critical accounting matters. From this work, we sought to place reliance on the University's internal controls wherever possible. We undertook substantive testing on significant transactions, balances, and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems, and the management of specific risks.

## **Other information**

Council is responsible for the other information. The other information comprises the information included in the Strategic Report, Public Benefit Statement, Corporate Governance Statement and Financial Statistics, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other required reporting

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

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

#### Responsibilities of Council

As explained more fully in the Statement of Corporate Governance set out on page 18, Council members as a body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Council is responsible for assessing the group's and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intends to liquidate the group or the University or to cease operations, or have no realistic alternative but to do so.

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

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report, including the opinions, has been prepared for and only for Council as a body in accordance with the HEFCE Accounts Direction and in accordance with the Charter and Statutes of the University and for no other purpose. Our audit work has been undertaken so that we might state to Council members 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 Council members as a body for our audit work, for this report, or for the opinions we have formed.

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

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## Independent auditor's report to the Council of the University of Southampton (continued)

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### Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by Council on 12 September 2017 to audit the financial statements for the year ending 31 July 2017. The period of total uninterrupted engagement is 18 years, covering the years ending 31 July 1999 to 31 July 2017. Due to our long association with the University in our role as auditor we will not be seeking reappointment for the year ended 31 July 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the University and we remain independent of the group and the University in conducting our audit.

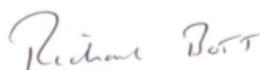
Additional services were provided to the University as follows:

- Reporting accountant services in relation to the bond issue during the year ended 31 July 2017.
- Auditor's certificates in respect of review of expenditure in relation to FP7 and other project grants.

Both these projects were undertaken by separate teams who were independent of the audit team.

Our audit opinion is consistent with the additional report to the audit committee.

Signed:



Name: Richard Bott  
(Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
90 Victoria Street, Bristol, BS1 6DP  
Date: 30 November 2017

**Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2017**

	Notes	Consolidated		University	
		2017 £000	Restated 2016 £000	2017 £000	Restated 2016 £000
<b>Income</b>					
Tuition fees and education contracts	3	<b>247,539</b>	244,048	<b>246,310</b>	243,194
Funding body grants	4	<b>76,000</b>	74,649	<b>76,000</b>	74,649
Research grants and contracts	5	<b>136,874</b>	112,504	<b>136,312</b>	111,202
Other income	6	<b>120,937</b>	119,258	<b>117,283</b>	117,475
Investment income	7	<b>1,420</b>	1,134	<b>1,748</b>	1,255
Donations and endowments	8	<b>6,365</b>	3,259	<b>6,365</b>	3,259
<b>Total income</b>		<b>589,135</b>	554,852	<b>584,018</b>	551,034
<b>Expenditure</b>					
Staff costs	9	<b>300,875</b>	295,403	<b>299,149</b>	293,793
Other operating expenses	10	<b>186,047</b>	186,703	<b>180,413</b>	185,199
Depreciation and amortisation	12	<b>31,926</b>	30,161	<b>31,565</b>	29,829
Interest and other finance costs	11	<b>26,767</b>	12,804	<b>26,695</b>	12,603
<b>Total expenditure</b>		<b>545,615</b>	525,071	<b>537,822</b>	521,424
<b>Surplus before other gains/losses</b>		<b>43,520</b>	29,781	<b>46,196</b>	29,610
(Loss)/gain on investments		<b>(806)</b>	(148)	<b>487</b>	187
Loss on disposal of fixed assets		<b>(3,223)</b>	(1,506)	<b>(3,223)</b>	(1,506)
Share of operating surplus in associate		<b>299</b>	-	<b>-</b>	-
<b>Surplus before tax</b>		<b>39,790</b>	28,127	<b>43,460</b>	28,291
Taxation	13	<b>531</b>	(79)	<b>-</b>	(146)
<b>Surplus for the year after tax</b>		<b>40,321</b>	28,048	<b>43,460</b>	28,145

**Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2017 (continued)**

	Notes	Consolidated		University	
		2017 £000	2016 £000	2017 £000	2016 £000
<b>Surplus for the year after tax</b>		<b>40,321</b>	28,048	<b>43,460</b>	28,145
<b>Other comprehensive income</b>					
Actuarial loss in respect of pension schemes	28	<b>(3,089)</b>	(23,949)	<b>(3,089)</b>	(23,949)
<b>Total comprehensive income for the year</b>		<b>37,232</b>	4,099	<b>40,371</b>	4,196
<b>Represented by :</b>					
Endowment comprehensive income for the year		<b>447</b>	27	<b>447</b>	27
Restricted comprehensive income for the year		<b>6,509</b>	(2,829)	<b>6,509</b>	(2,829)
Unrestricted comprehensive income for the year		<b>30,276</b>	6,901	<b>33,415</b>	6,998
		<b>37,232</b>	4,099	<b>40,371</b>	4,196

All income and expenditure relate to continuing operations.

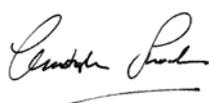
**Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2017**

<b>Consolidated</b>	<b>Income and Expenditure account</b>			<b>Total</b>
	Endowment	Restricted	Unrestricted	
	£000	£000	£000	<b>£000</b>
<b>Balance at 1 August 2015</b>	<b>12,470</b>	<b>14,982</b>	<b>435,324</b>	<b>462,776</b>
Surplus from the income and expenditure statement	27	11,009	17,012	28,048
Other comprehensive expenditure	-	-	(23,949)	(23,949)
Release of restricted capital funds spent in the year	-	(13,838)	13,838	-
	27	(2,829)	6,901	4,099
<b>Balance at 1 August 2016</b>	<b>12,497</b>	<b>12,153</b>	<b>442,225</b>	<b>466,875</b>
Surplus from the income and expenditure statement	447	23,684	16,190	40,321
Other comprehensive expenditure	-	-	(3,089)	(3,089)
Release of restricted capital funds spent in the year	-	(17,175)	17,175	-
<b>Total comprehensive income for the year</b>	<b>447</b>	<b>6,509</b>	<b>30,276</b>	<b>37,232</b>
<b>Balance at 31 July 2017</b>	<b>12,944</b>	<b>18,662</b>	<b>472,501</b>	<b>504,107</b>
<b>University</b>	<b>Income and Expenditure account</b>			<b>Total</b>
	Endowment	Restricted	Unrestricted	
	£000	£000	£000	<b>£000</b>
<b>Balance at 1 August 2015</b>	<b>12,470</b>	<b>14,982</b>	<b>427,326</b>	<b>454,778</b>
Surplus from the income and expenditure statement	27	11,009	17,109	28,145
Other comprehensive expenditure	-	-	(23,949)	(23,949)
Release of restricted capital funds spent in the year	-	(13,838)	13,838	-
	27	(2,829)	6,998	4,196
<b>Balance at 1 August 2016</b>	<b>12,497</b>	<b>12,153</b>	<b>434,324</b>	<b>458,974</b>
Surplus from the income and expenditure statement	447	23,684	19,329	43,460
Other comprehensive expenditure	-	-	(3,089)	(3,089)
Release of restricted capital funds spent in the year	-	(17,175)	17,175	-
<b>Total comprehensive income for the year</b>	<b>447</b>	<b>6,509</b>	<b>33,415</b>	<b>40,371</b>
<b>Balance at 31 July 2017</b>	<b>12,944</b>	<b>18,662</b>	<b>467,739</b>	<b>499,345</b>

**Consolidated and University Balance Sheet as at 31 July 2017**

	Notes	Consolidated		University	
		2017 £000	2016 £000	2017 £000	2016 £000
<b>Non-current assets</b>					
Tangible fixed assets	14	<b>691,980</b>	671,706	<b>655,364</b>	635,133
Heritage assets	14	<b>6,000</b>	6,000	<b>6,000</b>	6,000
Intangible assets	15	<b>3,388</b>	3,743	<b>3,388</b>	3,743
Investments	16	<b>2,414</b>	3,708	<b>19,257</b>	16,811
Investment in associate	17	<b>299</b>	-	-	-
		<b>704,081</b>	685,157	<b>684,009</b>	661,687
<b>Current assets</b>					
Stock		<b>656</b>	774	<b>656</b>	774
Trade and other receivables	18	<b>78,698</b>	78,294	<b>85,763</b>	84,751
Investments	19	<b>334,071</b>	32,044	<b>334,071</b>	32,044
Cash and cash equivalents		<b>115,882</b>	92,937	<b>112,855</b>	90,017
		<b>529,307</b>	204,049	<b>533,345</b>	207,586
<b>Less: Creditors: amounts falling due within one year</b>	20	<b>(148,149)</b>	(136,383)	<b>(144,972)</b>	(133,558)
<b>Net current assets</b>		<b>381,158</b>	67,666	<b>388,373</b>	74,028
<b>Total assets less current liabilities</b>		<b>1,085,239</b>	752,823	<b>1,072,382</b>	735,715
<b>Creditors: amounts falling due after more than one year</b>	21	<b>(420,311)</b>	(127,148)	<b>(412,958)</b>	(119,278)
<b>Provisions</b>					
Pension provisions	22	<b>(160,079)</b>	(157,463)	<b>(160,079)</b>	(157,463)
Other provisions	22	<b>(742)</b>	(1,337)	-	-
<b>Total net assets</b>		<b>504,107</b>	466,875	<b>499,345</b>	458,974
Represented by:					
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	23	<b>12,944</b>	12,497	<b>12,944</b>	12,497
Income and expenditure reserve - restricted reserve	24	<b>18,662</b>	12,153	<b>18,662</b>	12,153
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		<b>472,501</b>	442,225	<b>467,739</b>	434,324
<b>Total reserves</b>		<b>504,107</b>	466,875	<b>499,345</b>	458,974

The financial statements were approved by the Council on 29 November 2017, and signed on its behalf by:



Professor Sir Christopher Snowden  
President and Vice-Chancellor



David Price  
Treasurer



Sarah Pook  
Executive Director, Finance and Planning

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**Consolidated Statement of Cash Flows for the year ended 31 July 2017**


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	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
<b>Cash flow from operating activities</b>		
Surplus for the year	<b>40,321</b>	28,048
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation	<b>31,926</b>	30,161
Loss on investments	<b>806</b>	148
Impairment of investments - (decrease)/increase	<b>(10)</b>	179
Decrease/(increase) in stock	<b>118</b>	(48)
Decrease/(increase) in trade and other receivables	<b>12,555</b>	(7,236)
Increase in creditors	<b>13,157</b>	2,141
(Decrease)/increase in pension provision	<b>(473)</b>	9,483
Decrease in other provisions	<b>(595)</b>	(170)
Receipt of donated equipment and software	<b>(1,436)</b>	-
Exchange rate loss on loans	<b>339</b>	1,193
Loss/(gain) on revaluation of investment property	<b>2,456</b>	(554)
(Gain)/loss on financial instruments	<b>(166)</b>	153
Share of operating surplus in associate	<b>(299)</b>	-
<b>Adjustment for investing or financing activities</b>		
Investment income	<b>(1,420)</b>	(1,134)
New endowments	<b>(5)</b>	(66)
Capital grant income	<b>(33,748)</b>	(12,621)
Interest payable	<b>9,459</b>	7,556
Fixed rate partial termination cost	<b>13,724</b>	-
Loss on the disposal/write down of fixed assets	<b>3,223</b>	4,736
<b>Net cash inflow from operating activities</b>	<b>89,932</b>	61,969

**Consolidated Statement of Cash Flows for the year ended 31 July 2017**

	Year ended 31 July 2017	Year ended 31 July 2016
<b>Cash flows from investing activities</b>		
Capital grants receipts	<b>21,130</b>	16,337
Payments made to acquire tangible assets	<b>(56,936)</b>	(64,175)
Payments made to acquire intangible assets	<b>(696)</b>	(407)
Payments made to acquire fixed asset investments	-	(100)
Proceeds from disposal of tangible assets	<b>47</b>	32
Net (investment)/divestment in current investments	<b>(301,525)</b>	22,472
Investment income	<b>1,039</b>	1,269
<b>Net cash outflow from investing activities</b>	<b>(336,941)</b>	(24,572)
<b>Cash flows from financing activities</b>		
Interest paid	<b>(7,388)</b>	(7,576)
Fixed rate partial termination cost	<b>(13,724)</b>	-
New endowments	<b>5</b>	66
New unsecured loans	<b>298,312</b>	20
Repayment of amounts borrowed	<b>(6,978)</b>	(5,669)
Capital element of finance lease repayments	<b>(273)</b>	(253)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>269,954</b>	(13,412)
<b>Increase in cash and cash equivalents in the year</b>	<b>22,945</b>	23,985
Cash and cash equivalents at beginning of the year	<b>92,937</b>	68,952
Cash and cash equivalents at end of the year	<b>115,882</b>	92,937

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**1. Statement of principal accounting policies****a. General**

The University of Southampton is a chartered corporation established by Royal Charter in 1952, and an exempt charity under the terms of the Charities Act 2011. Its principal place of business is University Road, Southampton, Hampshire, United Kingdom.

**b. Basis of accounting**

The financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and the applicable accounting standard Financial Reporting Standard 102 (FRS 102). The financial statements comply with the requirements of FRS 102.

The financial statements are prepared in accordance with the historical cost convention, modified to include certain items at fair value.

The University is a public benefit entity and has applied the relevant public benefit entity requirements of FRS 102.

**c. Basis of consolidation**

The financial statements consolidate the financial statements of the University and of its subsidiary undertakings for the financial year to 31 July.

Where the financial statements of subsidiary companies are denominated in foreign currency, income and expenditure are converted to sterling for consolidation on the basis of the average exchange rate for the accounting period and the balance sheet is converted using the rate at the balance sheet date. Any resulting exchange rate differences are recognised in the Statement of Comprehensive Income.

The consolidated Statement of Comprehensive Income includes the Group's share of the comprehensive income of associated undertakings and the Consolidated Balance Sheet includes the investment in associated undertakings at the Group's share of their underlying net tangible assets (the 'equity method'). Associated undertakings are those in which the Group has significant, but not dominant, influence over their commercial and financial policy decisions.

The consolidated financial statements do not include the income and expenditure of the University of Southampton Students' Union as it is a separate entity over which the University does not

exert control or significant influence over policy decisions.

A 20% non-controlling interest exists in Southampton Asset Management Ltd, a subsidiary company. The value of this minority interest is insignificant and it has therefore not been disclosed within the financial statements.

**d. Income recognition***Government grants*

Both revenue and capital government grants are accounted for under the Performance Model. Income is recognised within the Statement of Comprehensive Income when the University is entitled to the income and performance related conditions specified in the agreement have been met. In the absence of any performance conditions income is recognised in full as soon as it becomes receivable.

Income received in advance of performance related conditions being met is recognised on the Balance Sheet as deferred income and released to the Statement of Comprehensive Income in line with such conditions being met. Where grants are received in arrears income is recognised in line with the performance conditions which have been met.

*Tuition fees*

Fee income is credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is waived or reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

*Provision of goods or services*

Income from the sale of goods or services is recognised in the Statement of Comprehensive Income when the goods or services are supplied or the terms of the contract have been satisfied. Where services are being rendered, but are not complete at the end of the period, income is recognised with reference to the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract.

*Research income*

Income is recognised within the Statement of Comprehensive Income when the performance related conditions agreed with the funder have been met. In the absence of performance conditions income is recognised in full as soon as the University is entitled to the income.

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## Notes to the Financial Statements for the year ended 31 July 2017

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### *Non-government grants, donations and endowments*

Non-government grants and donation income are accounted for under the Performance Model. This income can be split into 3 classes:

- Non-government grants and donated income with performance conditions
- Donations with restrictions  
A donation is considered to have a restriction when the gift agreement contains “a requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a performance related condition.”  
Income with restrictions, but no performance conditions, is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and recorded within restricted reserves. As the funding is expended against the restriction it is transferred to unrestricted reserves by way of a reserves transfer.
- Donations without restrictions  
Income with neither restrictions nor performance conditions is recognised within the Statement of Comprehensive Income when the University is entitled to the income.

Endowments are a class of donation where the donor requires the original gift to be invested, with the return to be spent against the donor’s charitable aims. The donor can specify that the capital can be spent (expendable endowment) or maintained in perpetuity (permanent endowment). In addition, the donor can specify how the gift and any associated income should be spent (a restricted endowment) or give the funds for any purpose of the University (unrestricted endowment).

An endowment gift is recognised in the Statement of Comprehensive Income when the University is entitled to the income. Investment income is recognised in the period in which it arises and as either restricted or unrestricted income according to the terms of each endowment. The gain or loss on endowment funds is recorded within the Statement of Comprehensive Income, with the value retained in the capital element of the fund to which it relates.

### *Capital grants*

Grants, both government and non-government, received for the purpose of purchasing or constructing specific assets are recognised as income upon the asset being brought into use, or

in line with the phased completion of large construction projects. Grants where the University has discretion over the assets being purchased or built are recognised in full as income when the University is entitled to the income.

Grant income is only recognised across the useful life of the asset to the extent that the grant specifically funds the operation/maintenance of the asset.

### *Interest*

Interest is credited to the Statement of Comprehensive Income for the period in which the income is earned.

### *Agency 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.

## **e. Pension schemes**

Pensions are provided by means of funded defined benefit schemes and annual contributions are based on actuarial advice. The operating costs of providing retirement benefits to employees are recognised in accounting periods in which the benefits are earned by employees, and the related finance costs and other changes in value of the assets and liabilities are recognised in the period in which they arise.

A liability is recorded for any contractual commitment to fund past deficits within multi-employer schemes. The associated expense is recognised in the Statement of Comprehensive Income.

In addition, to comply with the Pensions Act 2008, the University offers all University staff access to a qualifying pension scheme through NEST. The amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme.

## **f. Employment benefits**

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the period employees render service to the University. Any unused benefits which have accrued at each balance sheet date are recognised as a liability, with the expense being recognised as staff costs in the Statement of Comprehensive Income.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**g. Leases***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 a finance lease and the associated lease liability are stated at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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.

*Operating leases*

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

**h. Foreign currency**

Transactions denominated in foreign currencies are recorded in the Statement of Comprehensive Income at the actual rate of exchange on conversion to sterling. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate prevailing at that date.

Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

**i. Tangible assets**

Tangible assets are stated at cost and depreciated on a straight-line basis over a term based on the expected useful economic life of the asset.

Buildings under construction within the University are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Land is not depreciated.

Equipment purchased by the University and costing less than

£25,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised. The capitalisation thresholds for subsidiary undertakings are set at appropriate levels that do not exceed £25,000.

Equipment capitalised by the University is generally stated at cost and depreciated over three years. Large scale items of equipment and computer infrastructure are depreciated over a period equal to their expected useful economic life. Capitalised furniture and equipment held by subsidiary undertakings is depreciated over periods of between three and ten years.

Where the major components of buildings have significantly different useful lives, the initial cost or the replacement cost of a component shall be allocated to its major components and each component depreciated separately over its useful life.

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

**j. Heritage assets**

Artefacts held and conserved principally for their contribution to knowledge and culture, obtained since 1 August 2010, costing over £25,000, are capitalised and held at the lower of cost or net realisable value. Where assets are fully or substantially donated, they are capitalised and held at the lower of valuation at the time of acquisition or net realisable value.

Heritage assets are not depreciated as their long economic lives mean that any depreciation would be immaterial but they are regularly reviewed for impairment.

Income received to support the purchase of heritage assets is recognised when the University is entitled to the income.

The University holds a number of heritage assets obtained before 1 August 2010 that are not capitalised as the historical cost or valuation at the time of acquisition cannot be determined in a cost beneficial manner.

**k. Intangible assets**

Intangible assets costing less than £25,000 per individual item or group of related items are written off in the year of acquisition.

Intangible assets capitalised by the University are generally stated at cost and amortised over three years on a straight-line basis. Significant assets are amortised over a period equal to their expected

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## Notes to the Financial Statements for the year ended 31 July 2017

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useful economic life (up to a maximum period of 8 years). An impairment review of an intangible asset is carried out if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

### **I. Gifts in kind**

Gifts in kind are included as fixed assets and depreciated in accordance with the policy set out above. The value of the donation is included in the Statement of Comprehensive Income in the period in which it is received, using a reasonable estimate of the gross value or the amount actually realised.

### **m. Investment properties**

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Investment properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

### **n. Investments**

All investments will initially be recognised at cost and subsequently measured at fair value at each reporting date, with movements recognised in the Statement of Comprehensive Income. For non-trading investments where fair value cannot be reliably measured, they will be measured at cost less impairment.

Investments in subsidiary undertakings and associates are accounted for at cost less accumulated impairment losses.

All gains and losses on investment assets are recognised in the Statement of Comprehensive Income for that period.

### **o. Stock**

The stocks are centrally held items for cleaning, maintenance and resale, and cochlear implants awaiting issue to patients. Stock is stated at the lower of cost and net realisable value.

### **p. Cash and cash equivalents**

Cash includes cash in hand, cash at bank, 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. Deposit investments are deemed to be cash equivalents if they have a maturity of three months or less from the date of acquisition.

Cash and cash equivalents contain sums relating to endowment reserves which the University is restricted as to how they disburse.

### **q. Financial instruments**

As allowable under FRS 102 the University has adopted the option to apply the recognition, measurement and disclosure requirements of sections 11 and 12 of FRS 102.

#### *Loans*

Loans are measured at amortised cost using the effective interest rate method and are subject to an annual impairment review.

#### *Public bonds*

Bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the bonds are measured at amortised cost using the effective interest rate method. Under this method the discount at which the bonds were issued and the transaction costs are accounted for as an additional interest expense over the term of the bonds.

#### *Derivatives*

Derivatives are held on the balance sheet at fair value with any gains or losses being reported in the Statement of Comprehensive Income. The fair values are calculated by the bank from proprietary models based upon well recognised financial principles, data sources believed to be reliable and reasonable estimates about relevant future market conditions.

#### *Short-term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

### **r. Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

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

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**s. Comparatives**

Where accounting practice has changed, the prior year comparatives have been revised accordingly. Tuition fee income and other operating expenses recorded for 2015/16 have both been reduced by £698,000 to ensure that those fees that are funded by research income are waived and not included as fee income. In note 18, the long term element of the prepayments for 2015/16 (£2,522,000) has been moved to prepayments due after more than one year. A review of expenditure classified by activity (note 12) has resulted in a number of minor changes to the classifications applied in 2015/16. None of these prior year updates had any impact on the surplus reported in the Statement of Comprehensive Income.

Where new Financial Reporting Standards have been implemented or notes have been enhanced to provide additional information, comparative figures have been amended accordingly.

**t. Taxation**

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is listed as a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 472-488 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.

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.

**u. Reserves**

Reserves are classified as restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

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## Notes to the Financial Statements for the year ended 31 July 2017

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### 2. Significant judgements and estimates

In the preparation of the 2017 consolidated financial statements, it is the responsibility of management to make informed judgements and estimates that affect the reported values for assets, liabilities, income and expenditure.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable based on the information available. Actual results may differ from these estimates.

The key assumptions concerning the future, and other significant sources of estimation and material judgements at the reporting date of 31 July 2017, are as follows:

#### *Defined benefit scheme pension provision*

The University contributes to two defined benefit pension schemes for which a provision is recorded in the Balance Sheet, these are University of Southampton Pension and Assurance Scheme (PASNAS) and Hampshire County Council (HCC). The recognised liability is based on the valuation provided by professionally qualified independent actuaries which is based on a number of assumptions. These include the future cash flows of the Scheme, the discount rate used (which is based on average AA rated UK Corporate Bond rates that reflect the duration of our liability), the pensionable salary growth going forward and proposed price inflation (which is based on the Retail Price Index). Further details can be found in note 28.

The net interest expense is based on the interest rates of AA rated corporate bonds and the deficit position.

Management review the assumptions made to derive the provisions recorded within the Balance Sheet to ensure that they are reasonable.

#### *USS pension provision*

The University has a contractual commitment to make deficit recovery payments to the Universities Superannuation Scheme Ltd (USS), and under section 28 of FRS 102 this is recorded as a provision within the Balance Sheet. The University's obligation under the scheme has been calculated on a discounted present value basis.

The calculation of the provision has required management to make a judgement regarding the prevailing discount rate. This has been determined by reference to average market yields at the reporting date on high quality corporate bonds (bond rating AA) whose term covers the remaining duration of the recovery plan.

Further judgements about the rate of staff inflation and the future growth in staff numbers have been based on the assumptions used in the University's business plans which have been reviewed and approved by the University's governing body.

#### *Revaluation model for investment property*

The University of Southampton Science Park is an investment property which is valued each year by an independent valuation specialist. The property is stated at fair value with changes in the fair value being recognised in the Statement of Comprehensive Income.

The valuer uses a valuation technique based on the net present value of contracted future rental streams. This valuation method requires assumptions to be made regarding the estimated yield from the property and the level of long-term occupancy rates. Management acknowledges that changes to these assumptions can derive a different valuation, but accept that the assumptions used are reasonable based on past performance and existing lease commitments.

#### *Fair value of investments*

Where possible, investments are measured at fair value. This is by reference to the published market price of the investments held which are judged to provide a reasonable estimate of their value. Where there is no market rate available, investments are measured at cost.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**3. Tuition fees and education contracts**

	<b>Consolidated</b>		<b>University</b>	
		Restated		Restated
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Full-time home/EU students	<b>141,901</b>	137,488	<b>141,901</b>	137,488
Full-time international students	<b>77,531</b>	80,744	<b>76,302</b>	79,890
Part-time home/EU students	<b>3,039</b>	2,642	<b>3,039</b>	2,642
Part-time international students	<b>712</b>	668	<b>712</b>	668
Research training support grants	<b>17,283</b>	16,841	<b>17,283</b>	16,841
Special and short course fees	<b>7,073</b>	5,665	<b>7,073</b>	5,665
	<b>247,539</b>	244,048	<b>246,310</b>	243,194

Included in the above is £17,004,000 (2016: £17,159,000) of NHS Teaching Contract income in respect of full and part time fees. Other income from health authorities is disclosed under note 6.

Fee income is stated net of waivers and discounts.

**4. Funding body grants**

	<b>Consolidated and University</b>	
	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Recurrent grants:</b>		
Higher Education Funding Council for England (HEFCE)	<b>63,665</b>	61,448
National College for Teaching and Leadership	<b>31</b>	83
<b>Specific grants:</b>		
Higher Education Funding Council for England (HEFCE)	<b>5,036</b>	4,997
<b>Capital grants</b>	<b>7,268</b>	8,121
	<b>76,000</b>	74,649

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**5. Research grants and contracts**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Income</b>				
UK Research councils	<b>46,987</b>	50,686	<b>46,987</b>	50,682
UK Research councils - capital grants	<b>26,000</b>	-	<b>26,000</b>	-
UK based charities	<b>14,513</b>	12,905	<b>14,513</b>	12,890
UK Central Government/local authorities/health authorities and hospitals	<b>17,026</b>	16,000	<b>17,026</b>	15,864
UK public corporations/industry and commerce	<b>6,676</b>	7,917	<b>6,422</b>	7,583
EU Government	<b>15,810</b>	14,424	<b>15,808</b>	14,418
EU other sources	<b>2,084</b>	1,968	<b>1,978</b>	1,885
Other overseas sources	<b>7,420</b>	7,216	<b>7,226</b>	6,916
Other sources	<b>351</b>	703	<b>345</b>	279
Research and development expenditure credit (RDEC) claims from HMRC	<b>7</b>	685	<b>7</b>	685
	<b>136,874</b>	112,504	<b>136,312</b>	111,202

The University received £26 million from EPSRC for the National Infrastructure Laboratory, which is being funded under Phase 1 of the UKCRIC Capital Programme.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**6. Other income**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Residences, catering and conferences	<b>42,249</b>	40,186	<b>42,249</b>	40,186
Consultancies, trading and services rendered	<b>44,144</b>	42,264	<b>41,711</b>	40,999
Health authorities	<b>10,927</b>	10,667	<b>10,927</b>	10,667
Other capital grants	-	4,500	-	4,500
Other income	<b>23,617</b>	21,641	<b>22,396</b>	21,123
	<b>120,937</b>	119,258	<b>117,283</b>	117,475

**7. Investment income**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Investment income on endowments	<b>216</b>	169	<b>216</b>	169
Other investment income	<b>1,204</b>	965	<b>1,532</b>	1,086
	<b>1,420</b>	1,134	<b>1,748</b>	1,255

**8. Donations and endowments**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Capital grants	<b>480</b>	-	<b>480</b>	-
New endowments	<b>5</b>	66	<b>5</b>	66
Disposed endowments	-	(15)	-	(15)
Donations with restrictions	<b>5,038</b>	2,851	<b>5,038</b>	2,851
Unrestricted donations	<b>842</b>	357	<b>842</b>	357
	<b>6,365</b>	3,259	<b>6,365</b>	3,259

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**9. Staff costs**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Staff costs :</b>				
Salaries and wages	<b>241,736</b>	233,923	<b>240,186</b>	232,453
Social Security costs	<b>23,560</b>	19,748	<b>23,511</b>	19,704
Pension costs	<b>44,210</b>	37,598	<b>44,083</b>	37,502
Movement on USS provision	<b>(9,577)</b>	3,639	<b>(9,577)</b>	3,639
Severance and early retirement	<b>946</b>	495	<b>946</b>	495
	<b>300,875</b>	295,403	<b>299,149</b>	293,793

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>Number</b>	Number	<b>Number</b>	Number
<b>Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:</b>				
Education, research and enterprise	<b>2,871</b>	2,832	<b>2,849</b>	2,817
Management, specialist and administrative	<b>2,148</b>	2,078	<b>2,120</b>	2,054
Technical and experimental	<b>367</b>	374	<b>366</b>	373
Community and operational	<b>489</b>	493	<b>489</b>	493
	<b>5,875</b>	5,777	<b>5,824</b>	5,737

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**9. Staff costs (continued)****Emoluments of the Vice-Chancellor**

Professor Sir Christopher Snowden (start date 1st October 2015)

	<b>2017</b>	2016
	<b>£000</b>	£000
Salary	<b>423</b>	348
Performance-related bonus	-	-
Taxable benefits	<b>1</b>	1
	<b>424</b>	349
USS Scheme deficit recovery charge (2.1%) - non-contributory*	<b>9</b>	3
	<b>433</b>	352

In 2015/16 the President and Vice-Chancellor, Professor Sir Christopher Snowden, was employed by the University for 10 months.

\* The University contributed £9,000 (2016: £3,000) to the USS Scheme in respect of deficit recovery contributions, based on 2.1% of the Vice-Chancellor's salary.

Professor Don Nutbeam (end date 30th September 2015)

	<b>2017</b>	2016
	<b>£000</b>	£000
Salary	-	295
Performance-related bonus	-	43
	-	338
Employers pension contributions	-	7
	-	345

The emoluments in 2015/16 include compensation for loss of office of £252,000 which was paid to Professor Nutbeam.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**9. Staff costs (continued)****Higher Paid Staff**

Remuneration of higher paid staff (excluding the head of institution), excluding employer's pension contributions, but including NHS distinction awards where appropriate:

	<b>2017</b>		2016	
	<b>Number</b>		Number	
	<b>Total All Staff</b>	<b>Clinical</b>	Total All Staff	Clinical
£100,000 - £109,999	<b>43</b>	<b>8</b>	48	10
£110,000 - £119,999	<b>21</b>	<b>11</b>	25	11
£120,000 - £129,999	<b>18</b>	<b>8</b>	13	8
£130,000 - £139,999	<b>8</b>	<b>3</b>	9	4
£140,000 - £149,999	<b>5</b>	<b>2</b>	9	6
£150,000 - £159,999	<b>14</b>	<b>12</b>	13	8
£160,000 - £169,999	<b>9</b>	<b>7</b>	7	7
£170,000 - £179,999	<b>9</b>	<b>4</b>	6	5
£180,000 - £189,999	<b>3</b>	<b>3</b>	2	1
£190,000 - £199,999	<b>2</b>	<b>1</b>	1	1
£200,000 - £209,999	<b>1</b>	<b>1</b>	1	1
£210,000 - £219,999	<b>2</b>	<b>2</b>	3	3
£220,000 - £229,999	-	-	-	-
£230,000 - £239,999	<b>1</b>	<b>1</b>	-	-
£240,000 - £249,999	-	-	-	-
£250,000 - £259,999	<b>1</b>	-	-	-

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**9. Staff costs (continued)****Compensation for loss of office**

Aggregate payments for compensation for loss of office for one (2016: one) senior member of staff earning more than £100,000 was £174,000 (2016: £252,000). In 2015/16, the payment related to the outgoing Vice-Chancellor, Professor Nutbeam.

Salaries and wages, emoluments of the Vice-Chancellor and higher paid staff numbers are stated before salary sacrifice deductions.

**Key management personnel**

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.

During 2015/16 the executive structure of the University was revised; therefore the costs for the key management personnel in 2015/16 comprise the salary and benefits for the 14.7 full-time equivalent members of the University Academic Executive for the first 6 months, and the salary and benefits of the 14.4 full-time equivalent members of the University Executive Board for the second 6 months to 31 July. The 2016/17 costs comprise the salary and benefits for the 15.2 full-time equivalent members of the University Executive Board.

	<b>2017</b>	2016
	<b>£000</b>	£000
Key management personnel compensation	<b>3,723</b>	3,273

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**10. Other operating expenses**

	<b>Consolidated</b>		<b>University</b>	
		Restated		Restated
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Non-capitalised equipment	<b>19,909</b>	20,190	<b>19,772</b>	20,101
Impairment of property value	-	3,233	-	3,233
Consumables and laboratory expenditure	<b>18,079</b>	18,445	<b>18,028</b>	18,393
Office expenses and professional fees	<b>26,834</b>	29,126	<b>25,984</b>	28,207
Travel costs	<b>14,602</b>	14,081	<b>14,458</b>	13,912
Repairs, refurbishment and scheduled maintenance	<b>15,968</b>	15,611	<b>14,856</b>	14,501
Heat, light, water and power	<b>9,555</b>	7,905	<b>9,499</b>	7,867
Books and periodicals	<b>5,508</b>	5,506	<b>5,508</b>	5,506
Bursaries, fellowships, scholarships and prizes	<b>30,740</b>	33,394	<b>30,735</b>	33,384
External agencies and staff secondments	<b>10,896</b>	12,600	<b>10,808</b>	12,516
Rents, rates and hire of facilities	<b>9,406</b>	7,909	<b>9,688</b>	8,143
Catering supplies	<b>2,600</b>	2,461	<b>2,463</b>	2,353
Conference fees	<b>3,127</b>	3,014	<b>3,133</b>	3,018
Grant to Students' Union	<b>2,740</b>	2,752	<b>2,740</b>	2,752
External auditors' remuneration	<b>86</b>	80	<b>42</b>	45
Auditors' remuneration in respect of other services	<b>131</b>	107	<b>126</b>	96
Other expenses	<b>15,866</b>	10,289	<b>12,573</b>	11,172
	<b>186,047</b>	186,703	<b>180,413</b>	185,199

Lay members and non University staff officers of the Council did not receive payment, apart from the reimbursement of expenses, for fulfilling their role as members of the governing body.

Total expenses paid to eleven (2016: twelve) members of Council were £7,000 (2016: £12,000), representing reimbursement of travel and other expenses incurred in attending Council and related meetings, and representing the University in the UK and overseas.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**11. Interest and other finance costs**

	Consolidated		University	
	2017	2016	2017	2016
	£000	£000	£000	£000
Loan interest	<b>3,675</b>	3,870	<b>3,419</b>	3,581
Bond interest	<b>2,066</b>	-	<b>2,066</b>	-
Finance lease interest	<b>3,718</b>	3,686	<b>3,718</b>	3,686
Fixed rate partial termination cost	<b>13,724</b>	-	<b>13,724</b>	-
Exchange rate loss on currency loans	<b>321</b>	952	<b>339</b>	1,193
(Decrease)/increase in fair value of financial instrument	<b>(166)</b>	153	-	-
Net charge on pension schemes	<b>3,429</b>	4,143	<b>3,429</b>	4,143
	<b>26,767</b>	12,804	<b>26,695</b>	12,603

During 2016/17 the University restructured its borrowing commitments and as part of this exercise incurred costs of £13,724,000 (2016: nil). See note 21 for further information.

**12. Analysis of 2017 expenditure by activity****Consolidated**

	Staff costs	Depreciation and amortisation	Other operating expenses	Interest payable	2017 Total	Restated
						2016 Total
	£000	£000	£000	£000	£000	£000
Academic departments	160,376	2,434	30,121	-	<b>192,931</b>	186,945
Academic services	20,035	3,907	15,825	-	<b>39,767</b>	39,805
Research grants and contracts	52,093	5,338	25,211	-	<b>82,642</b>	80,980
Residences, catering and conferences	6,623	4,335	15,443	2,805	<b>29,206</b>	28,130
Premises	10,370	14,906	25,588	-	<b>50,864</b>	51,075
Administration and central services	24,321	112	11,424	-	<b>35,857</b>	35,703
General educational expenditure	6,438	-	37,976	-	<b>44,414</b>	44,749
Consultancies, trading and services rendered	22,693	894	22,917	74	<b>46,578</b>	40,475
Other activities	(2,074)	-	1,542	23,888	<b>23,356</b>	17,209
	<b>300,875</b>	<b>31,926</b>	<b>186,047</b>	<b>26,767</b>	<b>545,615</b>	<b>525,071</b>

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**12. Analysis of 2017 expenditure by activity (continued)****University**

	Staff costs	Depreciation and amortisation	Other operating expenses	Interest payable	<b>2017 Total</b>	Restated 2016 Total
	£000	£000	£000	£000	<b>£000</b>	£000
Academic departments	159,801	2,192	30,022	-	<b>192,015</b>	186,247
Academic services	19,961	3,907	15,608	-	<b>39,476</b>	39,402
Research grants and contracts	52,093	5,324	24,735	-	<b>82,152</b>	79,674
Residences, catering and conferences	6,623	4,335	15,443	2,805	<b>29,206</b>	28,130
Premises	10,367	14,861	25,776	-	<b>51,004</b>	51,260
Administration and central services	23,739	112	10,924	-	<b>34,775</b>	34,645
General educational expenditure	6,438	-	37,975	-	<b>44,413</b>	44,738
Consultancies, trading and services rendered	22,201	834	18,367	-	<b>41,402</b>	39,055
Other activities	(2,074)	-	1,563	23,890	<b>23,379</b>	18,273
	<u>299,149</u>	<u>31,565</u>	<u>180,413</u>	<u>26,695</u>	<b><u>537,822</u></b>	<u>521,424</u>

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**13. Taxation**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Analysis of tax charge:</b>				
UK Corporation Tax	-	146	-	146
Deferred tax	<b>(531)</b>	(67)	-	-
	<b>(531)</b>	79	-	146

**Recognised in the Statement of Comprehensive Income:**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Current tax</b>				
Current tax	-	146	-	146
<b>Current tax expense</b>	-	146	-	146
<b>Deferred tax</b>				
Origination and reversal of timing differences	<b>(531)</b>	(67)	-	-
<b>Deferred tax expense</b>	<b>(531)</b>	(67)	-	-
<b>Total tax expense</b>	<b>(531)</b>	79	-	146

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**14. Tangible fixed assets****Consolidated**

	Freehold land and buildings	Leasehold land and buildings	Assets in course of construction	Investment properties	Fixtures, fittings and equipment	Heritage assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
At 1 August 2016	575,006	142,195	64,737	29,366	128,022	6,000	945,326
Additions at cost	9,641	291	38,556	336	8,051	-	56,875
Transfers at cost	33,351	71	(43,619)	6,738	3,459	-	-
Loss on revaluation	-	-	-	(2,456)	-	-	(2,456)
Disposals at cost	(7,321)	(363)	(812)	-	(4,001)	-	(12,497)
<b>At 31 July 2017</b>	<b>610,677</b>	<b>142,194</b>	<b>58,862</b>	<b>33,984</b>	<b>135,531</b>	<b>6,000</b>	<b>987,248</b>
<b>Depreciation</b>							
At 1 August 2016	(122,523)	(45,636)	-	(167)	(99,294)	-	(267,620)
Charge for year	(11,913)	(5,913)	-	(12)	(13,037)	-	(30,875)
Eliminated on disposal	5,657	363	-	-	3,207	-	9,227
<b>At 31 July 2017</b>	<b>(128,779)</b>	<b>(51,186)</b>	<b>-</b>	<b>(179)</b>	<b>(109,124)</b>	<b>-</b>	<b>(289,268)</b>
<b>Net book value</b>							
<b>At 31 July 2017</b>	<b>481,898</b>	<b>91,008</b>	<b>58,862</b>	<b>33,805</b>	<b>26,407</b>	<b>6,000</b>	<b>697,980</b>
At 1 August 2016	452,483	96,559	64,737	29,199	28,728	6,000	677,706

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**14. Tangible fixed assets (continued)****University**

	Freehold land and buildings £000	Leasehold land and buildings £000	Assets in course of construction £000	Fixtures, fittings and equipment £000	Heritage assets £000	Total £000
<b>Cost or valuation</b>						
At 1 August 2016	575,004	140,419	59,576	126,027	6,000	907,026
Additions at cost	9,641	271	36,289	7,807	-	54,008
Transfers at cost	33,351	(546)	(36,264)	3,459	-	-
Disposals at cost	(7,321)	(363)	(812)	(3,989)	-	(12,485)
<b>At 31 July 2017</b>	<b>610,675</b>	<b>139,781</b>	<b>58,789</b>	<b>133,304</b>	<b>6,000</b>	<b>948,549</b>
<b>Depreciation</b>						
At 1 August 2016	(122,523)	(45,566)	-	(97,804)	-	(265,893)
Charge for year	(11,913)	(5,898)	-	(12,703)	-	(30,514)
Eliminated on disposal	5,657	363	-	3,202	-	9,222
<b>At 31 July 2017</b>	<b>(128,779)</b>	<b>(51,101)</b>	<b>-</b>	<b>(107,305)</b>	<b>-</b>	<b>(287,185)</b>
<b>Net book value</b>						
<b>At 31 July 2017</b>	<b>481,896</b>	<b>88,680</b>	<b>58,789</b>	<b>25,999</b>	<b>6,000</b>	<b>661,364</b>
At 1 August 2016	452,481	94,853	59,576	28,223	6,000	641,133

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## Notes to the Financial Statements for the year ended 31 July 2017

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### 14. Tangible fixed assets (continued)

At 31 July 2017, freehold land and buildings included £94,996,000 (2016: £94,900,000) in respect of land, which is not depreciated.

The figures for completed leasehold land include an asset held under a finance lease which has been capitalised. This is held at a cost of £49,000,000, with accumulated depreciation of £2,777,000 (2016: £1,800,000) and a net book value of £46,223,000 (2016: £47,200,000).

Included in the balances for leasehold land and buildings is expenditure of £27,800,000 funded by HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership, and £14,600,000 for the National Oceanography Centre, Southampton, funded by HEFCE in respect of buildings constructed by the Natural Environment Research Council.

The investment property, University of Southampton Science Park, has been valued as at 31 July 2017 by Vail Williams LLP. In accordance with FRS 102, revaluations are conducted annually by an external valuer in accordance with the Practice Statements in the RICS Appraisal and Valuation manual. The property has been valued on the basis of net present value of guaranteed future rental income from existing leases. The market value of the science park decreased by £2,027,000 during the year. The historical cost of these assets at 31 July 2017, net of assistance grants, amounted to £30,504,000 (2016: £22,793,000).

In addition to the above expenditure on tangible assets a further £127,562,000 has been committed by the University and its subsidiary undertakings (note 26).

### Heritage Assets

The University holds and conserves a significant number of rare books and manuscripts within the Special Collections Division of the Hartley Library. This includes over 6 million items in approximately 2,500 collections that have been obtained by the University and its predecessors since the 1860s. The University also maintains a significant number of paintings, drawings, sculptures, silverware and life science specimens. Items and collections obtained before 1 August 2010 have not been capitalised as the cost or valuation at the time of acquisition cannot be economically determined.

In August 2011, the University completed the acquisition of the Broadlands Archives, a significant collection of manuscripts dating from the sixteenth century to the present. Comprising more than 4,500 boxes of documents, the Broadlands Archives include correspondence of the Victorian Foreign Secretary and Prime Minister Lord Palmerston and approximately 250,000 papers and 50,000 photographs of Earl Mountbatten of Burma, including the foundation archives for the states of India and Pakistan. The collection also includes the diaries of the 19th-century social reformer and philanthropist, the 7th Earl of Shaftesbury and material regarding the Temple and Ashley estates in Hampshire. An open market valuation of the Broadlands Archives was obtained in September 2012 from Bernard Quaritch Ltd, specialists in the valuation and sale of archives and manuscript collections. The valuer considered the separate collections that comprise the Broadlands Archives and took account of restrictions under the terms of associated grants and contracts in reaching an overall valuation of £6 million. The Archives have been capitalised at this value.

Further information regarding the Broadlands Archives and the other collections held within the Hartley Library, including access details, can be found on the Special Collections website at <http://www.southampton.ac.uk/archives>.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**15. Intangible assets****Consolidated and University**

	Software £000	Software in progress £000	Total £000
<b>Cost or valuation</b>			
At 1 August 2016	15,427	597	16,024
Additions at cost	120	576	696
Transfers at cost	111	(111)	-
<b>At 31 July 2017</b>	<b>15,658</b>	<b>1,062</b>	<b>16,720</b>
<b>Amortisation</b>			
At 1 August 2016	(12,281)	-	(12,281)
Charge for year	(1,051)	-	(1,051)
<b>At 31 July 2017</b>	<b>(13,332)</b>	<b>-</b>	<b>(13,332)</b>
<b>Net book value</b>			
<b>At 31 July 2017</b>	<b>2,326</b>	<b>1,062</b>	<b>3,388</b>
At 1 August 2016	3,146	597	3,743

**16. Non-current investments****Consolidated**

	Subsidiary companies £000	Investments held by subsidiaries £000	Other fixed asset investments £000	Total £000
<b>At 1 August 2016</b>	-	2,223	1,485	3,708
Disposals	-	(10)	-	(10)
Transfers	-	333	(333)	-
Market value loss	-	(1,294)	-	(1,294)
Impairment	-	10	-	10
<b>At 31 July 2017</b>	<b>-</b>	<b>1,262</b>	<b>1,152</b>	<b>2,414</b>

**Notes to the Financial Statements for the year ended 31 July 2017****16. Non-current investments (continued)****University**

	Subsidiary companies	Investments held by subsidiaries	Other fixed asset investments	Total
	£000	£000	£000	£000
<b>At 1 August 2016</b>	15,659	-	1,152	16,811
Additions	2,446	-	-	2,446
<b>At 31 July 2017</b>	<b>18,105</b>	<b>-</b>	<b>1,152</b>	<b>19,257</b>

As at the balance sheet date, the University had invested £1,000,000 in the Wyvern Seed Fund Limited Partnership (Wyvern). The University is a limited liability partner in Wyvern, which offers venture capital to spin-out companies originating at the Universities of Bristol and Southampton. This investment is held at cost.

Additional information on shareholdings where the University or its subsidiaries exercise control or significant influence or where shares are listed and the University maintains a holding above 10%:

	Percentage holding	Nature of activity
<b>Held by the University</b>		
AccelerComm Limited	19.96	Enterprise
ECS Partners Limited (ECSP Limited)	100.00	Consultancy
IT Innovation Limited	100.00	Dormant
IT Innovation Centre Limited	100.00	Dormant
Photonic Innovations Limited	50.00	Investment company
Southampton Asset Management Limited (SAM Limited)	80.00	Investment company
Southampton Innovations Limited (SI Limited)	100.00	Investment company
Southampton International Singapore Limited	100.00	* Research
USMC Sdn Bhd (Malaysia)	100.00	Education
University of Southampton Holdings Limited (USH Limited)	100.00	Dormant
The University of Southampton Science Park Limited (SSP Limited)	100.00	Science park management
<b>Investments held by USH Limited</b>		
Clantect Limited	33.00	Enterprise
Z21 Limited	100.00	Dormant
<b>Investments held by SI Limited</b>		
Photonic Innovations Limited (PI Limited)	50.00	Investment company

\* Company limited by guarantee, maximum liability Singapore Dollars S\$1,000.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**17. Investment in associate****Consolidated**

	£000
<b>At 1 August 2016</b>	-
Share of operating surplus	299
<b>At 31 July 2017</b>	<b>299</b>

University of Southampton Holdings Limited owns 33% of Clantect Ltd. It has a financial year end of 31 October. The consolidated Financial Statements of the University reflect a carrying value of £299,000 (2016: £0) equal to 33% of the net assets at 31 July 2017.

**18. Trade and other receivables**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	Restated 2016	<b>2017</b>	Restated 2016
	<b>£000</b>	£000	<b>£000</b>	£000
Amounts falling due within one year:				
Grants from HEFCE	<b>5,585</b>	5,812	<b>5,585</b>	5,812
Student debtors	<b>1,181</b>	1,492	<b>1,181</b>	1,492
Research grants and contracts	<b>39,861</b>	36,170	<b>39,861</b>	36,170
Trade and other receivables	<b>19,574</b>	22,353	<b>18,112</b>	20,981
Amounts due from group undertakings	-	-	<b>1,646</b>	2,398
Prepayments to group undertakings	-	-	<b>109</b>	104
Other prepayments	<b>9,519</b>	9,508	<b>8,933</b>	8,942
	<b>75,720</b>	75,335	<b>75,427</b>	75,899
Amounts falling due after more than one year:				
Prepayments	<b>2,978</b>	2,959	<b>2,895</b>	2,871
Amounts owed by subsidiary undertakings	-	-	<b>7,441</b>	5,981
	<b>78,698</b>	78,294	<b>85,763</b>	84,751

The 2016/17 figure for receivables from research grants and contracts includes an amount for capital grant income of £12,800,000 (2016: £0) relating to funds owed by EPSRC. The 2015/16 figure includes an amount for Research and Development Expenditure Credit income of £8.2 million, which was received during 2016/17.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**19. Current investments**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Cash on deposit	<b>302,031</b>	20,500	<b>302,031</b>	20,500
Investment in shares (at fair value)	<b>32,040</b>	11,544	<b>32,040</b>	11,544
	<b>334,071</b>	32,044	<b>334,071</b>	32,044

During 2016/17 an investment of £20,000,000 was made into the Royal London Asset Management Short-Term Money Market Fund, which was recorded at fair value as at 31 July 2017.

The amount of cash on deposit has increased during 2016/17 following receipt of the proceeds from the public bond issue.

**20. Creditors: amounts falling due within one year**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans	<b>2,818</b>	4,241	<b>2,018</b>	3,487
Other loans - HEFCE	<b>1,000</b>	1,063	<b>1,000</b>	1,063
Obligations under finance leases	<b>299</b>	278	<b>293</b>	272
Research grant income received in advance	<b>48,839</b>	42,319	<b>48,839</b>	42,319
Social Security and other taxation	<b>13,420</b>	13,324	<b>13,415</b>	13,324
Amounts owed to group undertakings	-	-	<b>352</b>	361
Trade and other creditors	<b>23,043</b>	20,392	<b>21,811</b>	19,053
Accruals and deferred income	<b>58,730</b>	54,766	<b>57,244</b>	53,679
	<b>148,149</b>	136,383	<b>144,972</b>	133,558

The figure for accruals and deferred income includes an amount of £2,053,000 (2016: £0) which relates to interest charges on the public bond, issued in April 2017, which had accrued as at 31 July 2017.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**21. Creditors: amounts falling due after more than one year**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans	<b>70,442</b>	74,590	<b>65,558</b>	68,906
Other loans - HEFCE	<b>1,000</b>	2,000	<b>1,000</b>	2,000
Public bond	<b>298,325</b>	-	<b>298,325</b>	-
Obligations under finance leases	<b>47,846</b>	48,145	<b>47,839</b>	48,133
Accruals and deferred income	<b>2,280</b>	1,829	<b>236</b>	239
Derivatives	<b>418</b>	584	-	-
	<b>420,311</b>	127,148	<b>412,958</b>	119,278

**Loans are repayable as follows:**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans:				
Between one and two years	<b>2,897</b>	3,761	<b>2,049</b>	2,961
Between two and five years	<b>6,894</b>	8,105	<b>4,022</b>	5,399
Over five years	<b>60,651</b>	62,724	<b>59,487</b>	60,546
Due after more than one year	<b>70,442</b>	74,590	<b>65,558</b>	68,906
Due within one year (note 20)	<b>2,818</b>	4,241	<b>2,018</b>	3,487
	<b>73,260</b>	78,831	<b>67,576</b>	72,393
Other loans - HEFCE:				
Between one and two years	<b>1,000</b>	1,000	<b>1,000</b>	1,000
Between two and five years	-	1,000	-	1,000
Due after more than one year	<b>1,000</b>	2,000	<b>1,000</b>	2,000
Due within one year (note 20)	<b>1,000</b>	1,063	<b>1,000</b>	1,063
	<b>2,000</b>	3,063	<b>2,000</b>	3,063

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**21. Creditors: amounts falling due after more than one year (continued)**

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Public bond:				
Over five years	<b>298,325</b>	-	<b>298,325</b>	-
	<b>298,325</b>	-	<b>298,325</b>	-
Obligations under finance leases:				
Between one and two years	<b>320</b>	300	<b>316</b>	294
Between two and five years	<b>1,105</b>	1,030	<b>1,103</b>	1,024
Over five years	<b>46,421</b>	46,815	<b>46,421</b>	46,815
Due after more than one year	<b>47,846</b>	48,145	<b>47,840</b>	48,133
Due within one year (note 20)	<b>299</b>	278	<b>293</b>	272
	<b>48,145</b>	48,423	<b>48,133</b>	48,405

In April 2017 an unsecured fixed rate public bond was issued for £300 million over a 40 year term with a coupon rate of 2.25%. The bond was issued at 99.76% of the principal amount. It is listed on the London Stock Exchange. There are no capital repayments to be made over the term, with full repayment due in 2057. Interest is payable every six months.

The bond transaction costs of £980,000 and the bond discount of £708,000 are being amortised over the life of the bond and charged to interest and other finance costs.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**21. Creditors: amounts falling due after more than one year (continued)****Additional information on bank loans:**

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2017 £000	Balance outstanding 2016 £000
University:					
National Westminster Bank	1996	2016	fixed	-	508
National Australia Bank	1997	2018	fixed	-	332
National Australia Bank	1997	2018	fixed	-	458
National Australia Bank	1997	2019	fixed	-	1,884
National Westminster Bank	1999	2019	fixed	<b>1,066</b>	1,550
Barclays Bank	1999	2020	fixed	<b>894</b>	1,169
Barclays Bank	2006	2026	variable	<b>6,312</b>	6,704
Barclays Bank	2006	2036	fixed	<b>9,304</b>	9,788
Barclays Bank	2007	2037	fixed	<b>50,000</b>	50,000
				<b>67,576</b>	72,393
Subsidiaries:					
Santander	2007	2023	fixed	<b>5,684</b>	6,438
				<b>73,260</b>	78,831

The interest rates on the bank loan facilities are at fixed and variable rates. The fixed interest rates range from 1.59% to 5.70%, and the variable rate margin is 0.50% over Euribor.

The National Westminster Bank loan is secured by Romero Hall and Gateley Hall, Southampton. All other loans are secured against the general covenant of the University.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**22. Provisions****Consolidated**

	Obligation to fund deficit on USS Pension £000	Defined benefit obligations (note 28) £000	Maintenance Fund £000	Deferred tax £000	Total Provisions £000
<b>At 1 August 2016</b>	62,612	94,851	271	1,066	158,800
Utilised in year	(3,618)	-	(397)	-	(4,015)
(Reductions)/additions in year	(4,888)	11,122	334	(532)	6,036
<b>At 31 July 2017</b>	<b>54,106</b>	<b>105,973</b>	<b>208</b>	<b>534</b>	<b>160,821</b>

**University**

	Obligation to fund deficit on USS Pension £000	Defined benefit obligations (note 28) £000	Total Provisions £000
<b>At 1 August 2016</b>	62,612	94,851	157,463
Utilised in year	(3,618)	-	(3,618)
(Reductions)/additions in year	(4,888)	11,122	6,234
<b>At 31 July 2017</b>	<b>54,106</b>	<b>105,973</b>	<b>160,079</b>

**USS Pension Deficit**

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme. The University has a commitment to make contributions towards funding the deficit in the Scheme. This is reflected by a Balance Sheet provision equal to the present value of the deficit contributions being made under the obligation.

Management have assessed the number of future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.

**Defined Benefit Obligations**

This relates to two defined benefit pension schemes, PASNAS and HCC, to which the University pays contributions on behalf of some of its staff. This provision records the deficit that exists on these two schemes as at 31 July 2017.

**Maintenance Fund**

The maintenance fund (into which payments are made from landlord and tenants) provides funding for future maintenance of buildings, roadways and other common areas at Southampton Science Park, and includes payments from tenants who have since left the Science Park. The fund is held by University of Southampton Science Park Limited. Provisions are only made when there is a legally binding commitment arising from a past event.

**Deferred Tax**

The provision for deferred tax relates to tax liabilities arising from the revaluation of the University of Southampton Science Park, the revaluation of a financial instrument, and the revaluation of investments held by subsidiary companies at fair value.

## Notes to the Financial Statements for the year ended 31 July 2017

## 23. Endowment reserves

## Consolidated

	Restricted Permanent £000	Unrestricted Permanent £000	Restricted Expendable £000	<b>2017 Total £000</b>	2016 Total £000
<b>At 1 August</b>					
Capital	7,256	2,378	1,886	<b>11,520</b>	11,214
Accumulated income	884	-	93	<b>977</b>	1,256
	<u>8,140</u>	<u>2,378</u>	<u>1,979</u>	<b>12,497</b>	<u>12,470</u>
New endowments	5	-	-	<b>5</b>	66
Disposals of endowments	-	-	-	-	(15)
Adjustments to endowment classification	(336)	-	336	-	-
Investment income	126	49	41	<b>216</b>	169
Expenditure	(151)	(49)	(76)	<b>(276)</b>	(378)
	(25)	-	(35)	<b>(60)</b>	(209)
Increase in market value of investments	306	104	92	<b>502</b>	185
<b>At 31 July</b>	<b>8,090</b>	<b>2,482</b>	<b>2,372</b>	<b>12,944</b>	<b>12,497</b>
Represented by:					
Capital	7,359	2,482	2,199	<b>12,040</b>	11,520
Accumulated income	731	-	173	<b>904</b>	977
	<b>8,090</b>	<b>2,482</b>	<b>2,372</b>	<b>12,944</b>	<u>12,497</u>
Analysis by type of purpose:					
Chair/Lectureships	3,471	-	-	<b>3,471</b>	3,306
Scholarships and bursaries	1,749	-	638	<b>2,387</b>	2,406
Research support	-	-	1,113	<b>1,113</b>	1,066
Prize funds	488	-	146	<b>634</b>	569
Welfare/Hardship	640	-	37	<b>677</b>	653
General	1,742	2,482	438	<b>4,662</b>	4,497
	<b>8,090</b>	<b>2,482</b>	<b>2,372</b>	<b>12,944</b>	<u>12,497</u>
Analysis by asset:					
Current and non-current asset investments				<b>12,027</b>	11,517
Cash and cash equivalents				<b>917</b>	980
				<b>12,944</b>	<u>12,497</u>

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**24. Restricted Reserves**

Reserves with restrictions are as follows:

	Unspent Capital Grants £000	Donations /Other Restricted Funds £000	<b>2017 Total £000</b>	2016 Total £000
<b>Balances at 1 August</b>	-	12,153	<b>12,153</b>	14,982
New grants	33,268	480	<b>33,748</b>	10,950
New donations/other restricted funds	-	7,585	<b>7,585</b>	5,454
Capital grants utilised	(17,175)	-	<b>(17,175)</b>	(13,838)
Expenditure	-	(17,649)	<b>(17,649)</b>	(5,395)
Total restricted comprehensive income for the year	16,093	(9,584)	<b>6,509</b>	(2,829)
<b>Balances at 31 July</b>	<b>16,093</b>	<b>2,569</b>	<b>18,662</b>	12,153

	<b>2017 Total £000</b>	2016 Total £000
Analysis of donations/other restricted funds by type of purpose:		
Capital grants	<b>16,093</b>	-
Research activities	<b>1,188</b>	10,877
Student support	<b>676</b>	473
Scholarships and bursaries	<b>138</b>	139
Outreach	<b>85</b>	64
Enterprise support	-	132
Other	<b>482</b>	468
<b>Balances at 31 July</b>	<b>18,662</b>	12,153

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**Notes to the Financial Statements for the year ended 31 July 2017**

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**25. Related party transactions**

Due to the nature of the University's operations and the composition of the University Council, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All such transactions are conducted at arm's length and in accordance with the University's Financial Regulations, Standing Orders on contracts and normal procurement procedures.

A Register of Interests is maintained for members of the University Council and associated committees. Members may not be present at any discussion in which they have a direct or indirect financial interest.

Written declarations have been obtained from all members of Council, senior officers of the University and directors of fully owned subsidiary companies, either listing transactions during the year ended 31 July 2017 between the University and third parties in which they or close family members held a position of influence, or stating that there were no relevant transactions during the period.

The declarations have been reviewed by the Executive Director, Finance and Planning. There were a number of related party transactions during the year ended 31 July 2017 significant enough to warrant disclosure in the Financial Statements.

Mr Peter Hollins, a lay member of Council, is also chair of the University Hospital Southampton NHS Foundation Trust Board; Dr David Price, the Treasurer, and Professor Iain Cameron, Dean of the Faculty of Medicine, are also non-executive members of the University Hospital Southampton NHS Foundation Trust Board. The University has a strong partnership with the Trust; most of the Faculty of Medicine's accommodation is on the Trust's Southampton General Hospital site, and the link with clinical services in the NHS is critical for the delivery of the Faculty's education, research and enterprise strategies.

Rear Admiral Philip Greenish, a lay member of Council, is also Chief Executive of the Royal Academy of Engineering. The University is in receipt of a number of research grants from the Royal Academy of Engineering. Income to the University was a total of £319,000 in 2016/17 (2015/16: £443,000).

Mr Alex Hovden and Ms Flora Noble were members of Council (Class 5 membership) as representatives of the Students' Union. Ms Noble (Mr Hovden for the period July 2016 to June 2017) is President of the University of Southampton Students' Union, which is a separate entity over which the University does not exercise control or significant influence over policy decisions. The Union receives a grant from the University, an amount of £2,740,000 in 2016/17 (2015/16: £2,752,000), which is calculated annually according to a methodology agreed between the University and the Union. All other transactions between the two parties are conducted on a commercial basis.

In accordance with the exemptions contained within FRS 102 Financial Reporting Standard Section 33 (Related Party Disclosures) no disclosure has been made for transactions between the University and fully owned group undertakings. Transactions between the University and spin-out companies in which minority shareholdings are held are not generally disclosed as the University does not control or exercise any significant influence over the financial and operating policies of the companies.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**26. Capital and other commitments**

Provision has not been made for the following capital and other commitments at 31 July 2017:

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Commitments contracted for	<b>54,447</b>	35,632	<b>54,374</b>	33,757
Authorised but not contracted for	<b>73,115</b>	43,223	<b>73,115</b>	43,223
	<b>127,562</b>	78,855	<b>127,489</b>	76,980

**27a. Lease obligations**

At 31 July 2017 the University was committed to making the following payments under non-cancellable operating leases:

**Consolidated**

	Land and buildings	Plant and machinery	<b>2017 Total</b>	2016 Total
	£000	£000	<b>£000</b>	£000
Future minimum lease payments due:				
Not later than one year	3,163	1,184	<b>4,347</b>	4,438
Between one and five years	11,929	57	<b>11,986</b>	12,637
Over five years	40,451	-	<b>40,451</b>	43,408
	<b>55,543</b>	<b>1,241</b>	<b>56,784</b>	60,483

**University**

	Land and buildings	Plant and machinery	<b>2017 Total</b>	2016 Total
	£000	£000	<b>£000</b>	£000
Future minimum lease payments due:				
Not later than one year	3,063	1,184	<b>4,247</b>	4,313
Between one and five years	11,189	57	<b>11,246</b>	11,226
Over five years	40,801	-	<b>40,801</b>	41,992
	<b>55,053</b>	<b>1,241</b>	<b>56,294</b>	57,531

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**27b. Lease receivables**

At 31 July 2017, the principal future minimum lease payments receivable under non-cancellable leases are as follows:

**Land and buildings:**

	<b>Consolidated</b>		<b>University</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Less than one year	<b>6,262</b>	6,323	<b>3,837</b>	3,864
Between one and five years	<b>20,385</b>	19,781	<b>15,674</b>	15,597
More than five years	<b>73,204</b>	76,229	<b>66,822</b>	70,736
	<b>99,851</b>	102,333	<b>86,333</b>	90,197

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**28. Pension Schemes**

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Southampton Pension and Assurance Scheme (PASNAS). These are both defined-benefit schemes.

The University also contributes to the National Health Service Pension Scheme (NHPS), the Teachers' Pension Scheme (TPS), the Medical Research Council Pension Scheme (MRCPS), Hampshire County Council (HCC), National Employment Savings Trust (NEST) and schemes relating to subsidiary companies.

Employer pension contributions for USS and PASNAS within this note are shown on the basis of the scheme contribution rate before any additional contributions under a salary sacrifice scheme.

The pension scheme costs incurred in 2016/17 and 2015/16 for the consolidated group are summarised as follows:

	2016/17			2015/16		
	Employer contributions £000	Pension accounting adjustment £000	Total Cost £000	Employer contributions £000	Pension accounting adjustment £000	Total Cost £000
USS	29,977	-	29,977	27,222	-	27,222
PASNAS*	6,513	6,025	12,538	6,433	2,387	8,820
NHPS	1,181	-	1,181	1,116	-	1,116
Other pension schemes	864	(350)	514	450	(10)	440
Total pension cost (note 9)	<b>38,535</b>	<b>5,675</b>	<b>44,210</b>	35,221	2,377	37,598

\* The figure for PASNAS employer contributions excludes an amount of £142,000 (2016: £154,000) which is made on behalf of a third party at no cost to the University.

Employer contributions in 2017/18 are expected to be:

	Rate %	£000
USS	18.00	30,152
PASNAS	17.25	6,649
TPS	16.48	59
NHPS	14.30	1,251
MRCPS	14.90	127
HCC (two separate schemes)	31.70	721
	36.90	354
NEST	3.00	156

HCC contributions include a total fixed fee of £368,000 which is payable over and above the salary based rates.

The University has fully adopted the disclosure rules of FRS 102 Section 28 'Employee Benefits'. The notes that follow show the detailed valuations required by the standard. However, pension fund liabilities can be valued in a number of other ways, and the University will continue to support the schemes based on the principles of on-going operations, as advised by the scheme trustees and actuaries.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**28. Pension Schemes (continued)**

The actuaries' recommendations for contributions to USS, PASNAS and HCC are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. The latest valuations of the schemes' assets and liabilities for which results are available are:

	<b>USS</b>	<b>PASNAS</b>	<b>HCC</b>
Date of valuation	31 March 2014	31 July 2015	31 March 2016
Market valuation of assets	£41,600 million	£170 million	£5,213 million
Past service liabilities	£46,900 million	£210 million	£6,453 million
Deficit of assets	(£5,300) million	(£40) million	(£1,240) million

The USS and HCC valuations reflect the total assets and liabilities of the schemes, not just the element attributable to the University.

**USS**

The assets of USS are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS is a multi-employer defined benefit pension scheme. It is not possible to identify each institutional members' share of the assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102 paragraph 28.11, this scheme is accounted for as if it were a defined contribution scheme. The University is exposed to actuarial risks associated with other universities' employees.

The amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

As a result of the triennial valuation of the USS at 31 March 2014, the University entered into an agreement (the Recovery Plan) which sets the level of employer contributions required towards the correction of the deficit on the defined benefit section of the USS. A provision is recognised for the contributions payable that arise from the agreement to the extent that they relate to the deficit (note 22) and the resulting expense is recorded in the Statement of Comprehensive Income.

The latest available full actuarial valuation of the scheme was at 31 March 2014, which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

As the University cannot identify its share of scheme assets and liabilities, the following figures reflect those for the scheme as a whole. At the 2014 valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provision was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As at 31 March 2017, USS had over 190,000 active members and the University had 4,190 active members participating in the scheme at year end.

The total employer contributions for the year were £29,977,000 (2016: £27,222,000) which includes £2,515,000 (2016: £2,495,000) of contributions outstanding at the Balance Sheet date, payable in August 2017.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**28. Pension Schemes (continued)****NHPS/TPS/MRCPS**

The NHPS, TPS and MRCPS schemes are externally funded. Each institutions' share of the underlying assets and liabilities of these schemes cannot be identified and therefore contributions to these schemes are accounted for as if they were defined contribution schemes. As a result the costs charged to the income and expenditure account represent the contributions payable to the schemes for the year.

The number of members of these schemes employed by the University as at 31 July 2017 was TPS 8; NHPS 144 and MRCPS 15.

The total pension costs due for the University and contributions outstanding at the Balance Sheet date were:

	<b>Pension cost</b>		<b>Outstanding at 31 July</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
NHPS	<b>1,181</b>	1,116	<b>103</b>	96
TPS	<b>69</b>	76	<b>5</b>	6
MRCPS	<b>124</b>	129	<b>10</b>	10

**NEST**

From April 2013, the University introduced the NEST scheme to comply with the Pensions Act 2008. This gives all University workers access to a qualifying pension scheme.

The total pension cost for the year was £144,000 (2016: £79,000) which includes £13,000 (2016: £12,000) of contributions outstanding at the Balance Sheet date, payable in August 2017.

The number of members of this scheme as at 31 July 2017 was 742.

**Federated Superannuation Scheme for Universities (FSSU)**

The University maintains records for former members of FSSU, which is a closed scheme, based on fixed pensions. These pensions are supplemented by the University on an ex gratia basis from general income approximately in line with increases in other pensions which have an annual inflation element built in. During the year there was no payments (2016: £5,114) made to former members of FSSU or widows of members in respect of these unfunded liabilities.

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**28. Pension Schemes (continued)****PASNAS**

The University operates a final salary defined benefit scheme for non-academic staff (PASNAS). The scheme is funded by contributions made in accordance with the recommendations of the scheme's actuaries.

As at 31 July 2017 there was a total of 2,080 active members of PASNAS.

The last formal triennial actuarial valuation of the scheme was performed as at 31 July 2015 and indicated that the scheme's assets represented 81% of the technical provisions.

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

	31 July 2017	31 July 2016
Increase in salaries	3.60% pa	3.10% pa
Increase in pensions – pre 1 Oct 2010 (CPI)	2.60% pa	2.10% pa
Increase in pensions – post 1 Oct 2010 (CPI max 2.5%)	1.95% pa	1.80% pa
Discount rate	2.70% pa	2.60% pa
Inflation (RPI)	3.60% pa	3.10% pa
Inflation (CPI)	2.60% pa	2.10% pa

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Retiring today	Retiring in 20 years
Male	21.9	23.6
Female	24.1	25.9

The asset allocation of the scheme's assets calculated at fair value is:

	<b>Value 31 July 2017</b>	Value 31 July 2016	Value 31 July 2015
	<b>£000</b>	£000	£000
Gilts	<b>27,268</b>	24,511	23,726
Bonds	<b>29,366</b>	18,855	15,253
Equities	<b>94,390</b>	99,930	86,430
Target return funds and cash	<b>48,243</b>	35,824	33,895
Property	<b>10,488</b>	9,427	8,474
Cash	-	-	1,695
Total	<b>209,755</b>	188,547	169,473

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**28. Pension Schemes (continued)**

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Analysis of the amount shown in the balance sheet</b>		
Scheme assets	<b>209,755</b>	188,547
Scheme liabilities	<b>(314,238)</b>	(280,738)
Deficit in the scheme – net pension liability recorded within pension provisions (note 22)	<b>(104,483)</b>	(92,191)
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	<b>(12,680)</b>	(8,974)
Total operating charge	<b>(12,680)</b>	(8,974)
<b>Analysis of the amount charged to interest payable within operating surplus</b>		
Expected return on scheme assets	<b>4,927</b>	6,640
Interest cost	<b>(7,225)</b>	(8,988)
Net finance cost	<b>(2,298)</b>	(2,348)
<b>Analysis of other comprehensive income</b>		
Gain on assets	<b>14,391</b>	10,881
Experience gains on liabilities	<b>2,523</b>	9,652
Losses from changes to financial assumptions	<b>(20,883)</b>	(43,902)
Charge to other comprehensive income	<b>(3,969)</b>	(23,369)
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of the year	<b>(92,191)</b>	(64,087)
Movement in the year:		
Current service cost	<b>(12,680)</b>	(8,974)
Contributions	<b>6,655</b>	6,587
Net finance cost	<b>(2,298)</b>	(2,348)
Loss recognised in other comprehensive income	<b>(3,969)</b>	(23,369)
Deficit in scheme at end of year	<b>(104,483)</b>	(92,191)
<b>Analysis of movement in fair value of fund assets</b>		
Assets at beginning of year	<b>188,547</b>	169,473
Employer contributions	<b>6,655</b>	6,587
Employee contributions	<b>2,516</b>	2,496
Benefits paid (net of expenses)	<b>(6,045)</b>	(6,598)
Administration costs	<b>(1,236)</b>	(932)
Interest on assets	<b>4,927</b>	6,640
Return on scheme assets	<b>14,391</b>	10,881
Assets at end of year	<b>209,755</b>	188,547

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**28. Pension Schemes (continued)**

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Analysis of movement in present value of liabilities</b>		
Liabilities at beginning of year	<b>(280,738)</b>	(233,560)
Current service cost	<b>(12,680)</b>	(8,974)
Interest on scheme liabilities	<b>(7,225)</b>	(8,988)
Employee contributions	<b>(2,516)</b>	(2,496)
Benefits paid	<b>7,281</b>	7,530
Actuarial experience gain on liabilities	<b>2,523</b>	9,652
Changes in assumptions underlying the present value of the scheme liabilities	<b>(20,883)</b>	(43,902)
Liabilities at end of year	<b>(314,238)</b>	(280,738)

	<b>2017</b>	2016	2015
<b>History of experience gains and losses</b>			
Experience gains on assets in excess of interest (£000)	<b>14,391</b>	10,881	12,163
Percentage of scheme assets	<b>6.9%</b>	5.8%	7.2%
Experience gains on liabilities (£000)	<b>2,523</b>	9,652	1,992
Percentage of scheme liabilities	<b>0.8%</b>	3.4%	0.9%

**HCC**

HCC has been able to apportion a percentage of its funds assets and liabilities relating to the University and therefore the scheme has been treated as a defined benefit scheme in the accounts.

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

	31 July 2017	31 July 2016
Increase in salaries	3.5% pa	3.3% pa
Increase in pensions	2.0% pa	1.8% pa
Discount rate	2.6% pa	2.3% pa
RPI inflation	3.1% pa	2.9% pa
CPI inflation	2.0% pa	1.8% pa

The current mortality assumptions include sufficient allowance for future improvements in mortality rates and are further adjusted to reflect the actual mortality experience of the Fund. The assumed life expectations in years on retirement at age 65 are:

	Retiring today	Retiring in 20 years
Male	24.0	26.0
Female	27.0	29.3

**Notes to the Financial Statements for the year ended 31 July 2017****28. Pension Schemes (continued)**

The number of active members of this scheme employed by the University as at 31 July 2017 was 4.

The asset allocation of the scheme's assets calculated at fair value is:

	<b>Value 31 July 2017 £000</b>	Value 31 July 2016 £000	Value 31 July 2015 £000
Equities	<b>3,415</b>	2,692	2,519
Government bonds	<b>363</b>	1,249	1,130
Property	<b>1,384</b>	352	359
Corporate bonds	<b>61</b>	86	74
Cash	<b>167</b>	247	145
Other	<b>190</b>	124	153
Total	<b>5,580</b>	4,750	4,380
		<b>2017</b>	2016
		<b>£000</b>	£000
<b>Analysis of the amount shown in the balance sheet</b>			
Scheme assets		<b>5,580</b>	4,750
Scheme liabilities		<b>(7,070)</b>	(7,410)
Deficit in the scheme – net pension liability recorded within pension provisions (note 22)		<b>(1,490)</b>	(2,660)
<b>Analysis of the amount charged to staff costs within operating surplus</b>			
Current service cost		<b>(50)</b>	(60)
Total operating charge		<b>(50)</b>	(60)
<b>Analysis of the amount charged to interest payable within operating surplus</b>			
Expected return on scheme assets		<b>110</b>	150
Interest on scheme liabilities		<b>(170)</b>	(230)
Net finance cost		<b>(60)</b>	(80)
<b>Analysis of other comprehensive income</b>			
Gain on assets		<b>530</b>	390
Gain/(loss) on liabilities		<b>350</b>	(970)
Charge to other comprehensive income		<b>880</b>	(580)

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**28. Pension Schemes (continued)**

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of the year	<b>(2,660)</b>	(2,010)
Movement in the year:		
Current service cost	<b>(50)</b>	(60)
Employer contributions	<b>400</b>	70
Net finance cost	<b>(60)</b>	(80)
Gain/(loss) recognised in other comprehensive income	<b>880</b>	(580)
Deficit in scheme at end of year	<b>(1,490)</b>	(2,660)
<b>Analysis of movement in fair value of fund assets</b>		
Assets at beginning of year	<b>4,750</b>	4,380
Employer contributions	<b>400</b>	70
Employee contributions	<b>10</b>	20
Benefits paid	<b>(220)</b>	(260)
Interest on assets	<b>110</b>	150
Return on scheme assets	<b>530</b>	390
Assets at end of year	<b>5,580</b>	4,750
<b>Analysis of movement in present value of liabilities</b>		
Liabilities at beginning of year	<b>(7,410)</b>	(6,390)
Current service cost	<b>(50)</b>	(60)
Interest on scheme liabilities	<b>(170)</b>	(230)
Employee contributions	<b>(10)</b>	(20)
Benefits paid	<b>220</b>	260
Actuarial experience gain/(loss) on liabilities	<b>350</b>	(970)
Liabilities at end of year	<b>(7,070)</b>	(7,410)

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**Notes to the Financial Statements for the year ended 31 July 2017**


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**29. National College for Teaching and Leadership (NCTL) bursaries****Consolidated**

	<b>At 1 August 2016 £000</b>	Income received £000	Disbursements £000	Returned to NCTL £000	<b>At 31 July 2017 £000</b>
Student training bursaries	<b>329</b>	3,116	(2,945)	(295)	<b>205</b>
	<b>329</b>	3,116	(2,945)	(295)	<b>205</b>

The receipts and disbursements above are excluded from the Statement of Comprehensive Income as the funds are administered by the University on an agency basis on behalf of the NCTL.

**30. Linked charities****Consolidated**

	<b>At 1 August 2016 £000</b>	Transfers £000	Income £000	Expenditure £000	Change in market value £000	<b>At 31 July 2017 £000</b>
Miss Betty Evelyn Veal Will Trust	<b>58</b>	-	1	-	1	<b>60</b>
The Southampton University Development Trust	<b>1,653</b>	-	-	-	-	<b>1,653</b>
The Spitfire Mitchell Memorial Fund	<b>216</b>	-	1	-	-	<b>217</b>
	<b>1,927</b>	-	2	-	1	<b>1,930</b>

The Miss Betty Evelyn Veal Will Trust provides financial support for postgraduate students with physical disabilities studying at the University.

The Southampton University Development Trust was formed in 1986 to raise funds for various University projects. Since November 2009 all donations have been received directly by the University but the Trust continues to process existing standing order arrangements and legacy gifts that are specifically directed to the Trust. The Trust is an independent entity which is not included within the consolidated University balance sheet or income and expenditure account.

The Spitfire Mitchell Memorial Fund provides scholarships at the University with an emphasis on aeronautics and engineering.

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**Financial Statistics**


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**Financial Indicators**

	<b>2017</b>	Restated 2016
<b>Key financial metrics</b>		
Surplus after depreciation of assets and tax as % of total income	<b>6.8%</b>	5.0%
Net liquidity/ (total expenditure - depreciation) (days)	<b>320</b>	92
External borrowing as % of total income	<b>71.6%</b>	23.5%
Net cash inflow from operating activities as % of total income	<b>15.3%</b>	11.2%
Staff costs as % of total income	<b>51.1%</b>	53.2%
Long term liabilities as % of income and expenditure reserves	<b>89.0%</b>	28.8%
Net debt/(cash) as % of total income	<b>4.8%</b>	(1.0)%
Current assets / Current liabilities	<b>3.55:1</b>	1.47:1
<b>Source of income</b>		
Funding Council grants	<b>12.9%</b>	13.4%
Home/EU fees and support grants	<b>28.8%</b>	29.3%
International fees	<b>13.3%</b>	14.7%
Research grants and contracts	<b>23.2%</b>	20.3%
Other operating income	<b>20.5%</b>	21.5%
Endowment income and interest receivable	<b>1.3%</b>	0.8%
	<b>100.0%</b>	100.0%

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**Financial Statistics**


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**Income from sponsored research for the year ended 31 July 2017 (continued)**

<b>From Research Councils</b>	<b>£000</b>
Arts and Humanities Research Council	539
Biotechnology and Biological Sciences Research Council	3,041
British Academy	263
Economic and Social Research Council	2,767
Engineering and Physical Sciences Research Council	52,803
Medical Research Council	5,473
Natural Environment Research Council	4,834
Royal Society	1,614
Science and Technology Facilities Council	1,653
<b>Total Research Councils</b>	<b>72,987</b>

<b>From UK-based Charitable Bodies</b>	<b>£000</b>
Academy of Medical Sciences	33
Action on Hearing Loss	21
Alzheimer's Research UK	372
Alzheimer's Society	113
Arthritis Research UK	448
Asthma UK	97
Bloodwise	1,245
Brain Tumour Research	21
Breast Cancer Now	179
British Heart Foundation	693
British Lung Foundation	58
British Nuclear Test Veterans Association (Nuclear Community Charitable Fund)	66
British Skin Foundation	60
British Society for Rheumatology	97
Cancer Research UK	5,740
Colt Foundation	38
Crohn's in Childhood Research Association	78
Cystic Fibrosis Trust	38
Diabetes UK	104
Education Endowment Foundation (EEF)	22
English Heritage	42
Fight for Sight	60
Guy's and St. Thomas' Charity	50

**Income from sponsored research for the year ended 31 July 2017 (continued)**

	<b>£000</b>
Kay Kendall Leukaemia Fund	186
Leuka	29
Leverhulme Trust	805
Lloyd's Register Foundation	177
Macmillan Cancer Support	627
Macular Disease Society	21
Marine Biological Association of the UK	154
MQ: Transforming Mental Health	84
Newlife the Charity for Disabled Children	20
Overseas Development Institute	32
Pancreatic Cancer UK	31
Pathological Society of Great Britain & Ireland	22
Prostate Cancer UK	626
Rosetrees Trust	97
Roy Castle Lung Cancer Foundation	41
Royal Academy of Engineering	319
Royal College of Surgeons of England	38
Southampton Hospital Charity	49
The Brain Tumour Charity	36
The Health Foundation	130
Wellcome Trust	895
Wessex Medical Research	146
Worldwide Cancer Research	32
Others less than £20,000	241
<b>Total UK-based Charitable Bodies</b>	<b>14,513</b>

**From Other Sources**

	<b>£000</b>
ABB Switzerland Ltd	68
AbbVie Inc.	49
Acerta Pharma	77
Airbus Operations GmbH	99
Airbus Operations Ltd	81
Airbus Operations S.A.S.	36
AlgiPharma AS	21
Antabio	84

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**Financial Statistics**


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**Income from sponsored research for the year ended 31 July 2017 (continued)**

	<b>£000</b>
Aquinox Pharmaceuticals Inc. (Canada)	94
ARM Ltd	128
AstraZeneca (UK) Ltd	54
AstraZeneca AB	255
Autonomous Surface Vehicles Ltd	49
BAE Systems (Marine) Ltd	405
BAE Systems (Operations) Ltd	338
Bayer Plc	26
Belgian Federal Science Policy Office	29
Bill & Melinda Gates Foundation	1,192
BioInvent International AB	449
Birmingham City Council	100
BliNK Biomedical SAS	70
BMT Nigel Gee Ltd	28
BOC Ltd	25
British Council	142
British Medical Association	22
Calouste Gulbenkian Foundation	45
Carbon Trust	254
Celldex Therapeutics Inc.	62
Chiesi Farmaceutici S.p.A	35
Covesion Ltd	44
CRRC Qingdao Sifang Co., Ltd	111
Department for Environment, Food and Rural Affairs	41
Department for Transport	175
Department of Health	36
DePuy International Ltd	34
Diamond Light Source	22
EDF Energy	71
EEF Expeditions Ltd	319
Eisai Ltd	55
Eli Lilly and Company Ltd	88
ELSI Origins Network (EON)	23
English Institute of Sport Ltd	90
European Commission	15,531
European Organisation for Research and Treatment of Cancer	48
European Parliament	25

**Income from sponsored research for the year ended 31 July 2017 (continued)**

	<b>£000</b>
European Regional Development Fund	24
European Space Agency	224
Evgen Pharma Plc	134
EW Simulation Technology Ltd	26
F. Hoffmann-La Roche Ltd	193
Flowminder Foundation (Sweden)	95
Food and Agriculture Organization of the United Nations	71
Food Standards Agency	27
Ford Motor Company Ltd	24
Forestry Commission	72
Gilead Sciences Inc.	62
Girl Hub	74
GlaxoSmithKline Biologicals S.A.	146
GlaxoSmithKline Plc	227
Global Energy Interconnection Research Institute Europe GmbH	87
Health Education England	54
Hisilicon Optoelectronics Co., Ltd	28
Historic England	28
Home Office	63
Honeywell International Inc.	45
Huawei Technologies Co., Ltd	337
IBM UK Ltd	115
II-VI, Inc.	33
Informa UK Ltd	54
Innovate UK	2,872
International Continental Scientific Drilling Program (ICDP)	122
International Development Research Centre	504
International Institute for Environment and Development	127
InviCRO LLC (USA)	55
iTeos Therapeutics SA	47
Jaguar Land Rover Ltd	20
Janssen-Cilag Ltd	50
John Templeton Foundation	54
Korea Railroad Research Institute	42
LiComm Co., Ltd (South Korea)	43
Lloyd's Register EMEA	34
Lumenicity Ltd	192

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**Financial Statistics**


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**Income from sponsored research for the year ended 31 July 2017 (continued)**

	<b>£000</b>
MedImmune LLC	33
Merck & Co., Inc.	51
Microsoft Corporation	54
Microsoft Ltd	83
Ministry of Higher Education (Malaysia)	56
Mitsubishi Electronic Corporation	44
National Grid Electricity Transmission Plc	246
National Health and Medical Research Council (Australia)	51
National Institutes of Health (USA)	412
National Physical Laboratory	32
Nestec Ltd (Switzerland)	1,466
Network Rail	299
New Opportunities for Research Funding Agency Co-operation in Europe (NORFACE)	43
NHS England	39
NHS National Institute for Health Research	10,612
Nissan Motor Manufacturing Ltd	48
Novartis Pharma AG	290
Nutricia Ltd	24
Office for National Statistics	101
Ohio Aerospace Institute	23
Oxford Instruments Plc	24
Pfizer Inc.	24
Pfizer Ltd	103
Portola Pharmaceuticals, Inc.	33
Pronova BioPharma ASA (Norway)	34
Public Health England	39
Pukka Herbs	22
Qatar National Research Fund	106
Railway Safety and Standards Board Ltd	126
Rising Tide Foundation for Clinical Cancer Research	56
Rockley Photonics Ltd	444
Rolls-Royce Plc	366
Royal Brompton & Harefield NHS Foundation Trust	24
Royal Centre for Defence Medicine	22
Schaeffler Technologies AG & Co. KG	23
ScottishPower Renewables (UK) Ltd	44
Second Step	36

**Financial Statistics****Income from sponsored research for the year ended 31 July 2017 (continued)**

	<b>£000</b>
Seven Investment Management LLP	153
SGRI Europe GmbH	141
Shire Pharmaceuticals Ltd	29
Silec Cable S.A.S.	30
Slive, Inc.	38
SmithKline Beechams	21
Solent NHS Trust	87
Southampton City Council	188
Space ConneXions Ltd	104
SPI Lasers UK Ltd	164
Synote Ltd	21
The Research Council of Norway	80
Toyota Motor Corporation	65
Transport Systems Catapult	44
UK Space Agency	175
Unilever	236
University Hospital Southampton NHS Foundation Trust	736
University of California	85
University of Oxford	31
University of Trento (Italy)	31
US Agency for International Development	61
Vantia Ltd	74
Viridor Waste Management Ltd	22
VirtualPiE Ltd	202
Vitacress Ltd	30
Western Sussex Hospitals NHS Foundation Trust	30
Wolfson Microelectronics Plc	65
World Bank	42
Zhengzhou University	53
Others less than £20,000	3,368
<b>Total Other Sources</b>	<b>49,374</b>
<b>Total income from Sponsored Research</b>	<b>136,874</b>



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