

---

# ANNUAL REPORT AND ACCOUNTS

## 2015/16

---



UNIVERSITY OF LEEDS





## Contents

---

### Review of the year

Vice-Chancellor's report	1
Chief Financial Officer's report	3

---

<b>Public benefit and accountability</b>	<b>13</b>
--	-----------

<b>Corporate governance</b>	<b>20</b>
-----------------------------	-----------

<b>Independent Auditors' report</b>	<b>25</b>
-------------------------------------	-----------

---

### Annual Accounts

Consolidated and University Statement of Comprehensive Income and Expenditure	29
Consolidated and University Statement of Changes in Reserves	30
Consolidated and University Balance Sheet	31
Consolidated Statement of Cash Flows	33
Statement of Accounting Policies	35
Notes to the Accounts	40

---



## “THE EXCELLENCE OF OUR PEOPLE WAS ALSO REFLECTED ONCE AGAIN IN EXCEPTIONAL NATIONAL STUDENT SURVEY SCORES ...”

**Alan Langlands**  
Vice-Chancellor

At the heart of the University's Strategic Plan, “Investing in Knowledge and Opportunity”, is a twin ambition.

First, to provide an outstanding education and experience for students, so that they become independent, critical thinkers who are ready to take their place in the world and make a difference. Second, to create a step-change in the quality, volume and impact of our internationally-renowned research, so that it makes an even greater difference to the world around us. And vitally, to do both in powerful combination, so that each reinforces the other.

Achieving this requires a clear sense of purpose, a desire to innovate and a hunger to pursue new opportunities. It also requires unparalleled investments in people, research capability and the campus. We have made significant progress on all fronts during the year.

In the summer, we saw the arrival of Professors Lisa Roberts, Deputy Vice-Chancellor: Research and Innovation, Tom Ward, Deputy Vice-Chancellor: Student Education and Hai-Sui Yu, Pro-Vice-Chancellor: International. All three are leaders in their field and all will play an instrumental role in delivery of the Strategic Plan. Over the past two years we have also recruited 150 future academic leaders under our £100m 250 Great Minds recruitment drive. Along with a host of other significant appointments, they will significantly boost our research and teaching expertise.

The excellence of our people was also reflected once again in exceptional National Student Survey scores – we were joint second among the Russell Group for student satisfaction – and our sector-leading research-based education contributed to us being named the Times and Sunday Times University of the Year. We have just launched the Leeds Institute for Teaching Excellence, which will help us develop future educational leaders.

Turning to facilities, our £17m investment in leading cryo-electron microscope and nuclear magnetic resonance technology at the Astbury Centre has now come on stream, making us one of the best-equipped centres in the world for structural biology. Facilities are not just about bricks and mortar; developments like our new £6m Priestley International Centre for Climate and our Cultural Institute will facilitate cutting-edge research across disciplines, harnessing our breadth to tackle global challenges.

We have also carried out a £25m redevelopment of the Edward Boyle Library, following the opening of the new Laidlaw Library last year, and we are part way through a £17m redevelopment of the Students' Union building, which will underline our union's reputation as one of the best in the country.

Significant developments in the pipeline include the £96m North East Quarter project (now approved by our Council), which will see the integration of engineering and physical sciences, alongside a new cutting-edge Bragg Centre, which will make us a world-leader in materials research. And building on our formidable reputation in enterprise – we won a clean sweep of all the major awards during the year – we received the green light from the City Council for our new £40m innovation and enterprise centre, named Nexus, which will offer a gateway for businesses to access our world-class research expertise.

*“Of course, none of this would be possible without the inspiration, dedication and hard work of staff and students from every part of the University.”*

Delivering the Strategic Plan requires prudent financial management and this report highlights our continuing underlying financial strength, an essential buffer against the potential volatility created by Brexit and the Government's higher education reforms. It also highlights our willingness to invest for the future, exemplified by the £250m bond we issued, which is funding part of our £500m campus development programme.

Of course, none of this would be possible without the inspiration, dedication and hard work of staff and students from every part of the University. I thank them all and also extend my appreciation to the University Council which has been unfailing in its support for our strategy of growth and development and to three very special colleagues – Professors John Fisher, Vivien Jones and David Hogg – who have all made remarkable contributions to the success of the University over the past two decades.

This is just a snap shot of the considerable activity taking place across the University, but I believe it reflects the great strides we are making in delivering a plan that will boost our position as a world-renowned university for many years to come.

**Alan Langlands**  
Vice-Chancellor





“THE SUCCESS OF THE ISSUANCE EVIDENCES THE CONFIDENCE OF THE INVESTOR COMMUNITY IN OUR AMBITIOUS ACADEMIC STRATEGY AND ALLOWS US TO PROGRESS CONFIDENTLY WITH OUR CAPITAL INVESTMENT PROGRAMME.”

Jane Madeley  
Chief Financial Officer



**£635m**  
total income (2014/15: £607m)

### Overview

The financial highlight for 2015/16 was our debut public bond issuance of £250m at a coupon of 3.125% and a term of 34 years. The success of the issuance evidences the confidence of the investor community in our ambitious academic strategy and allows us to progress confidently with our capital investment programme. We have also embarked on significant academic investment to complement the capital programme and therefore the surplus reported in 2015/16, whilst higher than we planned, is lower than recent years. Despite impacts of the new Higher Education Statement of Recommended Practice (HE SORP), particularly the recognition of the University's contribution towards the USS deficit, we continue to report a strong asset base with net assets of £704m (2014/15:£711m).

The 2015/16 accounts have been produced under the new HE SORP and the 2014/15 comparative amounts have been restated to reflect the new HE SORP and FRS 102. This is the first year that the University has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 July 2015 and the date of transition to FRS 102 was therefore 1 August 2014.

Financial summary	2015/16 £000	2014/15 £000	Change %
<b>Summary</b>			
Total income excluding exceptional Research and Development Expenditure Credit (RDEC)	634,933	606,847	5%
Total expenditure (excluding movement in USS provision)	(619,983)	(575,329)	2%
Other items	(1,296)	3,027	(143%)
<b>Surplus/(deficit) after depreciation and tax, before exceptional items</b>	<b>13,654</b>	34,545	(437%)
Exceptional RDEC net income	1,738	15,129	(89%)
Exceptional movement on USS provision	(3,999)	(37,408)	(89%)
<b>Surplus after depreciation, tax and exceptional items</b>	<b>11,393</b>	12,266	(7%)
Actuarial loss	(18,310)	(17,384)	5%
<b>Total comprehensive expenditure</b>	<b>(6,917)</b>	(5,118)	35%
<b>Tuition fee and education contracts</b>			
Home and EU students	172,107	158,214	9%
International students	85,895	76,808	12%
Other fees including NHS teaching contract	32,265	32,751	(1%)
<b>Total</b>	<b>290,267</b>	267,773	8%
<b>Research grants and contracts</b>			
Research Councils, UK Charities and Government	90,558	98,099	(8%)
Industry, overseas and other	36,030	35,516	1%
RDEC	1,738	19,543	91%
<b>Total</b>	<b>128,326</b>	153,158	(16%)
<b>Capital expenditure</b>			
Externally funded	(15,799)	(20,148)	(22%)
University funded	(107,269)	(109,455)	(2%)
<b>Total</b>	<b>(123,068)</b>	(129,603)	(5%)
<b>Cash and borrowings</b>			
Cash and short-term investments	336,944	134,993	150%
Borrowings	(282,971)	(37,354)	658%
<b>Net funds</b>	<b>53,973</b>	97,639	(45%)



Growth in fees income, including a 12% growth in international fee income, an underlying\* 3.6% increase in research income and double digit growth in other income delivered a total underlying income, growth of 4.5% (excluding Research and Development Expenditure Credit (RDEC)).

A surplus for the year, excluding RDEC, actuarial losses with respect to pension schemes and the USS deficit recovery scheme charge, of £14m (2.2% of total income) is a £24m improvement against our plan for the year. Compared to last year we report a £22m reduction in underlying surplus (excluding RDEC, pension schemes and USS charges) which directly results from the significant level of academic investment on which we have embarked upon and which will support the delivery of our ambitious strategic plan targets.

We are now in the second year of our investment plans and therefore we see a 6% increase in underlying staff costs, a 9% increase in other operating expenditure and a £5m increase in interest and other finance costs predominantly relating to the servicing of a new £250m bond. As highlighted last year our plans show that, as the level of our academic strategic investments build in the short term, the level of reported operating surplus will remain modest until the returns on those investments come through. The overall surplus for the year was £11.4m (2014/15: £12.3m).

Capital investment is broadly comparable to the prior year at £125m (2014/15 £130m) and included major refurbishment of both the Medicine and Health, and Engineering faculties and library facilities. 2014/15 expenditure was largely driven by investment in student residences.

Through internal cash generation and new borrowing we are on track to invest over £220m in strategic developments and £500m in the capital programme in the period 2016–2021. All investments are prioritised and focused on delivery of the ambitious academic targets in the strategic plan.

### Funding Council grants

At £85m (13% of total income), Funding Council grant income shows a reduction of £9m from 2014/15 (£94m); with the recurrent teaching grant now standing at £30m and mainstream quality-related research (QR) funding accounting for £44m following the outcome of the last Research Excellence Framework (REF). We forecast that Funding Council grant income will fall to the point at which it only represents around 10% of total income by 2020/21.

### Tuition fees and education contracts

At £290m (8% higher than 2014/15), tuition fee income now accounts for 46% of total income (2014/15: 43%).

Home/EU total student numbers across all years are slightly higher than last year. Fee income from our Home/EU students has increased by £14m (9%) largely due to longer term degrees in Medicine and Dentistry where we are still benefiting from the incremental effect of the £9k tuition fee.

We also report a 12% growth in international fee income. International student numbers across all cohorts and years have increased by 7% from last year. The postgraduate taught student numbers across all years merit particular mention with growth of 12% compared to last year, with the largest growth in the faculties of Business, and Performance, Visual Arts and Communications. Alongside this we continue to see the benefits of favourable programme mix and price inflation.

\*In order to provide a more useful analysis of the financial performance of the Group certain financial measures are presented in this report on an "underlying" basis which excludes certain unusual or non-recurring items. Details of the reconciliation of these amounts to the financial statements is included in note 33 to the financial statements.

# £127m

research grants and contracts

*"... we have secured over 700 new research awards this year with a total grant value of £145m."*

### Research grants and contracts

Research income of £127m (excluding RDEC) shows underlying growth of £4m (3.6%) once adjusted for changes in the reporting of the hosted National Institute for Health Research (NIHR) Coordinating Centre contract. From April 2015 our hosted NIHR contract has been classified as other operating income, due to changes in the contractual arrangements with NIHR.

In 2015/16 we were particularly successful in growing research funding from Research Councils (underlying growth of 4.8%) and UK Industry, where we achieved growth of 4%.

Overall, we have secured over 700 new research awards this year with a total grant value of £145m. The three largest awards by value are £4m from Yorkshire Cancer Research funding up to nine Fellows; £3.9m from EPSRC to evaluate and optimise a series of current and emerging surgical interventions for the knee; and £3.5m from Innovate UK to develop a Pig Research Unit to create a leading-edge research platform and European centre of excellence, as part of the Centre for Innovation Excellence in Livestock (CIEL) which will bring together a core of 12 world-class research institutes to deliver improved food quality and farming systems.

Our strategic plan called for a major step change in our research income performance supported by investment in top performing academics and 250 new academic fellows, establishing world-leading positions in major interdisciplinary research themes and investing in research strengths and technology platforms. We are progressing well and to date we have recruited 10 top performing academics and 146 academic fellows. A total of 295 research applications have been submitted by our academic fellows since appointment with a value of £41m.

The investment in academic fellows is aimed to nurture and incentivise early career researchers, whilst we continue to invest to deliver ambitious growth in postgraduate researchers.

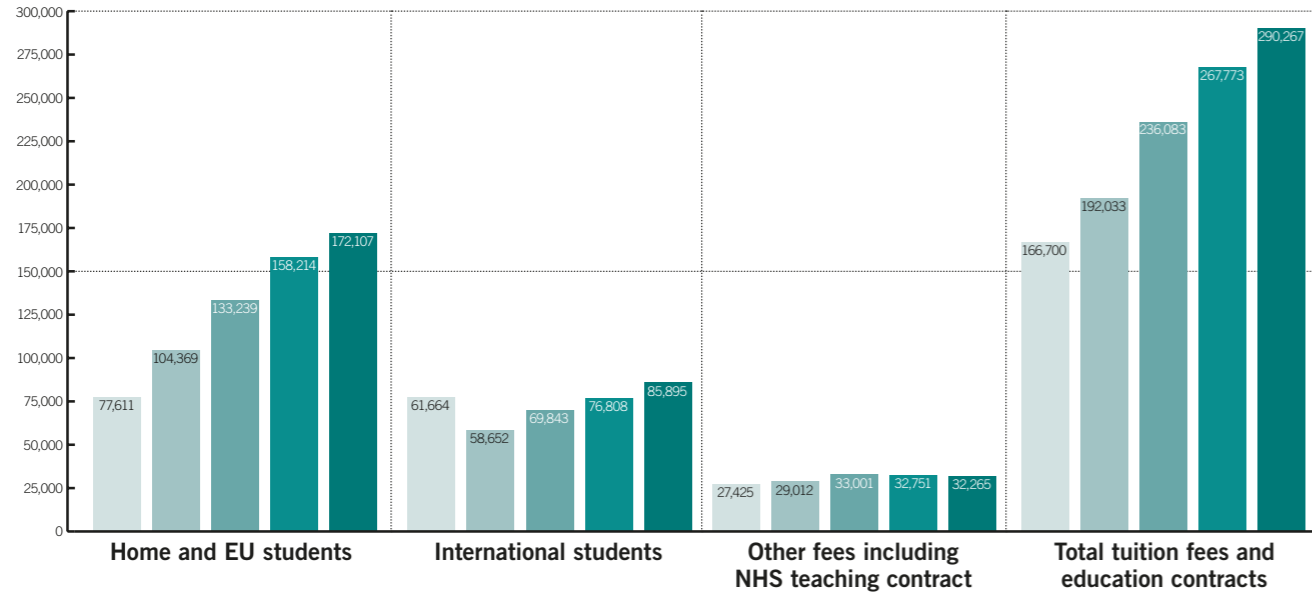
The investment in interdisciplinary research themes and technology platforms includes the Priestley International Centre for Climate which is bringing together researchers to work collaboratively in areas related to climate change with a focus on delivering research to underpin robust and timely climate solutions; and the Astbury Centre for structural and molecular biology which is using powerful electron microscopes to tell us about life on a molecular level, from viruses and protein machines to cells and beyond.

Within research income we report as an exceptional item a further one-off gain of £1.7m relating to a tax credit for RDEC incurred between April 2013 and July 2015 following the submission of the tax return at the end of July 2016. This is in addition to the £19.5m reported as research income in the 2014/15 annual accounts (£15.1m net credit). No further claims for RDEC are possible as Universities ceased to be eligible under the scheme from 1 August 2015.

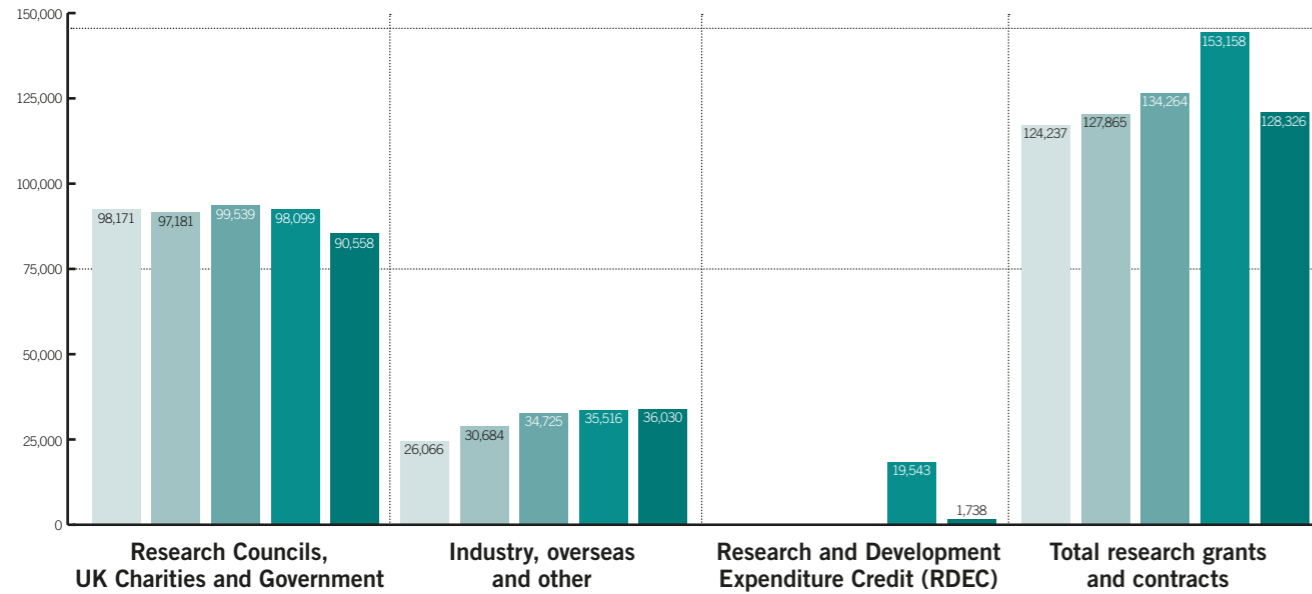


## Chief Financial Officer's Report

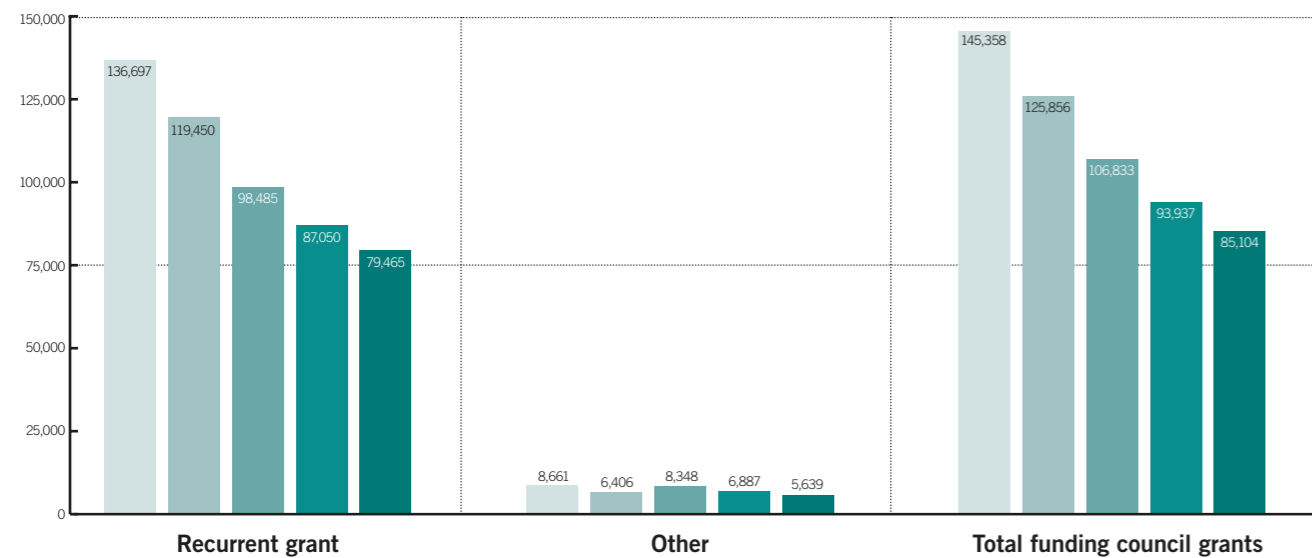
### Tuition fees and education contracts income over five years (£000)



### Research grants and contracts income over five years (£000)



### Funding Body grant income over five years (£000)



Key 2011/12 2012/13 2013/14 2014/15 2015/16

### Other income

Other income increased by £17m, mainly due to the first full year reporting of the new hosted NIHR contract which is now classified as other operating income and not research, as previously explained.

Other income from subsidiary undertakings – notably Weetwood Hall Ltd, Leeds Innovation Centre Ltd, University of Leeds IP Ltd and Bright Beginnings Childcare Centre – Leeds was £9m in the year (2014/15: £9m).

In December 2015 the Making a World of Difference Campaign achieved its £60m fundraising target. The Campaign has now been extended and aims to raise £100m by 2020, with the total currently standing at £64m. Gifts to the Footsteps Fund totalled £0.6m in 2015/16 (2014/15: £0.8m). These donations have continued to support a range of activities that enhance the student experience, including widening participation scholarships for undergraduate and postgraduate students, Leeds for Life Foundation grants and a number of clubs and societies.

### Expenditure

An underlying increase in staff costs of £20m (6%) is driven equally by the continuation of our major programme of academic investment that will underpin our strategy to be a globally leading institution for research and education together with increases relating to the pay award and increments.

The increase in other operating expenditure of £18m (9%) is attributable to planned new investments in scholarships, student recruitment costs, and infrastructure and maintenance to improve our teaching and research facilities.

Interest payable and similar charges has increased by £5m which includes five months of the cost of servicing the new bond (£3m).

### Balance Sheet

The adoption of FRS 102 and the issue of the £250m bond have had a significant impact on our financial position but our Balance Sheet remains strong and continues to provide a secure financial platform that enables us to make the necessary academic and infrastructure investments which will continue to support the delivery of our ambitious strategic plan.

Whilst our underlying performance continues to be strong, external factors have had an impact within the year and we have seen a reduction in net assets from £711m to £704m. Further deterioration in high quality corporate bond yields during the year, which was exacerbated by the Brexit vote, has had a significant impact on the value of our pension liabilities.

The net book value of tangible fixed assets (including heritage assets) has increased significantly by £81m to £810m. The University has invested £125m predominantly in new academic facilities and infrastructure improvements in the year (2014/15: £130m).

Major capital schemes completed in 2015/16 or due for completion in 2016/17 include:

- £41m School of Medicine consolidation and refurbishment
- £36m Refurbishment of the Engineering building
- £25m Edward Boyle library refurbishment
- £17m Leeds University Union refurbishment.

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

- £96m Engineering and Physical Sciences development including the Bragg Centre
- £38m Nexus, the new University innovation and enterprise centre
- £53m Generating Station Complex replacement shared with Leeds Teaching Hospitals Trust.

To support its capital investment programme, in February 2016 the University issued its debut public bond of £250m for a term of 34 years and, supported by a strong AA2 (stable) Moody's credit rating, secured the lowest coupon achieved by an English University of 3.125%. This will support investment in high-quality facilities in order to enhance student education and in cutting-edge science, technology and innovation platforms that will drive progress in our world-leading research.

**£250m**  
issue of public bond at  
3.125% coupon

**£125m**  
capital expenditure



# £337m

cash and short term investments

Following the EU referendum result, Moody's updated the ratings for six UK universities, including University of Leeds and the outlook changed to negative from stable. The negative outlook also mirrors the negative outlook on the sovereign rating, reflecting the close institutional, operational and financial linkages between the central government and UK universities.\* Potential impacts that the vote to leave the EU could have on universities include potential loss of EU funding for research and immigration curbs affecting student demand and staffing.

The University retained £337m of cash investments at 31 July 2016 of which £185m was held on deposit for terms of up to 6 months, £110m was held in three separate sterling liquidity funds, and the remaining £42m was held on-call. We focus on the most secure institutions and funds, with a deposit limit of £50m for AAA rated institutions or funds, £30m for AA, and £15m for A.

Following the bond issue and after standard loan repayments of £5m this year, the gearing ratio (calculated as external borrowing including service concession liabilities as a percentage of unrestricted reserves and unrestricted endowments) increased to 49% (from 11%) at 31 July 2016, which is not an outlier compared to the rest of the Russell Group.

At £68m, the value of the endowment portfolio maintained its value year on year (2014/15 £67m) and generated the planned income level of £2m.

Working capital has increased by £183m, primarily as a result of the significant increase in cash of £202m following the bond issue but partially offset by an increase in creditors of £23m, primarily as a result of spend on capital projects.

### Pensions

The University of Leeds Pension and Assurance Scheme (PAS) reports a Balance Sheet deficit of £47m at 31 July 2016, representing a deterioration of £23m from the prior year.

The main factor contributing to the deterioration is the fall in high-quality corporate bond yields over the year; this reduces the discount rate to be applied and therefore increases the value of the liabilities, which affects all defined benefit pension accounting valuations. This impact has been partially offset by lower expectations of future inflation and salary growth.

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

The PAS and Universities Superannuation Scheme (USS) were both subject to full actuarial valuations as at 31 March 2014; the next valuations will be as at 31 March 2017.

The PAS valuation results showed a surplus of £35m, equivalent to a funding position of 111%. However, a financial update carried out at 31 March 2016 indicated that the funding level had decreased to 93%, with a deficit of £27m. This deterioration is mainly due to the effect of falling gilt yields and lower than anticipated investment returns which was partially offset by a fall in the expectations of future inflation. Bond yields have continued to fall since the valuation, particularly in the aftermath of the referendum on the UK's membership of the EU and indications are that the deficit stood at c£50m at the end of July 2016.

The results of the USS 2014 valuation showed a deficit of £5.3bn after taking into account changes to the benefit structure and the plan to reduce risk in the investment strategy. The deficit is largely driven by falling bond yields, reduced optimism about investment returns, and increasing longevity assumptions. The latest USS Report and Accounts show a deficit of £10bn at 31 March 2016 and like our local scheme we expect this to have deteriorated since.

\* As per Moody's Rating Action: Moody's changes outlooks on 52 UK sub-sovereigns to negative from stable; ratings affirmed. 29 June 2016.

The agreed scheme changes were implemented with effect from 1 April 2016. From 31 March 2016 the final salary section of USS was closed and all members were moved to the Income Builder section of the scheme from 1 April 2016. From 1 October 2016 this section of the scheme will have a salary cap of £55k and contributions paid on salary earned over that level will be placed into a new Investment Builder section of the scheme. From March 2016 the employer contribution rate increased to 18% (previously 16%) and the employee contribution rate increased to 8% (previous employee rate for final salary benefits was 7.5% and for Career Revalued Benefits (CRB) was 6.5%). In addition, in order to address the volatility in the funding level, the trustees will reduce the investment risk that they take with the USS's assets over time.

The new HE SORP requires that universities recognise a provision for the present value of payments to be made under the deficit recovery agreement for USS. The provision for University of Leeds stood at £69.9m at the 2016 year end (2015: £66.2m).

### Risks

The University continues to take action to mitigate those risks that threaten the achievement of its strategic objectives. Four key risks which could directly threaten financial sustainability are described below. The outcome of the EU Referendum is clearly an important component of the two risks to our income streams, but we are confident that the plans and mitigating actions that we are undertaking under those risk headings will be effective in responding to the Brexit element as well as the overall risk to that income stream:

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

Work is under way to optimise the student cohort mix and to enhance recruitment and conversion activity and strategies at home and internationally, and across both undergraduate and postgraduate cohorts.

The newly appointed PVC: International is developing a clear strategy to secure our international growth plans, and to develop an agile market-responsive model for delivery of pathway programmes which will support high-quality international student recruitment to Leeds.

We have developed and implemented a new model for international collaboration with the recent opening of the Joint School of Engineering with Southwest Jiaotong University and we see this as a model that we could adopt for other possible opportunities.

New education delivery models are being developed to address new business opportunities, for example in digital learning; and currently we are exploring degree apprenticeship models.

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

A post REF2014 action plan is being put in place to improve the quality and volume of our REF2020 submission. REF is the Research Excellence Framework, a system for assessing the quality of research in UK higher education institutions.

In addition to the significant level of strategic funds which we have committed to attract top performers and University Academic Fellows (UAFs), and to fund PGR scholarships, we are seeking external funding of PhD studentships, reviewing the focus of our interdisciplinary research themes, and reviewing our approach to the development of strategic partnerships.

New senior appointments are being made to lead the development and implementation of the research and innovation strategy and delivery plan, the institutional approach to quality and impact, and strategies for new academic development.

Through our membership of the White Rose University consortium and its Brussels office (opened last year) we will seek to maximise our collaboration activities and partnerships with European Universities, funders and industry partners.



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

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

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

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

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

We are active in monitoring the USS valuation position and we engage in employer consultations concerning the affordability of the existing scheme and options to reform it.

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

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

### Conclusion

Whilst there are many factors within the current political landscape that create uncertainty and potential income volatility for Higher Education Institutions (HEIs) – for example legislative changes to Higher Education, tightening of immigration targets and the Brexit decision – we are confident in our ability to manage through potential effects since we approach them from a position of financial strength both in terms of our Balance Sheet including security of financing and since we are not overly exposed, compared to our peer set, to some of the income streams which appear to be under most direct threat.

In addition our continued success in National Student Survey (NSS), our improvements in employability measured by the Destinations of Leavers from Higher Education (DLHE), and the award of the title of University of the Year 2017 by The Times and The Sunday Times Good University Guide are all evidence that we are well positioned for the introduction of the Teaching Excellence Framework and give us confidence in how we will be rated within it.

This is not a period where we can afford to stand still and wait for answers. We are operating in an increasingly competitive landscape; our strategy stands strong against external risk factors, pursuing new income streams and embracing new business models are more critical than ever and we are well positioned to do this. For example, we see opportunities to expand our international student market share and to create a leading position in digital provision through delivery of large scale Online Distance Learning programmes, working in partnership with external organisations.

We will continue to be robust in ensuring that we are investing in disciplines and in innovation where we can build on or broaden existing deep disciplinary strength and where it is evident that the funding market is strong. At the same time we will monitor carefully our plans alongside external risks, so that we can identify at the earliest stage if we need to develop and implement new strategic interventions to secure our academic and financial sustainability.

**Jane Madeley**  
Chief Financial Officer

# University of the Year 2017

The Times and The Sunday  
Times Good University Guide





## “WE EDUCATE STUDENTS SO THAT THEY CAN FULFIL THEIR PERSONAL POTENTIAL AND SO THAT THEY CAN MAKE A BETTER CONTRIBUTION TO SOCIETY ...”

The work of the University – a charity – is by its nature directed to the public benefit. We educate students so that they can fulfil their personal potential and so that they can make a better contribution to society; and we undertake research not just to improve our understanding of the world but also to have a positive impact on global society. The attainment of these objectives is underpinned by the Strategic Plan agreed by our Trustees as the University Council (see also page 1). The way in which public benefit is achieved is illustrated more explicitly in the following sections, which go on to exemplify the University’s commitment to accountability, openness and transparency.

### Students

In 2015/16, over 32,000 students benefited from the delivery of 1,775 programmes; more than 10,300 students graduated in the year. Our confidence in the quality of our delivery of student education is underpinned by external validation by the Quality Assurance Agency (QAA), as well as by our high scores in the 2016 National Student Survey (NSS).

Like all other universities, the University of Leeds charges tuition fees to students. Following changes in the national system of funding of undergraduate education, the annual tuition fee for most full-time undergraduates has been £9,000 since 2012. Fees may rise for some students in 2016<sup>1</sup>. Leeds is committed to encouraging students from all backgrounds and has made one of the largest investments in financial support in the higher education sector, producing an innovative package of financial support targeted at students from lower income families. Alongside government loans, students from disadvantaged backgrounds can access non-repayable financial support, scholarships and the Access to Learning fund, in tandem with non-financial support to ease transition and maximise engagement – the benefits of which are reflected in our student success rates. As the external environment continues to change, this package of support is reviewed regularly to measure impact and identify refinements. In 2015/16, the University committed £17.4m towards financial support, access, student success and progression activity.

We engage with communities, families and over 152,000 learners to support progression to higher education as part of our commitment to support the recruitment of the brightest and best students regardless of background. Our partnership with IntoUniversity provides intensive and targeted support to some of the most disadvantaged communities in the city, in Harehills and Beeston. As the lead partner for the HEART partnership of twelve regional HE providers, the University provides additional support for local schools and colleges by delivering a comprehensive programme of outreach to raise aspirations and aid decision-making at key transition points. As part of our work on sustainability recorded on page 15, we also work closely with learners and their families to welcome them onto campus, enhancing their knowledge of sustainability by, for example, planting student designs for biodiversity-rich flower beds on campus and interactive sessions in the Bike Hub.

<sup>1</sup> In its current form, the Higher Education and Research Bill currently passing through Parliament will permit institutions that participate successfully in year 1 of the Teaching Excellence Framework to apply a 2.8% inflationary fee uplift. At Leeds, this uplift will apply to new Home/EU undergraduate entrants only from 2017/18 onwards.

### Research

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

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

### The community

The University’s Student Opportunity team oversees a range of initiatives including placements and internships, volunteering engagement and academic collaboration. The team works in partnership with schools, faculties, professional services and Leeds University Union to develop and deliver our institution-wide programme, LeedsforLife, which integrates academic and co-curricular opportunities, and through which an estimated 3,000 students are actively involved in volunteering and community work (with still more engaged less formally). Generous support from our alumni and Santander has funded 468 student-led projects since the LeedsforLife Foundation began in 2008, enabling students to make a positive, world-wide, contribution to society.

The Volunteering Hub continues to act as a conduit for developing partnerships with local community organisations, with over 100 distinct opportunities available to students at any one time. An increasing number of such partnerships are leading to longer-term industrial year or internship placements. We also work closely with the local third sector through our Community Mentoring Programme, which links staff with local groups to support specific skills requirements: we have 17 such active partnerships and the number continues to grow.

During 2015/16 over 400 students took up voluntary and accredited placements in local schools through our Students into Schools programme, which continues to form part of our commitment to widen participation throughout West Yorkshire. The ‘Societies Into Schools’ initiative has continued to grow, enabling schools to access a wide range of activities and workshops, from kickboxing to promoting positive mental health, while work by our student Intercultural Ambassadors fosters tolerance and diversity in communities.

We support our students to be responsible citizens during their time at Leeds and beyond: activities such as ‘Get to Know Your Neighbour’ engaged with over 2,700 students and 1,800 local households. In partnership with the other universities and colleges in the city, we run the Neighbourhood Helpline for local residents, to help resolve neighbourhood issues involving students; and we work with the police and Leeds City Council to tackle inconsiderate behaviour.



### Cultural activity

We aim to ensure that our campus is a vibrant and welcoming environment, and to engage all our stakeholders in both the physical and intellectual elements of our work. The University plays an active role in the cultural life of the city. We support the Manifesto for Public Engagement and our work here has been enhanced by catalyst seed funding from the Research Councils UK (RCUK). We continue to make our cultural activity publicly accessible via performances, recitals and workshops, and have created three programmes to engage the public with our research and cultural resources. Yorkshire Year of the Textile is a year-long celebration and showcase of the University's and the region's rich cultural heritage: funded by Arts Council England, it delivers artistic commissions and workshops for a wide range of audiences across the region. Our Autumn Programme of Public Art began with a sell-out Heritage Open Day tour. Shakespeare 1616–2016 marks the 400th anniversary of the death of William Shakespeare: public events commemorating his global legacy have included an innovative new production of A Midsummer Night's Dreaming Under the Southern Bough, which premiered in Leeds before touring in China.

In March 2016, the University and partners across the city co-ordinated the 11th annual Leeds Festival of Science, which offered an extensive programme of events and workshops for schools and the general public. The University's Festival of Arts and Humanities celebrated the City's rich heritage of arts and culture through a programme of public events and activities for schools throughout June and July 2016.

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

### Sustainability

We are committed to having a positive impact on the environment overall. We embed sustainability into our key decision-making and activity through our four core strategic themes: embedding sustainability through collaboration; building knowledge and capacity; being a positive partner in society; and making the most of resources. Steps taken to ensure that our systems and processes support our commitment to sustainability include success in obtaining ISO14001 Environmental Management System accreditation for all our activity and level four of the Flexible Framework for sustainable procurement. We monitor our impact and progress closely.

Sustainability has helped us create new opportunities, and value, within student education and research. The Leeds Curriculum encourages students to engage with all elements of sustainability: over 3,000 students have completed sustainability modules as part of their wider degree programmes. Our sustainable living lab concept links our leading research, which addresses the grand challenges that face society, with how we work and teach; challenges the way we do things and enables more efficient use of resources; and increases the knowledge and capacity of staff and students. We are working to extend this concept to partners across the city, particularly Leeds City Council.

We are committed to having a positive impact on the environment overall. We are on track to meet our carbon emission reduction target of 35% by 2020/21; and send no operational waste to landfill – our recycling rate is 96%. We encourage all staff and students to choose sustainable travel options, resulting in a year-on-year reduction in single car occupancy commutes to campus by students and staff.

We regard playing a positive role in wider society, including being a good neighbour, as an element of sustainability. Much of our work here is recorded on page 14.

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

### Equality and inclusion

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

Staff-related activities supporting the attainment of the University's Equality Mission include renewing our institutional Athena SWAN award; all our Science, Technology, Engineering, Mathematics and Medicine faculties and departments now hold a Silver or Bronze award – a significant University achievement. We supported the participation of 15 women on the 2015–16 Leadership Foundation for Higher Education programme for Women in Leadership ('Aurora'). These and other initiatives have contributed to an increase in the proportion of female leaders at Leeds: female professors at Leeds currently comprise 22% of our professoriate. This year, our fourth 'Women of Achievement' event celebrated the successes of women at Leeds. We are strengthening recruitment, support and progression for other under-represented staff groups and increasing the consideration of 'intersectionality' within our work; we are engaging with the sector's Race Equality Charter and with Stonewall; and are developing a more holistic approach to supporting staff with disabilities.

Following the introduction of changes by Government to the Disabled Students' Allowance, we have introduced a new model of student engagement and support for disabled students which focuses efforts to provide more inclusive support.

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

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

Detailed comparative equality monitoring data are published at [www.equality.leeds.ac.uk/university-monitoring-information](http://www.equality.leeds.ac.uk/university-monitoring-information)

A snapshot of the data is as follows:

#### University of Leeds student diversity profile (2015/16)

Where information is known	Home and EU students	Overseas
Female	61%	58%
Age (21 and over)	12%	25%
Black and minority ethnic	16%	92%
Disabled	10%	2%
Low SEC participation	23%	–
<b>Total student headcount</b>	<b>30,872*</b>	–

\*Excludes certain students for diversity monitoring purposes.



Staff in post by protected characteristic

Characteristic	Protected characteristic	% where known*
Gender	Female	54%
	Male	46%
Age	50–59	22%
	60+	8%
Ethnicity	Black and Minority Ethnic	9%
Disability	Disabled	4%
Caring responsibilities	Carers	22%
Sexual orientation	Bisexual	1%
	Gay man/woman	2%
Faith/belief	Christian	25%
	Muslim	1%
	Hindu	1%
	Jewish	1%
	No faith	28%
<b>Total staff headcount</b>	<b>8,128</b>	–

\*As at 31 July 2015

**Maintaining standards**

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

We have an established University Research Ethics Committee (UREC), supported by a network of faculty-level research ethics committees that engage staff and students. The Committee has oversight of matters of general policy and principle on research; approval of proposals for research with significant ethical dimensions (including research carried out on human subjects or using their data); and consideration of the impact of research upon the natural environment. An audit process established by the Committee to test whether research was being conducted in accordance with ethical approvals has now been rolled out to all faculties: outcomes are reported annually to the UREC. Other activity in this area includes work to support comprehensive engagement with ethics policy.

The University has a protocol for investigating and resolving allegations of misconduct in academic research. We are committed to ensuring that any such allegations are subject to full, fair and quick investigation. An allegation raised towards the end of the session is undergoing screening.

Our Code of Practice on Whistleblowing sets out how we will handle complaints of suspected malpractice or impropriety. Work is ongoing in connection with an anonymous allegation lodged in 2015/16 under the Code.

Similarly, the University operates a complaints procedure which provides for both informal and formal resolution of concerns about any aspect of a student’s academic or pastoral experience. During 2015–16 the University received 31 formal student complaints (36 in 2014–15), which included complaints about the standard of academic provision, the standards of other key services affecting a student’s studies or general welfare, and failure to meet obligations.

The majority of complaints received in 2015–16 have been resolved satisfactorily (though the deadline for seeking a review externally with the Office of the Independent Adjudicator (OIA), the higher education ombudsman, has not yet been reached in all cases).

During the year the University also dealt with 139 appeals from taught students against academic judgements relating to results declared for the 2014–15 Semester 2 or 2015–16 Semester 1 examinations (129 in 2014–15). Of these 76 were conceded by their school or upheld (in full or in part), 56 were rejected and in 7 cases the appeals were withdrawn by the student. A further 17 appeals were submitted by research students (6 in 2014–15): four of which have been upheld (in full or in part), 12 were rejected and one was subsequently withdrawn by the student.

Ten students lodged petitions with the OIA during 2015–16, one arising from a complaints decision, one arising from a disciplinary decision, six against academic appeals dismissed by the University, and two arising from the University’s decision to exclude the students for unsatisfactory academic progress or academic malpractice. One case was settled (the matter was considered afresh under the academic appeals process as new evidence had come to light which had not been seen by the University) and five cases have been dismissed while the remaining are still under review by the OIA at the end of the year.

Of the 11 OIA cases outstanding from the 2014–15 Annual Report, the OIA dismissed eight cases and one case was settled by the University by allowing the student’s appeal to be considered by the relevant committee. The OIA partially upheld the remaining two cases due to identified procedural shortcomings: in one case the OIA recommended that elements of the original complaint be reviewed by the University through its complaints process; and in the other case, while the OIA upheld the University’s decision to exclude the student for a disciplinary offence, it recommended that the decision not to award the student the qualification to which they were academically entitled be overturned, and that a compensatory payment be offered to the student for the distress and inconvenience caused by the University’s handling of the case.

**Use of animals in research**

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

Whilst the University carries out animal research to improve the health and welfare of human beings and animals – and to provide a better understanding of the animals themselves – we use animals only when the use of alternatives – such as computer modelling, tissue culture, and cell and molecular biology – is not feasible; and we are absolutely committed to the principle of replacement whenever possible – and to the refinement of research methods and to reducing the use of animals in research.

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



By way of improving transparency of reporting – and to enhance our governance arrangements – the committee which has oversight of work that falls under the Animals (Scientific Procedures) Act 1986 now (from January 2015) reports directly to the University's Council. Its minutes are to be published on the University's website, alongside other information about the University's use of animals.

### Freedom of information and data protection

During 2015/16 we received 320 requests explicitly under the Freedom of Information Act. This represents a decrease of 17.5% on 2014/15, the first such annual decrease. There has been a strong trend towards broader and more complex requests, however, with particular interest in 'commercial' areas (seeking information to support bidding for contracts, for example); cheating and plagiarism; admissions information and staff and salary information. We responded to the vast majority of requests within the twenty-day period required by the Act, with extensions negotiated in a very small number of complex cases. There were no complaints lodged with the Information Commissioner's Office (ICO) in 2015/16.

The University's arrangements for meeting its responsibilities under data protection legislation are set out in a detailed Code of Practice and associated guidance, which is also available online. During 2015/16 the University received 12 data subject access requests – a 9% increase on the previous year. The requests were from staff, from students who were not progressing on or had failed their courses and from external individuals, including two prospective students. There were no complaints lodged with the ICO.



This statement covers the period 1 August 2015 to 31 July 2016 and up to the date of approval of the audited financial statements.

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

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

### Structure of governance

#### The Council

The Council is the governing body of the University. As such, it has a collective responsibility to promote the University's wellbeing and to ensure its sustainability. The specific responsibilities of the Council are outlined in its Statement of Primary Responsibilities as set out on page 24 but, in essence, it is responsible for approving corporate strategy and associated plans and budgets; for determining major business decisions and corporate policy; for the framework of governance and management; and for monitoring institutional and executive performance. These responsibilities are 'reserved' to the Council and, as a general rule, cannot be delegated. Other responsibilities have been delegated to committees and officers in accordance with a scheme of delegation.

[www.leeds.ac.uk/secretariat/documents/scheme\\_of\\_delegation.pdf](http://www.leeds.ac.uk/secretariat/documents/scheme_of_delegation.pdf)

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

As the (lay) Chair of the Council, the Pro-Chancellor, Mr David Gray, plays a key role in the governance of the institution while remaining outside the day-to-day executive management. Members of the Council are listed in the table on page 23, which also shows other trusteeships held by members and members' attendance at meetings. The University maintains a Register of Interests of members of the Council (and senior officers) which may be consulted by arrangement with the Secretary to the University, Mr Roger Gair.

#### The Senate

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

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

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

#### University Committees

The principal committees of the Council include:

- the Audit and Risk Committee (chaired by Mr Ed Anderson), which inter alia has a significant role in reviewing the effectiveness of the systems of internal control, including financial procedures and risk management (see below);
- the Strategy and Investment Committee (chaired by the Deputy Pro-Chancellor, Mr Quentin Woodley), which monitors the development and implementation of the University's strategy and advises the Council on major investment decisions;
- the Nominating and Governance Committee (chaired by the Pro-Chancellor) which inter alia
  - brings forward to the Council nominations to fill vacancies for lay members of the Council;
  - is required in this respect to have regard to the need to draw members from a wide variety of backgrounds, and also to strike an appropriate balance between continuity and rotation in the membership of the governing body; and
  - considers annually the potential for improvements in governance;
- the Health and Safety Committee (chaired by the Vice-Chancellor), which maintains an overview of the University's arrangements for securing the health and safety of staff, students and visitors;
- the Remuneration Committee (chaired by the Pro-Chancellor), which determines the salaries of the Vice-Chancellor and other principal officers of the University;
- the Gift Acceptance Committee (chaired by the Pro-Chancellor), which scrutinises and – after considering any strategic, financial, legal, ethical and reputational issues – approves or otherwise solicitation or acceptance of gifts with a value over £100,000;
- the Equality and Inclusion Committee (chaired by the Vice-Chancellor), which reviews the strategy and processes by which the University encourages good practice and innovation in securing equality and inclusion across all of its activities; and
- the Animal Welfare and Ethical Review Committee, which promotes the welfare of animals held or used by the University under the Animals (Scientific Procedures) Act 1986 and monitors compliance with relevant legislation.

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

### The Court

The University Court, which has some 90 members (the majority lay) and which meets at least twice a year, stands beyond the University's main decision-making machinery. The Court serves as a symbol of – and indeed a mechanism for – the University's accountability to the wider community and to different constituencies of stakeholder: it is empowered to ask questions about, and express an opinion on, any matter whatsoever concerning the University; and to convey such opinions to the Council.

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

### Senior officers and executive management

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

The University's Executive Group (UEG) consists of the Vice-Chancellor, the Deputy Vice-Chancellor<sup>2</sup>, the Pro-Vice-Chancellors, the faculty deans, the Finance Director<sup>3</sup>, the Marketing Director, the Director of Human Resources, the Director of Facilities Management and the Secretary. The Vice-Chancellor delegates responsibility for specific aspects of the University's management to his colleagues on the UEG but retains ultimate responsibility for their work: deans and senior officers are responsible to the Council (through the Deputy Vice-Chancellor and the Vice-Chancellor respectively) for the leadership and overall management of the faculties and the corporate services.

The UEG's formal terms of reference include protecting and promoting the interests of students; nurturing the wider University community in furtherance of the education and research mission of the institution; ensuring the academic development of the University and securing its academic and financial sustainability; formulating the University's Strategic Plan, and ensuring its implementation and the achievement of key objectives and performance targets; identifying and managing risks; and resource allocation. Members of the UEG are listed on page 23.

### Internal control

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

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

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

### Financial control

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

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

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

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

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

### Risk management

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

This process, which accords with the HEFCE guidance, was further tested in 2015/16 as part of the Audit and Risk Committee's rolling programme of risk review. The Committee reviewed the University's risk management arrangements and the institutional risk appetite statement. Overall, the Committee was content that an appropriate framework to identify, assess and manage risk was in place. The Committee was also content with minor refinements to the University's risk appetite statement.

### Going concern

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

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

<sup>2</sup> From session 2016/17, the senior academic officers supporting the Vice-Chancellor will comprise two Deputy Vice-Chancellors (Student Education and Research and Innovation) and the Pro-Vice-Chancellor: International.

<sup>3</sup> The Finance Director took on the new title of Chief Financial Officer from 1 October 2016.



Members of the University Council 2015/16

Member of Council	Brief pen-portrait	Charity Trusteeships	Attendance (6 Ordinary meetings, 2 Away Days)
David Gray	Pro-Chancellor and Chair of Council since 2013; former CEO and Chairman of Eversheds International; member of the DWF LLP Board		6 + 2
Sir Alan Langlands	Vice-Chancellor since 2013 and Chair of the Health Foundation; former Chief Executive of the HEFCE (200913); previously Principal and Vice-Chancellor of the University of Dundee; Chair of UK Biobank Ltd and, before entering the higher education sector, Chief Executive of the NHS	The Health Foundation, Leeds International Piano Competition	6 + 2
Nick Allen	Undergraduate Admissions Team Leader within the Student Education Service – currently on secondment to the Student Operations team, within SES		6 + 2
Ed Anderson	Chairman of the Airport Operators Association; Non-Executive Director of National Savings and Investments; former Managing Director of Leeds Bradford International Airport; former Chairman of Yorkshire Building Society; High Sheriff of West Yorkshire (2015–16)	Leeds International Piano Competition, Opera North, Friends of Opera North	5 + 1
Liz Barber	Director of Finance, Regulation and Markets for Kelda Group, owners of Yorkshire Water; previously Partner with Ernst & Young for 9 years; Non-Executive Director and Chair of Audit Committee of KCOM plc		3 + 2
Helen Billington	Education Service Manager, Online Distance Learning Centre; Fellow, Association of University Administrators; Vice-Chair of Governors, Selby High School		6 + 2
Neil Clephan	Head Teacher, Roundhay School – all through education from 4 to 18; National Leader of Education; Chair, Sports Board (UoL)	Leeds Rugby Foundation, Jigsaw (HMP Armley)	4 + 0
Toke Dahler <sup>1</sup>	Union Affairs Officer, LUU	Leeds University Union	6 + 2
Nigel Foster	Director and an owner of Fore Consulting Limited; Director and owner of Colbaran Ltd; former Director, Ove Arup and Partners; Director of Leeds and Partners; Director of Ahead Partnership; Former President and Director of West & North Yorkshire Chamber of Commerce; Chair and Non-Executive Director of the Centre for Low Carbon Futures; Chair, Sustainable Economy and Culture Board, Leeds		5 + 1
Paul Gittins	Global Alliance Director at Capgemini		4 + 1
Jeremy Higham	Dean of the Faculty of Education, Social Sciences and Law and Professor of Post-14 Education Policy and Curriculum; member of Court		5+ 2
Caroline Johnstone	Non-Executive Director and Chair of Audit Committee of Synthomer plc; Director of CA Johnstone Limited, consulting services; Non-Executive Director, Deputy Chair and Chair of Audit Committee, Leeds Teaching Hospitals Trust; Chair of BARCA-Leeds, a community-based charity; Chartered Accountant (former partner with PricewaterhouseCoopers)	BARCA – LEEDS	5 + 1
Roger Marsh	Chartered Accountant; business recovery specialist; Chair, Leeds City Region Enterprise Partnership; member, West Yorkshire Combined Authority; Chair of Strategic Oversight Board, Northern Powerhouse Investment Fund; Council Member, Institute of Directors; former Senior Partner for Yorkshire & The Humber, PricewaterhouseCoopers	The Iraq/Afghanistan Memorial Project	5 + 0
Amanda Mellor	Group Secretary and Head of Corporate Governance, Marks & Spencer Group plc; Non-Executive Director of Kier Group plc		3 + 1
Peter Moizer	Dean, Faculty of Business; Professor of Accounting; Trustee, UoL Pension & Assurance Scheme; Non-Executive Director, Weetwood Hall		5 + 1
Yvette Oade	Chief Medical Officer of Leeds Teaching Hospitals NHS Trust; formerly Chief Medical Officer of Hull and East Yorkshire Hospitals NHS Trust and Deputy Chief Executive, and Consultant Paediatrician in Calderdale and Huddersfield Foundation NHS Trust	Yorkshire Cancer Research	3 + 1
Melissa Owusu	Education Officer (LUU)	Leeds University Union	5 + 1
Geoff Potter	Director and founder, Avebury Public Relations Ltd; Senior Partner with Instinctif Partners; formerly responsible for worldwide Corporate Communications for Glaxo/Glaxo Wellcome/ GlaxoSmithKline; Deputy Chairman, Ryedale Festival; member of Court	Ryedale Festival Trust, Royal Institution of Great Britain	4 + 2
Sue Proctor	Director, SR Proctor Consultancy Ltd; Non-Executive Director, Harrogate District NHS Foundation Trust; lay member, Royal College of Veterinary Surgeons, Veterinary Nurse Council	Harrogate Hospital Charity, Ripon Cathedral Council	2 + 1
John Stoddart-Scott	Farm and Estate Manager; Chairman of Weetwood Hall Ltd and of University of Leeds Farms Ltd (both subsidiary companies); member of Court	Wades Charity, Wharfedale Agricultural Society	6 + 2
Mark Taylor-Batty	Senior Lecturer in Theatre Studies, School of English; President – UCU, University of Leeds Branch		5 + 2
Jo Westerman	Manager, LOGIK and Staff Centre	The Red Ladder Theatre	5 + 2
Quentin Woodley	Deputy Pro-Chancellor; Director Emeritus, McKinsey & Company; Director, Woodley Pension Trustees Ltd; Chartered Accountant		6 + 2

<sup>1</sup> 1 July 2015 to 30 June 2016.

From 1 July 2016, one LUU Officer and Trustee of LUU (Toke Dahler (University Affairs Officer)) was replaced on the Council by Jack Palmer. Peter Moizer, Sue Proctor and John Stoddart-Scott stepped down from the Council's membership on 31 July 2016; they were replaced on 1 August 2016 by Cathy Cassell, Seb Elsworth and Michael Howell.

Members of the University Executive Group 2015/16

<b>Sir Alan Langlands</b> Vice-Chancellor (Chair)
<b>Professor John Fisher, CBE</b> Deputy Vice-Chancellor
<b>Roger Gair</b> University Secretary
<b>Professor David Hogg</b> Pro-Vice-Chancellor for Research and Innovation
<b>Martin Holmes</b> Marketing Director
<b>Dennis Hopper</b> Director of Facilities Management
<b>Professor Vivien Jones</b> Pro-Vice-Chancellor for Student Education
<b>Jane Madeley</b> Chief Financial Officer
<b>Linda Mortimer Pine</b> (Acting Director to 30 September 2015)
<b>Francesca Fowler</b> (from 1 October 2015) Director of Human Resources
<b>Professor David Cooper</b> Dean, Faculty of Performance, Visual Arts and Communications
<b>Professor Andy Dougill</b> Dean, Faculty of Environment
<b>Professor Frank Finlay</b> Dean, Faculty of Arts
<b>Professor Jeremy Higham</b> Dean, Faculty of Education, Social Sciences and Law
<b>Professor Peter Jimack</b> Dean, Faculty of Engineering
<b>Professor John Ladbury</b> Dean, Faculty of Biological Sciences
<b>Professor Peter Moizer</b> Dean, Faculty of Business
<b>Professor Stephen Scott</b> Dean, Faculty of Mathematics and Physical Sciences
<b>Professor Paul Stewart</b> Dean, Faculty of Medicine and Health

Statement of Primary Responsibilities of the Council

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

Corporate strategy

Having regard to the interests of stakeholders:

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

Corporate policies

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

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

Operational management and systems

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

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

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

Monitoring of institutional performance

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

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

We have audited the financial statements of the University of Leeds for the year ended 31 July 2016 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Comprehensive Income, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council in accordance with the memorandum of assurance and accountability effective August 2014. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Council and auditor

As explained more fully in the Council's Statement of Primary Responsibilities, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and University's affairs as at 31 July 2016 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

### Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- income from the funding council, the Teaching Agency and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2016 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding council and the funding agreements with the Teaching Agency; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, England  
24 November 2016





Artist's impression of the redeveloped north eastern quarter, incorporating the new £96m development, which will create an international centre for Engineering and Physical Sciences.

# ANNUAL ACCOUNTS



## Consolidated and University Statement of Comprehensive Income and Expenditure

for the year ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	290,267	290,039	267,773	267,559
Funding body grants	2	85,104	85,104	93,937	93,937
Research grants and contracts	3	126,588	126,588	133,615	133,615
Exceptional Research and Development Expenditure Credit (RDEC)	3	1,738	1,738	19,543	19,543
Total research grants and contracts		128,326	128,326	153,158	153,158
Other income	4	124,035	116,264	107,433	98,944
Investment income	5	3,651	3,676	3,072	3,088
Donations and endowments	6	5,288	5,935	1,017	1,792
<b>Total income</b>		<b>636,671</b>	<b>629,344</b>	<b>626,390</b>	<b>618,478</b>
<b>Expenditure</b>					
Staff costs	7	344,692	341,204	322,694	319,235
Movement on USS provision	7	3,999	3,999	37,408	37,408
Total staff costs		348,691	345,203	360,102	356,643
Other operating expenses	9	221,613	218,793	203,176	199,880
Depreciation and amortisation	11, 12	44,801	44,142	45,483	44,842
Interest and other finance costs	8	8,877	8,872	3,976	3,968
<b>Total expenditure</b>	9	<b>623,982</b>	<b>617,010</b>	<b>612,737</b>	<b>605,333</b>
<b>Surplus before other gains losses and share of operating surplus/deficit of joint ventures and associates</b>					
		<b>12,689</b>	<b>12,334</b>	13,653	13,145
Gain/(loss) on disposal of fixed assets		688	688	(201)	(201)
(Loss)/gain on investments		(2,133)	(2,133)	3,997	3,997
Share of operating deficits in joint ventures	16	(26)	–	(247)	–
Share of operating surpluses/(deficits) in associates		293	–	(630)	–
<b>Surplus before tax</b>		<b>11,511</b>	<b>10,889</b>	16,572	16,941
Taxation	10	(118)	33	(4,306)	(4,414)
<b>Surplus for the year</b>		<b>11,393</b>	<b>10,922</b>	12,266	12,527
Actuarial loss in respect of pension schemes	28	(18,310)	(18,310)	(17,384)	(17,384)
<b>Total comprehensive expenditure for the year</b>		<b>(6,917)</b>	<b>(7,388)</b>	<b>(5,118)</b>	<b>(4,857)</b>
Represented by:					
Endowment comprehensive income for the year		941	941	1,018	1,018
Restricted comprehensive income/ (expenditure) for the year		1,201	1,201	(762)	(774)
Unrestricted comprehensive expenditure for the year		(9,059)	(9,530)	(5,374)	(5,101)
		<b>(6,917)</b>	<b>(7,388)</b>	<b>(5,118)</b>	<b>(4,857)</b>

All items of income and expenditure relate to continuing activities.

## Consolidated and University Statement of Changes in Reserves

for the year ended 31 July 2016

	Notes	Income and expenditure account			Total £000
		Endowment £000	Restricted £000	Unrestricted £000	
<b>Consolidated</b>					
<b>Balance at 1 August 2014</b>		<b>65,718</b>	<b>4,443</b>	<b>646,086</b>	<b>716,247</b>
Surplus/(deficit) from the income and expenditure statement		1,018	(762)	12,010	12,266
Other comprehensive expenditure		–	–	(17,384)	(17,384)
<b>Total comprehensive income/ (expenditure) for the year</b>		<b>1,018</b>	<b>(762)</b>	<b>(5,374)</b>	<b>(5,118)</b>
<b>Balance at 31 July 2015</b>		<b>66,736</b>	<b>3,681</b>	<b>640,712</b>	<b>711,129</b>
Surplus from the income and expenditure statement		941	1,201	9,251	11,393
Other comprehensive expenditure	28	–	–	(18,310)	(18,310)
<b>Total comprehensive income/ (expenditure) for the year</b>		<b>941</b>	<b>1,201</b>	<b>(9,059)</b>	<b>(6,917)</b>
<b>Balance at 31 July 2016</b>		<b>67,677</b>	<b>4,882</b>	<b>631,653</b>	<b>704,212</b>

	Notes	Income and expenditure account			Total £000
		Endowment £000	Restricted £000	Unrestricted £000	
<b>University</b>					
<b>Balance at 1 August 2014</b>		<b>65,718</b>	<b>4,419</b>	<b>644,177</b>	<b>714,314</b>
Surplus/(deficit) from the income and expenditure statement		1,018	(774)	12,283	12,527
Other comprehensive expenditure		–	–	(17,384)	(17,384)
<b>Total comprehensive income/ (expenditure) for the year</b>		<b>1,018</b>	<b>(774)</b>	<b>(5,101)</b>	<b>(4,857)</b>
<b>Balance at 31 July 2015</b>		<b>66,736</b>	<b>3,645</b>	<b>639,076</b>	<b>709,457</b>
Surplus from the income and expenditure statement		941	1,201	8,780	10,922
Other comprehensive expenditure	28	–	–	(18,310)	(18,310)
<b>Total comprehensive income/ (expenditure) for the year</b>		<b>941</b>	<b>1,201</b>	<b>(9,530)</b>	<b>(7,388)</b>
<b>Balance at 31 July 2016</b>		<b>67,677</b>	<b>4,846</b>	<b>629,546</b>	<b>702,069</b>



# Consolidated and University Balance Sheet

for the year ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Intangible assets	11	3,968	3,968	2,805	2,805
Fixed assets	12	782,189	771,171	703,291	692,081
Heritage assets	12, 13	27,813	27,813	26,128	26,128
Investments	15	77,038	82,707	81,624	86,343
Investments in joint ventures	16	295	–	321	–
Investments in associates	17	801	–	–	–
		<b>892,104</b>	<b>885,659</b>	814,169	807,357
<b>Current assets</b>					
Stock		454	256	514	303
Trade and other receivables	18	93,978	98,161	89,914	93,908
Investments	19	179,514	179,514	54,706	54,706
Cash and cash equivalents		157,430	155,661	80,287	78,605
		<b>431,376</b>	<b>433,592</b>	225,421	227,522
Less: Creditors: amounts falling due within one year	20	(184,878)	(182,938)	(161,076)	(159,033)
Share of net liabilities in associates	17	–	–	(443)	–
<b>Net current assets</b>		<b>246,498</b>	<b>250,654</b>	63,902	68,489
<b>Total assets less current liabilities</b>		<b>1,138,602</b>	<b>1,136,313</b>	878,071	875,846
Creditors: amounts falling due after more than one year	21	(312,925)	(312,779)	(72,555)	(72,002)
<b>Provisions</b>					
Pension provisions	22	(117,155)	(117,155)	(90,513)	(90,513)
Other provisions	22	(4,310)	(4,310)	(3,874)	(3,874)
<b>Total net assets</b>		<b>704,212</b>	<b>702,069</b>	711,129	709,457

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowment reserve	23	67,677	67,677	66,736	66,736
Income and expenditure reserve – restricted reserve	24	4,882	4,846	3,681	3,645
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – unrestricted		631,653	629,546	640,712	639,076
<b>Total Reserves</b>		<b>704,212</b>	<b>702,069</b>	711,129	709,457

The financial statements were approved by Council on 24 November 2016 and were signed on its behalf on that date by:

**Sir Alan Langlands**  
Vice-Chancellor

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

**Jane Madeley**  
Chief Financial Officer

## Consolidated Statement of Cash Flows

for the year ended 31 July 2016

	Notes	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
<b>Cash flow from operating activities</b>			
Surplus before tax		11,511	16,572
<b>Adjustment for non-cash items</b>			
Depreciation	12	44,149	44,947
Amortisation of intangibles	11	652	536
Loss/(gain) on investments		2,133	(3,997)
Pension adjustment		3,776	884
Decrease in stock		60	54
Increase in debtors		(7,443)	(36,680)
Increase/(Decrease) in creditors		18,489	(1,741)
Increase in pension provision		1,654	33,072
Increase/(Decrease) in other provisions	22	436	(1,200)
Share of operating deficit in joint ventures	16	26	247
Share of operating (surplus)/deficit in associates		(294)	630
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(3,651)	(3,072)
Interest payable	8	8,877	3,976
Endowment income	6	(51)	(108)
Return of endowments to donor	6	–	3,386
(Gain)/loss on the disposal of fixed assets		(688)	201
Capital grant income		(15,799)	(15,600)
<b>Net cash inflow from operating activities</b>		<b>63,837</b>	<b>42,107</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		3,951	8,894
Capital grant receipts		17,750	20,100
Net sale of endowment securities		–	2,453
Disposal of non-current asset investments		2,832	2,469
(Addition)/Withdrawal of deposits		(124,808)	35,815
Investment income		3,401	3,226
Payments made to acquire fixed assets	12	(124,753)	(130,059)
Payments made to acquire intangible assets	11	(1,815)	(1,922)
New non-current asset investments	17	(950)	(151)
		<b>(224,392)</b>	<b>(59,175)</b>

	Notes	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
<b>Cash flows from financing activities</b>			
Interest paid		(1,278)	(1,576)
Interest element of finance lease and service concession payments	14	(1,211)	(1,228)
Endowment cash received	6	51	108
Return of endowments to donor		–	(3,386)
New amounts borrowed	21	246,632	–
Repayments of amounts borrowed		(4,515)	(4,456)
Capital element of finance lease and service concession payments		(1,320)	(3,819)
		<b>238,359</b>	<b>(14,357)</b>
<b>Tax paid</b>		<b>(661)</b>	<b>(72)</b>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<b>77,143</b>	<b>(31,497)</b>
Cash and cash equivalents at beginning of the year		80,287	111,784
Cash and cash equivalents at end of the year		157,430	80,287

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
<b>Analysis of net funds</b>		
Cash and cash equivalents	157,430	80,287
Investments	179,514	54,706
Unsecured fixed rate public bond	(246,642)	–
Secured loans	(32,840)	(37,354)
<b>Net funds at 31 July</b>	<b>57,462</b>	<b>97,639</b>



# Statement of Accounting Policies

for the year ended 31 July 2016

## 1. University Information

The University is an independent corporation established by Royal Charter in 1904 'as a teaching and examining body... to cultivate and promote arts, science and learning'. These objects, and its powers and framework of governance, are set out in the Charter and its supporting Statutes, amendments to which must be approved by the Privy Council. It receives substantial public funding and, by virtue of the educational nature of its objectives, is an exempt charity under Schedule 2 of the Charities Act 1993.

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

**Royal Charter Number: RC000658**

## 2. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of endowment asset investments, listed fixed asset investments, heritage assets and certain other fixed assets.

## 3. Basis of consolidation

The consolidated financial statements combine the financial statements of the University, its subsidiary undertakings with a 31 July year-end, and one subsidiary undertaking, University of Leeds Farms Limited, with a 30 April year-end. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

## 4. Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

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

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

### Grant funding

Grant funding including funding council block grant, research grants from government sources, grants (including research grants) from non government sources are recognised as income when the University is entitled to the income. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

### Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

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

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

### Capital grants

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

## 5. Accounting for retirement benefits

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and, for support staff, there is a choice between the University of Leeds Defined Contribution Plan (DC Plan) or the University of Leeds Pension and Assurance Scheme (PAS). Under auto enrolment regulations the DC Plan is the default scheme for support staff. USS and PAS are defined-benefit schemes which are externally funded and contracted out of the State Second Pension Scheme. The funds are valued every three years by actuaries using the Projected Unit Method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to institutional members due to the mutual nature of the Scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme, as required by Section 28 of FRS 102 "Employee benefits". As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into a deficit recovery agreement, a liability is recognised for the discounted present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit. For the other defined benefit scheme, PAS, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The pension deficit recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and the pension asset represents the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refund and reductions in future contributions to the scheme.

### Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

## 6. Employment benefits

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

## 7. Service concession arrangements

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

## 8. Operating leases

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

## 9. Foreign currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit.

## Statement of Accounting Policies

for the year ended 31 July 2016

### 10. Fixed assets

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

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

Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed.

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

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

### Equipment

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

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

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

### Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### 11. Heritage assets

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

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

### 12. Intangible assets

Intangible assets are amortised over 4 years representing the remaining estimated economic life of the assets.

Intangible assets are subject to periodic impairment reviews as appropriate.

### 13. Investments

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

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

### 14. Stock

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

### 15. Cash and cash equivalents

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

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

### 16. Financial assets and liabilities

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

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

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

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

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

Other debt instruments not meeting these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment. Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### Investments

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

### Fair value measurement

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

### 17. Provisions

Provisions are recognised in the financial statements when:

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

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



## Statement of Accounting Policies

for the year ended 31 July 2016

### 18. Taxation

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

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

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

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

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

### 19. Reserves

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

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

### 20. Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 29.

Application of first time adoption grants certain exemption from the full requirements of the 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

Fair value or revaluation as deemed cost – at 1 August 2014, fair value has been used for deemed cost for properties measured at fair value.

### 21. Significant estimates and judgements

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

#### Retirement benefits obligations

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

PAS pension costs under FRS 102 are calculated by the University's actuary based upon the latest actuarial valuation and assumptions agreed by management following actuarial advice. These assumptions are documented in note 28.

The USS scheme is accounted for as a defined contribution scheme as insufficient information is available to use defined benefit accounting. However, as the University is contractually bound to make deficit recovery payments, this liability is recognised on the balance sheet.

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

#### Assets under construction

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

## Notes to the accounts

for the year ended 31 July 2016

### 1 Tuition fees and education contracts

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time Home/EU students	167,767	167,767	153,890	153,890
Full-time Students from outside the European Union	85,189	85,189	76,034	76,034
Part-time Home/EU students	4,340	4,340	4,324	4,324
Part-time Students from outside the European Union	706	706	774	774
Research Training Support Grants	11,459	11,459	12,028	12,028
Short Course Fees	9,200	8,972	9,241	9,027
NHS Teaching Contract	11,606	11,606	11,482	11,482
	<b>290,267</b>	<b>290,039</b>	267,773	267,559

### 2 Funding body grants

<b>Recurrent grants</b>				
HEFCE	69,951	69,951	80,653	80,653
HEFCE Capital	9,514	9,514	6,397	6,397
<b>Specific grants</b>				
Higher Education Innovation Fund	2,593	2,593	3,239	3,239
Widening Participation	1,930	1,930	2,370	2,370
JISC funding	–	–	431	431
Postgraduate Support Scheme	816	816	416	416
Revolving Green Fund	100	100	237	237
Equipment and Furniture	–	–	9	9
Teaching & Learning Capital	–	–	50	50
Other (less than £0.5m each)	200	200	135	135
	<b>85,104</b>	<b>85,104</b>	93,937	93,937

## Notes to the accounts

for the year ended 31 July 2016

### 3 Research grants and contracts

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Research Councils (UK)	52,655	52,655	49,008	49,008
UK Based Charities	19,928	19,928	19,260	19,260
UK Government	17,975	17,975	29,831	29,831
UK Industry	8,840	8,840	8,500	8,500
European Commission	18,383	18,383	17,795	17,795
Other Grants & Contracts	8,807	8,807	9,221	9,221
	<b>126,588</b>	<b>126,588</b>	133,615	133,615
Research and Development Expenditure Credit (RDEC)	1,738	1,738	19,543	19,543
	<b>128,326</b>	<b>128,326</b>	153,158	153,158

The RDEC exceptional income has arisen due to changes in legislation which made Universities eligible to claim Research and Development Expenditure Credit for qualifying research expenditure incurred in the final 4 months of 2012/13, the full year of 2013/14 and the full year of 2014/15. In the 2015 Summer Finance Bill, Universities and other charitable organisations were made ineligible to claim RDEC for periods from 1 August 2015. The income recognised in 2015 relates to the actual claim for the 4 months ended 31 July 2013, and the estimated claims for the University of Leeds between 1 August 2013 and 31 July 2015. The income recognised in 2016 represents increases due to new information as to the value of these claims.

The National Institute of Health Research (NIHR) contract was reclassified from UK Government research income to other income (Note 4) from April 2015. This accounted for an £11.4m reduction in research income and a corresponding increase in other income.

### 4 Other income

	2016	2015	2016	2015
Residences, Catering and Conferences	54,043	49,237	52,769	48,123
Health Authorities	12,844	12,844	13,163	13,163
Subscriptions	3,040	3,040	2,923	2,923
Grants	7,739	7,739	11,508	11,431
Other Income	46,369	43,404	27,070	23,304
	<b>124,035</b>	<b>116,264</b>	107,433	98,944

### 5 Investment income

	2016	2015	2016	2015
Income from expendable endowments	4	4	29	29
Income from permanent endowments	2,091	2,091	2,246	2,246
Income from short-term investments	1,509	1,535	758	758
Other investment income	47	46	39	55
	<b>3,651</b>	<b>3,676</b>	3,072	3,088

### 6 Donations and endowments

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
New endowments	51	51	108	108
Return of endowments to donor	–	–	(3,386)	(3,386)
Donations with restrictions	1,992	1,992	3,052	3,052
Unrestricted donations	3,245	3,892	1,243	2,018
	<b>5,288</b>	<b>5,935</b>	1,017	1,792

### 7 Staff costs

	Year ended 31 July 2016		Year ended 31 July 2015	
	Number		Number	
<b>Average staff numbers (full-time equivalents) by major category</b>				
Academic/Teaching		2,037		1,917
Research		988		1,030
Management/Professional		1,243		1,219
Support		2,655		2,577
		<b>6,923</b>		6,743

	2016		2015	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Staff costs</b>				
Wages and salaries	276,503	273,412	265,490	262,397
Social security costs	23,021	22,823	20,997	20,804
Pension costs	41,600	41,467	34,478	34,359
Severance payments	3,568	3,502	1,729	1,675
	<b>344,692</b>	<b>341,204</b>	322,694	319,235
Movement on USS provision	3,999	3,999	37,408	37,408
	<b>348,691</b>	<b>345,203</b>	360,102	356,643

	2016		2015	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Costs included within provisions (see Note 22) to the extent they have not been settled at 31 July</b>				
Restructuring – exceptional staff costs	755	755	1,033	1,026
Early retirement schemes	–	–	575	575
	<b>755</b>	<b>755</b>	1,608	1,601



## Notes to the accounts

for the year ended 31 July 2016

	Year ended 31 July 2016 Number	Year ended 31 July 2015 Number
<b>Senior post-holders' emoluments</b>		
Emoluments of the Vice-Chancellor		
Salary	278	278
Employer contributions to defined benefit scheme	9	7
<b>Total</b>	<b>287</b>	<b>285</b>

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff and represent in year earnings.

	Year ended 31 July 2016 Number	Year ended 31 July 2015 Number
<b>Remuneration of other higher paid staff, excluding employer's pension contributions</b>		
£100,000 – £109,999	35	29
£110,000 – £119,999	22	18
£120,000 – £129,999	13	16
£130,000 – £139,999	10	10
£140,000 – £149,999	6	7
£150,000 – £159,999	10	8
£160,000 – £169,999	15	12
£170,000 – £179,999	6	6
£180,000 – £189,999	6	5
£190,000 – £199,999	1	4
£200,000 – £209,999	3	4
£210,000 – £219,999	2	2
£220,000 – £229,999	2	3
£230,000 – £239,999	6	3
£240,000 – £249,999	–	1
£260,000 – £269,999	–	1
£270,000 – £279,999	1	–
	<b>138</b>	<b>129</b>

Higher paid staff included 70 clinical staff and 68 non-clinical staff. The majority of clinical academic staff also work within the local NHS Trusts and their salaries are recharged proportionally to the time spent on clinical duties. The above figures reflect their gross remuneration before any recharge. Compensation for loss of office paid (or payable) to employees earning in excess of £100,000 per annum is a maximum potential liability of £Nil (2014/15: £92,745).

### Key management personnel

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

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Key management personnel compensation	3,038	3,087

## 8 Interest and other finance costs

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest payable on bank loans	1,265	1,260	1,525	1,517
Interest payable on bond	3,499	3,499	–	–
Pension scheme charges	2,902	2,902	1,223	1,223
Service concessions finance charge	1,211	1,211	1,228	1,228
	<b>8,877</b>	<b>8,872</b>	<b>3,976</b>	<b>3,968</b>

## 9 Analysis of total expenditure by activity

Academic Departments	265,878	265,878	233,107	233,107
Research Grants & Contracts	125,354	125,354	134,286	134,286
<b>Total Teaching and Research</b>	<b>391,232</b>	<b>391,232</b>	<b>367,393</b>	<b>367,393</b>
Admin & Corporate Services	81,996	80,179	80,275	78,026
Premises	76,122	75,647	69,365	68,804
Residences, catering & conferences	63,929	59,723	60,597	56,542
Other Expenses	6,234	5,760	1,067	528
Pensions provisions	4,469	4,469	34,040	34,040
	<b>623,982</b>	<b>617,010</b>	<b>612,737</b>	<b>605,333</b>
<b>Other Operating Expenditure</b>				
Equipment purchases and maintenance	21,095	20,878	23,394	23,088
Estate repairs and maintenance	9,544	9,280	6,799	6,654
Consumables and laboratory expenditure	24,666	24,624	23,671	22,394
Printed materials, books and periodicals	9,167	9,167	8,635	8,634
Printing, stationary and office expenses	4,005	3,954	4,862	4,818
Travel and subsistence	12,019	11,983	11,299	11,273
Fellowships, Scholarships and prizes	52,103	52,103	48,600	48,600
Heat, light, water and power	11,313	11,145	11,538	11,352
Rent, rates and insurance	13,602	13,862	10,237	10,410
Grants to Student Union	2,525	2,525	2,500	2,500
Fees and expenses	52,431	52,666	44,627	45,098
Recruitment, training and welfare	4,505	4,470	4,036	4,006
Auditors remuneration in respect of audit	158	127	103	75
Auditors remuneration in respect of tax services	58	58	217	217
Auditors remuneration in respect of other services	103	103	27	27
Other expenses	4,319	1,848	2,631	734
	<b>221,613</b>	<b>218,793</b>	<b>203,176</b>	<b>199,880</b>

Fees and expenses include contracted internal audit fees of £173k (2015: £160k).

## Notes to the accounts

for the year ended 31 July 2016

### Trustees

During the year, no trustee received or waived any remuneration for serving as a trustee. The total expenses paid to three trustees were £5k (2014/15: £5k to six trustees). This represents travel and subsistence expenses incurred in attending Council meetings, conferences and events in their official capacity as Council members.

### 10 Taxation

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Recognised in the statement of comprehensive income</b>				
<b>Current Tax</b>				
UK Corporation tax on profit for the year	105	–	101	–
Adjustment in respect of previous years	38	–	(31)	–
	143	–	70	–
<b>Deferred Tax</b>				
Origination and reversal of timing differences	8	–	(178)	–
	151	–	(108)	–
UK Corporation tax on Research and Development Expenditure Credit (RDEC) for the year	–	–	1,915	1,915
Adjustment in respect of previous years	(33)	(33)	2,499	2,499
Total Exceptional Research and Development Expenditure Credit (RDEC) tax charge	(33)	(33)	4,414	4,414
<b>Total tax charge/(credit) in the year</b>	<b>118</b>	<b>(33)</b>	<b>4,306</b>	<b>4,414</b>

### 11 Intangible assets

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Software</b>				
Opening balance	2,805	2,805	1,419	1,419
Additions in the year	1,815	1,815	1,922	1,922
Amortisation charge for the year	(652)	(652)	(536)	(536)
Closing balance	3,968	3,968	2,805	2,805

The addition in the year relates to the Customer Relationship Management system. The amortisation period is 4 years.

### 12 Fixed Assets

	Freehold land and buildings £000	Equipment £000	Assets under construction £000	Service concession arrangement land and buildings (Note 14) £000	Heritage assets £000	Total £000
<b>Consolidated</b>						
<b>Cost or valuation</b>						
At 1 August 2015	776,252	117,463	35,660	39,185	26,128	994,688
Additions	10,850	21,200	90,776	242	1,685	124,753
Disposals	–	(6,215)	–	–	–	(6,215)
Transfers	8,645	–	(8,645)	–	–	–
<b>At 31 July 2016</b>	<b>795,747</b>	<b>132,448</b>	<b>117,791</b>	<b>39,427</b>	<b>27,813</b>	<b>1,113,226</b>
<b>Depreciation</b>						
At 1 August 2015	178,099	82,053	–	5,117	–	265,269
Charge for the year	33,092	9,263	–	1,794	–	44,149
Disposals	–	(6,194)	–	–	–	(6,194)
<b>At 31 July 2016</b>	<b>211,191</b>	<b>85,122</b>	<b>–</b>	<b>6,911</b>	<b>–</b>	<b>303,224</b>
<b>Net book value</b>						
<b>At 31 July 2016</b>	<b>584,556</b>	<b>47,326</b>	<b>117,791</b>	<b>32,516</b>	<b>27,813</b>	<b>810,002</b>
At 31 July 2015	598,153	35,410	35,660	34,068	26,128	729,419
<b>University</b>						
<b>Cost or valuation</b>						
At 1 August 2015	762,568	112,670	35,660	39,185	26,128	976,211
Additions	10,820	20,761	90,776	242	1,685	124,284
Disposals	–	(6,039)	–	–	–	(6,039)
Transfers	8,645	–	(8,645)	–	–	–
<b>At 31 July 2016</b>	<b>782,033</b>	<b>127,392</b>	<b>117,791</b>	<b>39,427</b>	<b>27,813</b>	<b>1,094,456</b>
<b>Depreciation</b>						
At 1 August 2015	174,179	78,706	–	5,117	–	258,002
Charge for the year	32,807	8,889	–	1,794	–	43,490
Disposals	–	(6,020)	–	–	–	(6,020)
<b>At 31 July 2016</b>	<b>206,986</b>	<b>81,575</b>	<b>–</b>	<b>6,911</b>	<b>–</b>	<b>295,472</b>
<b>Net book value</b>						
<b>At 31 July 2016</b>	<b>575,047</b>	<b>45,817</b>	<b>117,791</b>	<b>32,516</b>	<b>27,813</b>	<b>798,984</b>
At 31 July 2015	588,389	33,964	35,660	34,068	26,128	718,209

At 31 July 2016, freehold land and buildings at cost included £106.7m (2015: £29.5m) and equipment at cost included £11.1m (2015: £6.2m), in respect of assets under construction.

Included in freehold land and buildings is land valued at £44.1m which is not depreciated (2015: £42.6m).



### 13 Heritage assets

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

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

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

#### Special collections

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

#### Art collections

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

#### ULITA

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

#### Preservation and management

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

All the collections are valued for insurance purposes at £30m. In addition, collections are held for other organisations for custodial purposes, notably Ripon Cathedral's heraldry collection, and these are insured separately.

	Special collections £000	Art collections £000	ULITA £000	2015/16 Total £000	2014/15 Total £000
At 1 August	19,923	5,680	525	26,128	25,672
Additions	1,685	–	–	1,685	456
<b>At 31 July</b>	<b>21,608</b>	<b>5,680</b>	<b>525</b>	<b>27,813</b>	<b>26,128</b>

	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
<b>Purchases</b>					
Special collections	185	298	65	115	121
Art collections	–	133	–	–	–
<b>Donations</b>					
Special collections	1,500	–	–	–	–
Art collections	–	25	–	–	–
<b>Total additions</b>	<b>1,685</b>	<b>456</b>	<b>65</b>	<b>115</b>	<b>121</b>

### 14 Service concession arrangements

The University has one on balance sheet arrangement where service delivery is ongoing and one that finished during the year.

#### Movement in Service Concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31 July 2016 is £32,516,000 (2015: £34,068,000).

The reduction of £1,552,000 is as a result of depreciation £1,794,000 less additions of £242,000.

#### Movement in Service Concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2016 were £33,524,000 (2015: £34,602,000). The sum of £2,531,000 was repaid during the year.

	2015/16 £000
Opening balance	34,602
Additions in the year	242
Interest charge for the year	1,211
Repayments made during the year	(2,531)
Closing balance	33,524

#### Future commitments

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

	Payable in 1 year £000	Payable in 2–5 years £000	Payable in 6+ years £000	Total £000
Liability repayments	1,401	4,490	27,633	33,524
Finance Charge	1,174	4,277	7,651	13,102
	2,575	8,767	35,284	46,626

#### The notes below give more information on the University's current service concession arrangements:

On 8 July 2002 the University entered into a 30 year contract with a third-party provider for the provision and maintenance of James Baillie Park, providing accommodation to 563 students. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet. Service commenced on 20 September 2003 and the contract will finish on 19 September 2033. The University has an annual occupancy guarantee amounting to committed occupancy of 80% (100% occupancy has been agreed for 2016/17) recorded within other operating expenses.

## 15 Non-current investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
<b>Consolidated</b>			
Cost or valuation at 1 August 2015	–	81,624	<b>81,624</b>
Additions	–	156	<b>156</b>
Disposals	–	(2,141)	<b>(2,141)</b>
Revaluation of other investments	–	(246)	<b>(246)</b>
Revaluation of listed investments	–	(2,355)	<b>(2,355)</b>
Cost or valuation at 31 July 2016	–	77,038	<b>77,038</b>
<b>University</b>			
Cost or valuation at 1 August 2015	4,644	81,699	<b>86,343</b>
Additions	–	1,106	<b>1,106</b>
Disposals	–	(2,141)	<b>(2,141)</b>
Revaluation of other investments	–	(246)	<b>(246)</b>
Revaluation of listed investments	–	(2,355)	<b>(2,355)</b>
Cost or valuation at 31 July 2016	4,644	78,063	<b>82,707</b>

### Listed investments

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

In addition to the above investments the University also has a mixed portfolio of listed investments which is managed to support the endowment funds of £62.2m (2015: £61.4m).

## Subsidiary companies

Details of the trading companies, all registered in England, in which the University held directly or indirectly more than 50% of the nominal value of any class of share capital are as follows:

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

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

## 16 Investment in joint venture

The University holds shares of joint venture companies as follows:

Name of company	Percentage holding	Nature of business
<b>Joint Ventures</b>		
Stem Learning Ltd (formerly Myscience.co Ltd)	25%	Continuous professional development for science teachers and technicians
Leeds Boathouse Ltd	25%	Rowing club partnership
N8 Ltd	13%	Enabling northern businesses to access world-class knowledge to gain a significant competitive advantage
Worldwide Universities Network	5%	Collaboration of Universities to achieve international objectives in research and graduate education

### Joint ventures' financial summary – University share

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
<b>Income and Expenditure Account</b>		
Income	<b>2,872</b>	2,975
Deficit before tax	<b>(26)</b>	(247)
<b>Balance Sheet</b>		
Fixed assets	<b>584</b>	600
Current assets	<b>657</b>	744
	<b>1,241</b>	1,344
Creditors: amounts falling due within one year	<b>(603)</b>	(674)
Creditors: amounts falling due after more than one year	<b>(343)</b>	(349)
	<b>(946)</b>	(1,023)
Share of net assets	<b>295</b>	321



## Notes to the accounts

for the year ended 31 July 2016

### 17 Investment in associates

Details of the other trading companies, all registered in England, in which the University holds directly or indirectly 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Percentage holding	Nature of business
<b>Joint Ventures</b>		
Keracol Ltd	50%	Functional, natural, sustainable cosmetics
Ultramatis Ltd	30%	Ultrafast lasers to functionalise glass
Instrumentel Ltd	28%	Technology for remote telemetry in hostile environments
Relitect Ltd	27%	Multiplexed electrochemical biosensors
Vitritech Ltd (formerly Glass Manufacturing Services Ltd)	24%	Specialist glass supplier for commercial and industrial use
C-Capture Ltd	23%	C-Capture Ltd
Quantum Imaging Ltd	20%	Medical magnetometry

Movement in share of net assets/(liabilities) in the year	Consolidated	
	2015/16 £000	2014/15 £000
Balance at 1 August	(443)	112
Investment in Associates	950	–
New associates	–	(269)
Dilution of shareholding	(43)	(16)
Share of profit/(loss) in year	337	(270)
Balance at 31 July	801	(443)

### 18 Trade and other receivables

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Amounts falling due within one year</b>				
Research grant receivables	27,358	27,358	25,464	25,464
Other trade receivables	25,277	24,624	26,887	25,825
Prepayments and accrued income	41,247	41,023	37,459	37,323
Amounts due from subsidiary companies	–	5,156	–	5,296
Deferred tax asset	96	–	104	–
	93,978	98,161	89,914	93,908

### 19 Current investments

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Short term deposits	179,514	179,514	54,706	54,706

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 0.51% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 41 days. The fair value of these deposits was not materially different to the book value.

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

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

Secured loans	4,582	4,174	4,516	4,108
Unsecured public bond	3,489	3,489	–	–
Service concession arrangements (note 14)	1,401	1,401	1,320	1,320
Trade payables	35,560	35,060	25,725	25,204
Social security and other taxation payable	8,458	8,252	6,766	6,712
Amounts due to subsidiary companies	–	28	–	44
Corporation tax	3,930	3,970	4,626	4,626
Accruals and deferred income	127,458	126,564	118,123	117,019
	184,878	182,938	161,076	159,033

#### Deferred income

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

Research grants received on account	55,294	55,294	54,859	54,859
Grant income and donations	17,978	17,976	13,037	13,023
	73,272	73,270	67,896	67,882

## Notes to the accounts

for the year ended 31 July 2016

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

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Deferred income	5,902	5,902	6,435	6,435
Service concession liabilities due after one year	32,123	32,123	33,282	33,282
Secured loans	28,258	28,112	32,838	32,285
Unsecured fixed rate public bond	246,642	246,642	–	–
	<b>312,925</b>	<b>312,779</b>	72,555	72,002
Analysis of secured and unsecured loans:				
<b>Due within one year or on demand (Note 22)</b>	<b>8,071</b>	<b>7,663</b>	4,516	4,108
Due between one and two years	4,393	4,247	4,582	4,174
Due between two and five years	11,497	11,497	13,141	12,996
Due in five years or more	259,010	259,010	15,115	15,115
<b>Due after more than one year</b>	<b>274,900</b>	<b>274,754</b>	32,838	32,285
<b>Total secured and unsecured loans</b>	<b>282,971</b>	<b>282,417</b>	37,354	36,393

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

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

Bank loans at commercial rates are repayable by instalments falling due between 1 August 2016 and 10 February 2030 and are secured either on a portion of the freehold land and buildings of the Group or by a negative pledge over the University's assets.

Included in the above are the following:

Lender	Amount (£000)	Term	Interest rate	Borrower
Barclays	8,443	25 years to 2025	0.7	University of Leeds
Barclays	13,750	20 years to 2030	4.7	University of Leeds
Barclays	6,000	10 years to 2020	1.5	University of Leeds
RBS	4,093	25 years to 2021	9.4	University of Leeds
Barclays	554	25 years to 2017	0.7	Weetwood Hall Ltd
	<b>32,840</b>			

### 22 Provisions for liabilities

	Obligation to fund deficit on USS Pension £000	Defined Benefit Obligations (Note 28) £000	Total Pensions Provisions £000	Other Provisions £000	Total Other £000
<b>Consolidated</b>					
At 1 August 2015	66,240	24,273	90,513	3,874	3,874
Utilised in year	(2,345)	–	(2,345)	(4,704)	(4,704)
Additions	5,986	23,001	28,987	5,140	5,140
<b>At 31 July 2016</b>	<b>69,881</b>	<b>47,274</b>	<b>117,155</b>	<b>4,310</b>	<b>4,310</b>
<b>University</b>					
At 1 August 2015	66,240	24,273	90,513	3,874	3,874
Utilised in year	(2,345)	–	(2,345)	(4,704)	(4,704)
Additions	5,986	23,001	28,987	5,140	5,140
<b>At 31 July 2016</b>	<b>69,881</b>	<b>47,274</b>	<b>117,155</b>	<b>4,310</b>	<b>4,310</b>

#### USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision which will be utilised by 2031. The projected payments have been discounted at the rate of 1.75% (2015: 3%).

The increase to the USS provision comprises £4m (2015: £37.4m) due to changes in assumptions and £2m (2015: £1m) due to the unwinding of the discounted cash flows.

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



## Notes to the accounts

for the year ended 31 July 2016

### 23 Endowment reserves

Restricted net assets relating to endowments are as follows:

	Consolidated and University			2015/16 Total £000	2014/15 Total £000
	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Expendable endowments £000		
Capital	39,940	20,693	2,173	<b>62,806</b>	62,281
Accumulated income	3,883	–	47	<b>3,930</b>	3,438
At 1 August 2015	43,823	20,693	2,220	<b>66,736</b>	65,719
New endowments	39	–	12	<b>51</b>	108
Withdrawals	–	–	–	<b>–</b>	(3,386)
Investment income	1,366	725	4	<b>2,095</b>	2,275
Expenditure	(894)	(725)	(194)	<b>(1,813)</b>	(1,559)
Increase in market value of investments	395	202	11	<b>608</b>	3,579
At 31 July 2016	44,729	20,895	2,053	<b>67,677</b>	66,736
<b>Represented by:</b>					
Capital	40,556	20,895	2,016	<b>63,467</b>	62,806
Accumulated income	4,173	–	37	<b>4,210</b>	3,930
	44,729	20,895	2,053	<b>67,677</b>	66,736
<b>Analysis by type of purpose:</b>					
Chairs	7,844	–	21	<b>7,865</b>	7,790
Lectureships	3,322	991	–	<b>4,313</b>	4,248
Fellowships	9,820	159	–	<b>9,979</b>	9,715
Scholarships	12,086	1,637	473	<b>14,196</b>	13,932
Prizes	4,796	370	42	<b>5,208</b>	5,086
Specific funds	11	–	810	<b>821</b>	939
General funds	6,849	17,739	707	<b>25,295</b>	25,026
	44,728	20,896	2,053	<b>67,677</b>	66,736
<b>Analysis by asset:</b>					
Non current investments				<b>62,174</b>	61,410
Cash and cash equivalents				<b>5,503</b>	5,326
				<b>67,677</b>	66,736

### 24 Restricted reserves

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Balances at 1 August	<b>3,681</b>	<b>3,645</b>	4,444	4,420
New grants and donations	<b>2,980</b>	<b>2,980</b>	5,492	5,480
Expenditure	<b>(1,779)</b>	<b>(1,779)</b>	(6,255)	(6,255)
<b>Balances at 31 July</b>	<b>4,882</b>	<b>4,846</b>	3,681	3,645

### 25 Capital and other commitments

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

	2016	2015	2016	2015
Commitments contracted for	<b>73,329</b>	<b>73,329</b>	74,815	74,815

### 26 Lease obligations

Total rentals payable under operating leases:

	Consolidated and University			
	Buildings £000	Equipment £000	31 July 2016 Total £000	31 July 2015 Total £000
<b>Payable during the year</b>	10,919	483	<b>11,402</b>	10,939
<b>Future minimum lease payments due:</b>				
Not later than 1 year	10,681	432	<b>11,113</b>	11,137
Later than 1 year and not later than 5 years	22,870	455	<b>23,325</b>	38,411
Later than 5 years	15,514	–	<b>15,514</b>	40,947
<b>Total lease payments due</b>	49,065	887	<b>49,952</b>	90,495

### 27 Connected charitable institutions

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

	2015/16 £000	2014/15 £000
<b>Bright Beginnings Childcare Centre Leeds:</b>		
Member's funds at 1 August	<b>175</b>	53
Income	<b>1,548</b>	1,543
Expenditure	<b>(1,426)</b>	(1,421)
<b>Member's funds at 31 July</b>	<b>297</b>	175

## 28 Pension schemes

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

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

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

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

	2015/16 £000	2014/15 £000
USS	27,716	23,405
PAS	14,278	12,139
DC Plan	688	462
Other pension schemes	1,561	1,592
<b>Total pension cost</b>	<b>44,243</b>	37,598

This compares to £41.6m (2015: £34.5m) in note 7, the difference being salary sacrifice contributions.

### The Universities Superannuation Scheme

USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P) and the assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The scheme is in the main for Academic, Academic-Related and Professional Staff of all pre-1992 UK Universities and some other employers. It is a multi-employer scheme for which it is not possible to identify assets and liabilities to institutional members due to the mutual nature of the scheme, and therefore has been accounted for as a defined contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period, except for payments under the agreed deficit recovery plan. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2016 the percentage was 16% (2015: 16%) until 31 March. From 1 April 2016 the employer contribution rate increased to 18%. A provision is held for the estimated present value of the amounts expected to be payable under the agreed deficit recovery plan (see note 22).

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

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole. The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pension increases (CPI)	2.2%	2.2%

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

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

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

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

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

Note that the asset and liability values above are taken as at 31 March in the respective years and hence the total scheme deficit at 2016 does not take in to account subsequent movements between 1 April 2016 and the year end, including any movements resulting from the referendum on membership of the European Union.



## Notes to the accounts

for the year ended 31 July 2016

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

PAS is a defined benefit scheme for support and technical staff within the University. Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2014. The results of the PAS Valuation showed a funding level of 111% and a surplus of £35.1m.

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

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

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

### Assumptions

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

	At 31 July 2016		At 31 July 2015	
		%pa		%pa
Price Inflation (RPI)		2.75		3.35
Price Inflation (CPI)		1.75		2.35
Rate of increase in salaries		3.5		4.65
Rate of increase of pensions in payment		1.75		2.35
Discount rate		2.4		3.5
Mortality assumption (pre and post retirement)		<b>S1NA rated by +1 year CMI 2013 with a long term rate of 1.5% pa for both males and females</b>		S1NA rated by +1 year CMI 2013 with a long term rate of 1.5% pa for both males and females

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

	2016	2015 <sup>1</sup>
Male Pensioner	26.6	21.7
Male Non-pensioner (currently aged 40 in 2016)	29.0	23.9
Female Pensioner	29.2	24.2
Female Non-pensioner (currently aged 40 in 2016)	31.7	26.5

<sup>1</sup> Subsequent to the Annual Report and Accounts being approved, an error was noted in the life expectancy disclosures for 2015 in respect of the defined benefit pension scheme as set out in note 28. The correct disclosure for 2015 is as follows: Male Pensioner 26.5, Male Non-pensioner 28.9, Female Pensioner 29.1, Female Non-pensioner 31.6. These disclosure errors did not impact the amounts included in respect of pensions in the financial statements for either year.

### Scheme assets

The assets in the scheme were:

	Fair value as at		
	31 July 2016 £000	31 July 2015 £000	31 July 2014 £000
Equities	295,339	274,495	254,228
Property	45,752	39,196	38,042
Bonds and cash	70,970	68,380	62,451
<b>Total</b>	<b>412,061</b>	<b>382,071</b>	<b>354,721</b>

	31 July 2016 £000	31 July 2015 £000
<b>Analysis of the amount shown in the balance sheet for PAS:</b>		
Scheme assets	412,061	382,071
Scheme liabilities	(459,335)	(406,344)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 22)</b>	<b>(47,274)</b>	<b>(24,273)</b>
Current service cost	14,278	12,139
Non-investment expenses	446	–
<b>Total operating charge:</b>	<b>14,724</b>	<b>12,139</b>
<b>Analysis of the amount charged to interest payable to other finance income:</b>		
Interest on net deficit	915	257
<b>Net charge to other finance income</b>	<b>915</b>	<b>257</b>
<b>Total profit and loss charge before deduction for tax</b>	<b>15,639</b>	<b>12,396</b>
<b>Analysis of other comprehensive income:</b>		
Actuarial (losses) on defined benefit obligation	(35,994)	(29,172)
Actual return on assets less interest	17,684	11,788
<b>Amount recognised in Other Comprehensive Income</b>	<b>(18,310)</b>	<b>(17,384)</b>
<b>Analysis of movement in deficit:</b>		
<b>Deficit at beginning of year</b>	<b>24,273</b>	<b>5,748</b>
Contributions or benefits paid by the University	(10,948)	(11,255)
Current service cost	14,278	12,139
Non-investment expenses	446	–
Net Interest	915	257
Loss recognised in other comprehensive income	18,310	17,384
<b>Deficit at end of year</b>	<b>47,274</b>	<b>24,273</b>

## Notes to the accounts

for the year ended 31 July 2016

	Year ending 31 July 2016 £000	Year ending 31 July 2015 £000
<b>Analysis of movement in the present value of liabilities</b>		
<b>Present value of liabilities at the start of the year</b>	<b>406,344</b>	360,469
Current service cost (net of member contributions)	<b>14,278</b>	12,139
Actual member contributions	<b>299</b>	293
Interest cost	<b>14,269</b>	15,006
Actuarial loss	<b>35,994</b>	28,599
Actual benefit payments	<b>(11,849)</b>	(10,162)
<b>Present value of liabilities at the end of the year</b>	<b>459,335</b>	406,344

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

<b>Fair value of assets at the start of the year</b>	<b>382,071</b>	354,721
Interest income on assets	<b>13,354</b>	14,738
Non-investment expenses	<b>(446)</b>	(562)
Actuarial gain on assets	<b>17,684</b>	11,788
Actual contributions paid by University	<b>10,948</b>	11,255
Actual member contributions	<b>299</b>	293
Actual benefit payments	<b>(11,849)</b>	(10,162)
<b>Fair value of scheme assets at the end of the year</b>	<b>412,061</b>	382,071

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

### Actual return on Scheme assets

Interest income on assets	<b>13,354</b>	14,738
Asset gain	<b>17,684</b>	11,788
	<b>31,038</b>	26,526

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

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

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

## 29 Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in the Statement of Accounting Policies have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

	1 August 2014		31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Financial position</b>				
<b>Total funds under 2007 SORP</b>	750,931	748,985	<b>782,162</b>	<b>780,578</b>
USS pension provision (i)	(32,200)	(32,200)	<b>(66,240)</b>	<b>(66,240)</b>
Employee leave accrual (ii)	(7,611)	(7,599)	<b>(7,989)</b>	<b>(7,982)</b>
Grant and donation income (iii)	5,044	5,006	<b>2,444</b>	<b>2,349</b>
Intangible non-current assets (iv)	1,419	1,419	<b>1,287</b>	<b>1,287</b>
Service concessions (v)	–	–	<b>(535)</b>	<b>(535)</b>
<b>Total effect of transition to FRS 102</b>	(33,348)	(33,374)	<b>(71,033)</b>	<b>(71,121)</b>
<b>Total funds under 2015 SORP</b>	717,583	715,611	<b>711,129</b>	<b>709,457</b>

### Financial performance

<b>Surplus for the year under 2007 SORP</b>		<b>56,478</b>	<b>56,840</b>
USS pension provision (i)		<b>(34,040)</b>	<b>(34,040)</b>
Employee leave accrual (ii)		<b>(378)</b>	<b>(382)</b>
Grant and donation income (iii)		<b>(3,632)</b>	<b>(3,729)</b>
Intangible non-current assets (iv)		<b>(132)</b>	<b>(132)</b>
Service concessions (v)		<b>(535)</b>	<b>(535)</b>
<i>Included in the STRGL under the 2007 SORP</i>			
Movement in fair value of endowments and investments		<b>1,436</b>	<b>1,436</b>
Actuarial loss on pension assets		<b>(24,315)</b>	<b>(24,315)</b>
<b>Total effect of transition to FRS 102</b>		<b>(61,596)</b>	<b>(61,697)</b>
<b>Total comprehensive income for the year under 2015 SORP</b>		<b>(5,118)</b>	<b>(4,857)</b>

(i) Under 2007 SORP USS was accounted for as a defined contribution scheme as permitted by FRS 17 as it was not possible to identify the University's share of the underlying assets and liabilities. Under FRS 102 the USS scheme is still accounted for as a defined contribution scheme, but the additional contracted contributions under the USS recovery plan to fund past deficits have been included as a provision.

(ii) Under FRS 102 an accrual must be made where the annual leave entitlement earned by employees at the Balance Sheet date is in excess of the leave taken prior to that date.

(iii) The performance model has been adopted in relation to grants and donations, regardless of their source.

(iv) Under 2007 SORP, internally developed intangible assets were not permitted to be capitalised. Under FRS 102 this expenditure is capitalised, providing it meets the usual criteria for recognition as a fixed asset.

(v) FRS 102 requires a matching asset and liability to be created when a contract with an infrastructure provider meets the definition of a service concession.

### Deferred capital grants

Note that on transition to FRS 102, £202.6m of deferred capital grants were released to the unrestricted income and expenditure reserve. There was no effect on total funds.



## Notes to the accounts

for the year ended 31 July 2016

### 30 Related parties

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

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

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

	Paid by the University		Paid to the University	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Yorkshire Universities	56	139	210	272
N8 Ltd	40	40	3	–
The Worldwide Universities Network	58	58	36	34
Myscience Ltd	5	9	23	11
Russell Group of Universities	69	59	–	–
Centre for Low Carbon Futures	–	3	–	92

Professor David Hogg, a Pro-Vice-Chancellor, is a director of Medilink. In 2015/16 the University paid £6,000 (2014/15: £1,000) for services provided.

Jane Madeley, the Chief Financial Officer, was an independent member of the Audit Risk and Assurance Committee of the Engineering and Physical Sciences Research Council (EPSRC) during the year. In 2015/16, the University received £26,020,000 (2014/15: £26,367,000) and paid £nil (2014/15: £664,000) to it.

Linda J Mortimer-Pine, Acting Director of Human Resources, is a non-executive director at ECC Ltd. During 2015/16 the University paid £19,000 (2014/15: £9,000) to it for services provided.

Ed Anderson, member of Council and Chair of the Audit & Risk Committee is father of Sarah Anderson who worked at Deloitte LLP until October 2015. In 2015/16 the University paid £388,000 for services provided (2014/15: £380,000). He is a former Chair of Governors (and currently Pro-Chancellor) at Leeds Trinity University, and during 2015/16 the University received £53,000 (2014/15: £67,000) from it, and paid £35,000 (2014/15: £68,000) to it for its services.

Liz Barber, member of Council, is a director of Yorkshire Water. In 2015/16 the University received £179,000 (2014/15: £nil) from Yorkshire Water and paid £651,000 (2014/15: £558,000) for services provided. She is a Director at Kcom plc and in 2015/16 the University paid £89,000 (2014/15: £88,000) to it for its services.

Nigel Foster, member of Council, is the owner and director of Colbaran Ltd. In 2015/16 the University paid £13,000 (2014/15: £10,000) to it for services provided. He is a director and owner of Fore Consulting Ltd: in 2015/16 the University paid the company £15,000 (2014/15: £19,000) for services, and received £nil (2014/15: £26,000) for services rendered. He was a non-executive director of the Centre for Low Carbon Futures (CLCF) during the year. In 2015/16 the University paid CLCF £nil (2014/15: £3,000) and received £nil (2014/15: £28,000) from it for goods and services. He is also a director of the Ahead Partnership to which the University paid £20,000 in 2014/15 (2013/14: £100,000) for services provided.

The son of Caroline Johnstone, member of Council, works at PwC. In 2015/16 the University paid £457,000 for services provided (2014/15: £567,000).

Amanda Mellor, member of Council, is a director of Marks & Spencer Group plc. During 2015/16 the University paid £6,000 (2014/15: £22,000) for services provided and received £166,000 (2014/15: £3,343,000).

Sue Proctor, member of Council, is a director of SR Proctor Consulting Ltd. During 2015/16 the University paid £nil (2014/15: £6,000) for its services.

Two Members of Council are officers of Leeds University Union (LUU): Toke Dahler, Union Affairs Officer served until 30 June 2016; Jack Palmer served from 1 July 2016. Melissa Owusu, Education Officer has served from 1 July 2015, and has been re-elected to serve until 30 June 2017. During 2015/16 the University paid £2,525,000 (2014/15: £2,500,000) grant to LUU and £605,000 (2014/15: £569,000) for services provided. The University received £604,000 (2014/15: £350,000) for premises recharges from LUU.

Professor J R Barrett, professor in the School of Earth and Environment, is a director at the Centre for Sustainability Accounting Ltd. During 2015/16 the University received £nil (2014/15: £8,000) from it for services provided.

Professor J Colyer, professor in the Faculty of Biological Sciences, is a director of Badrilla Ltd. During 2015/16 the University received £1,000 (2014/15: £7,000) from it.

Professor J Hayes, emeritus professor in Leeds University Business School, is Managing Partner of John Hayes and Associates. During 2015/16 the University paid £2,000 (2014/15: £25,000) to it for services provided.

Mr O A Johnson, Senior Teaching Fellow in the School of Computing, and Dr S E Clamp, Senior Lecturer in the School of Medicine, are directors of X-Lab Ltd. During 2015/16 the University paid £80,000 (2014/15: £38,000) to it for services provided.

Dr J Kirby, Clinical Lecturer Primary Care Education, is a GP Partner at the Spa Surgery. During 2015/16 the University received £8,000 (2014/15: £30,000) from it for services provided.

Professor S D Mobbs, professor in the School of Earth and Environment, is a director of the National Centre for Atmospheric Science (NCAS). During 2015/16, the University received £8,708,000 (2014/15: £6,628,000) from it.

Dr D M Ross, director of the Centre of Innovation in Health Management, is a director of Southwood Associates Ltd. During 2015/16 the University paid £115,000 (2014/15: £108,000) to it for services provided.

### 31 Amounts disbursed as agent

#### The National College for Teaching and Leadership (NCTL) – formerly the Teaching Agency (TA)

	2015/16 £000	2014/15 £000
At 1 August	193	131
Funding in the year	63	1,961
Disbursed to students	(50)	(1,899)
Returns	(193)	–
<b>At 31 July</b>	<b>13</b>	<b>193</b>

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

### 32 Contingent liabilities

The University has guaranteed a bank loan of £0.6m (2014/15: £1.0m) from Barclays Bank to Weetwood Hall Ltd, a wholly owned subsidiary.



## Notes to the accounts

for the year ended 31 July 2016

### 33 None GAAP measures

In the Chief Financial Officer's report, certain financial measures are presented on an "underlying" basis to provide a more useful analysis of the financial performance of the Group. These measures can be reconciled to the relevant GAAP measures as follows;

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Research income per financial statements excluding RDEC	126,588	133,615
Exclude NIHR now shown as Other income (note 3) (i)	(347)	(11,766)
Underlying research income	126,241	121,849
% change	3.6%	
Staff costs	348,691	360,102
Less changes to USS deficit recovery plan (note 7) (ii)	(3,999)	(37,408)
Less severance payments (iii)	(3,568)	(1,729)
Underlying staff costs	341,124	320,965
% change	6.3%	
Total comprehensive expenditure for the year	(6,917)	(5,118)
Less movement of USS provision (ii)	3,999	37,408
Less Actuarial loss with respect to pension schemes (iv)	18,310	17,384
Surplus excluding pension	15,392	49,674
Less RDEC income (v)	(1,738)	(15,129)
Underlying surplus excluding pension and RDEC	13,654	34,545

(i) From April 2015, a new contract was entered in to with NIHR which was more appropriately classed as other income. This led to a reduction in reported research income which was not representative of underlying performance, hence it is removed in this analysis.

(ii) In the 2014/15 financial year, changes were agreed to the USS deficit recovery plan which gave rise to a one-off charge within the year. In the 2015/16 financial year, changes to the assumptions upon which the valuation of the USS provision is based (primarily a significantly reduced discount rate) also led to a one-off cost in the year. Neither of these items are considered to be indicative of underlying performance.

(iii) Severance payments vary in line with the degree of organisational change and do not remain consistent year on year.

(iv) Actuarial movements are caused by external market forces and demographic changes. They are not indicative of the underlying performance of the University's operations.

(v) The RDEC income is explained in Note 3. It relates to a one-off claim that is not expected to be repeated in future years.







**UNIVERSITY OF LEEDS**

University of Leeds  
Leeds, United Kingdom  
LS2 9JT

Tel. 0113 243 1751  
[www.leeds.ac.uk](http://www.leeds.ac.uk)