

Financial Statements and Statistics
2014 - 2015

Financial Statements for the year ended 31 July 2015

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Operating and Financial Review

Introduction

The income generated by the University for the year to 31 July 2015 increased by £42.6 million to a record level of £527 million, an improvement of 8.8% compared with 2013/14. This substantial growth was driven by higher academic fees, the opening of a new hall of residence and the one-off gain to research income from claiming research and development expenditure tax credits (RDEC). The university achieved a surplus of £24.0 million (4.6% of income), which includes £8.9 million (after tax) from these RDEC credits.

This year saw the opening of our Boldrewood Innovation Campus and the fruition of our partnership with Lloyd's Register who have now relocated their Global Technology Centre onto the Innovation Campus. We welcomed our students to the new city centre Mayflower halls of residence, an additional 1,100 rooms for our students. We have seen the continued growth of the University through research strength and income as well as the continued growth in our student body.

In December 2014, we reaffirmed our position as one of the world's leading research universities in the latest national assessment of research – the Research Excellence Framework (REF). We were ranked 8th in the UK based on the quality and percentage of staff whose research was submitted; with over 97% of our research environment assessed as world-leading and internationally excellent; and nearly 90% as having world-leading and internationally excellent impact, making us one of the leading universities across a wide range of disciplines.

Our position as a destination of choice for undergraduates was underlined this year with a commendation from the Quality Assurance Agency for Higher Education (QAA) for our enhancement of student learning opportunities. The commendation – the highest rating possible – was published by the QAA in its Higher Education Review report on the quality and standards of provision at Southampton, in April 2015. The report also confirmed that our academic standards, the quality of our student learning opportunities and the quality of information about our learning opportunities all meet UK expectations for standards and quality.

In the National Student Survey (NSS) overall satisfaction improved again for 2015, with 88% of students agreeing they were satisfied with the University, there are still improvements that can be made and these remain our focus. In the 2015 NSS results, the University of Southampton ranked 10th in

the Russell Group (up 4 places from 14th in 2014). Students' Overall Satisfaction with their course rose from 86% to 88% this year. The University increased its satisfaction levels in 17 of the 23 core questions asked in the survey. Within individual subject rankings, Southampton tops the Russell Group in a number of areas, ranking with the highest overall satisfaction in Civil Engineering; Design Studies; Media Studies; Molecular Biology, Biophysics and Biochemistry; European Languages and Area Studies and Physics and Astronomy.

In the most recent Destination of Leavers from Higher Education survey, 85.7% of graduates whose destinations were known were in employment and/or further study within six months of graduating. 2014/15 also saw our improvements recognised in enhancements in league table performance across the board. Domestically, we are 14th in both the Complete University Guide and the Guardian University Guide and, in the Times Good University Guide, we rose two places to 16th, 7th for our research quality. The University has performed well in the global league table rankings, climbing 22 places in this year's *Times Higher Education (THE)* World University Rankings to rank 110 overall. Southampton remained in the top 150 of the Academic Ranking of World Universities (ARWU). In the international table published by QS, also published in September, Southampton climbed 13 places to 81.

Financial Review 2014/15

Income

The University produced a surplus of £24.0 million (£15.4 million in 2013/14), which represents 4.6% of income (3.2% in 2013/14). University income increased by £42.6 million (8.8%) to £527 million, driven by increases across the portfolio with our new halls of residence and our relationship with Lloyd's Register at Boldrewood, along with a one-off gain within research income with our ability to claim research and development expenditure credits. Increasing income is a key focus of the University because improved operating surpluses are required to fund investments against the backdrop of declining capital and teaching grants and the reductions in real cash funding of research.

Our focus is on growth with quality. The improvements in quality over the last few years have culminated in our recent success in independent assessments of the University, both in research and academic excellence, as well as in the assessments provided by our students themselves.

Operating and Financial Review (continued)

Total income from academic fees, support and teaching grants has increased by £13.2 million (6.0%) from £218.8 million in 2013/14 to £232.0 million in 2014/15. The increase in academic fees is partially offset by a 32% decrease in the teaching grant from the Higher Education Funding Council for England (HEFCE) from £27.4 million in 2013/14 to £18.5 million in 2014/15.

Late in this financial year, as part of the summer budget of the new Government, we were subject to in year grant reductions to our teaching grant from HEFCE, as a result of an efficiency measure across the government's financial year 2014/15.

This totalled close to £0.5 million. There are further grant reductions in 2015/16 as the transitional research grant funding we received following our success in the REF was removed just three months after its announcement with a reduction of a further £1.5 million of grant funding. We were able to absorb the reduction in teaching grant income without adverse impacts for our students. This signals the growing impact of government spending restrictions on higher education, with the spending review now underway and modelling significant reductions. Whilst we are increasingly less reliant on such grant funding, it is essential to ensure the full costs of research and the additional costs of teaching Science, Technology, Engineering and Maths subjects are funded.

Research grant and contracts income has increased by 11.9% to £124.2 million, which includes £11.3 million from the research and development expenditure tax credits. Grants from the UK Research Councils saw a modest increase of £1.3 million to £51.4 million, ahead of the broadly flat funding allocations from the Research Councils nationally. The contribution to indirect costs arising from research grants (excluding the RDEC claim) fell by £0.6 million to £30.6 million, reflecting in part the impact of efficiency savings imposed on UK universities following the Research Councils UK (RCUK) Wakeham Review which are suppressing funding below sustainable levels. The savings reduce real cash funding to institutions by limiting both allowances for future inflation on multi-year grants and the contribution to meet indirect costs. This is counter to the pronounced UK policy of full economic cost funding and further lowers the real price paid for our work.

Other operating income increased by 15.3% to £108.6 million (2013/14 £94.1 million) due to the opening of our new city centre Mayflower halls of residence with 1,100 bedrooms, the opening of our Boldrewood campus and the success of our partnership with Lloyd's Register, and the continued development of our enterprise activity across the University.

Endowment income and interest receivable reduced from £2.9 million to £1.8 million, with income from short-term deposits and investments reducing from £2.3 million to £1.6 million, and income from endowments reducing from £0.6 million to £0.2 million. The average interest rate achieved on cash balances and short-term deposits in 2014/15 of 1.23% is less than the 1.7% achieved in 2013/14. This reflects both the continued reduction of rates available in the market and the redemption at maturity of some longer term deposits which were benefitting from favourable interest rates.

Expenditure

University expenditure increased by £31 million (6.7%) from £469 million to £500 million.

Staff expenditure increased by 6.1% from £265 million to £282 million. The 2014 national pay award was 1% and around 40% of staff are entitled to annual pay scale increments of 3% in addition to this. The number of average full-time equivalent staff employed by the University during the year increased by 3.2%. The increase in staff numbers can in part be attributed to our further investment in academic staff, as a strategy to ensure our success in the REF exercise, where the contributions of over 1,100 staff were included in our return. In addition, approximately 40 full-time equivalent members of staff have been recruited to support the operation of the new Mayflower halls of residence.

Other operating expenditure increased by £8.1 million (4.7%) to £181.2 million (2013/14 £173.1 million). Bursaries, fellowships, scholarships and prizes increased by £3.9 million in line with our continuing commitment to improve access to the University for talented students regardless of their background. Part of this increase can also be attributed to more of our students opting to take their funding as a bursary rather than a fee waiver.

The depreciation charge has increased by £4.4 million (17.9%) to £28.9 million. This reflects the impact of the completion of capital projects at our Boldrewood campus which are now being depreciated, the first year of depreciation associated with the Mayflower halls of residence and additional depreciation relating to equipment purchases.

Interest payable has increased by £2.9 million (50.6%) to £8.6 million. These additional costs relate to the finance lease associated with the Mayflower halls of residence, which has increased interest costs by £3.1 million in the year, offset by

Operating and Financial Review (continued)

reducing interest costs on our bank loans as they are repaid. Our expenditure includes the operations of our campus in Johor, Malaysia (USMC) where teaching commenced for a first year cohort in October 2012. The operation is planned to make deficits in the initial years as student numbers build up and new programmes come on stream. In 2014/15 the deficit was £2.0 million (2013/14 deficit of £1.5 million). In addition to the development of our two plus two undergraduate degree courses with students taught in Malaysia for two years and then in the UK for two years, we had a successful first intake to our foundation programme in Engineering. We are slowly developing our offering from USMC, ensuring an excellent student experience and a successful transfer to Southampton in the UK.

Balance Sheet

The University committed £87 million acquiring or constructing capital assets. The largest single item was the signing of the finance lease for the Mayflower halls of residence in the centre of Southampton, valued at £49 million, offering excellent accommodation along with gym facilities and learning space. Our development of the Southampton Boldrewood Innovation Campus continued with experimentation facilities including a new world class towing tank due for completion in the first semester of 2015/16. The final development on this site, due for completion in 2018, is now underway supported by Government following confirmation in the summer budget of funding for the UK Collaboratorium for Research in Infrastructure and Cities (UKCRIC). We were successful in our bid for HEFCE funding for capital to be match funded by the University to increase our teaching facilities for STEM subjects and over the summer completed two significant enhancements; one for our laboratories at the National Oceanography Centre Southampton with 38 additional spaces and the other in our electronics and computer science labs where we built state of the art laboratories for 216 students. The total investment will be over £10 million in these facilities including the Boldrewood Innovation Campus development.

The University has maintained a strong liquidity position. Our cash and near cash decreased by £2.2 million to finish the year at £111 million. This is more than sufficient to meet our treasury policy requirements of holding more than two months payroll costs (approximately £47 million) in funds that are available within a month. Our cash inflow from operating activities increased to £36.2 million (£32.1 million in 2013/14).

The net current assets stand at £24.3 million (2013/14 £15.5

million). In 2014/15 the University entered into a finance lease relating to the Mayflower halls of residence, which added £44.8 million to our long-term financing arrangements as at 31 July. Other capital expenditure has been funded without the need for additional long-term loans. Therefore, our long-term financing arrangements have risen by £36.3 million from £89.3 million to £125.5 million, which includes the capital repayment of existing loans of £8.5 million. The financing arrangements are held with a number of commercial banks with final repayments due from 2016 to 2047. Further information on this, the rates payable and security arrangements are outlined in note 17 to the financial statements.

The pension liability of the PASNAS fund has increased by £3.4 million to a deficit of £64.1 million; this is primarily due to a decrease in the discount rate assumption used to estimate the present value of future cash flows. This demonstrates the volatility that the retirement benefits accounting standard, FRS 17, can bring to the balance sheet as a result of changes in highly sensitive assumptions. The triennial valuation of the PASNAS scheme falls due on 31 July 2015 and the deficit recovery plan for the valuation outcomes will be in place for the accounts next year. It will be valued at this time of low gilt yields and discount rates.

2014/15 has also seen considerable activity following the outcome of the USS triennial valuation. The initial valuation resulted in a significant increase in the deficit on the scheme from £2.9 billion (92% funded) at 31 March 2011 to over £12 billion at 31 March 2014. To ensure employer and employee contributions remained affordable, there was a major consultation on changes to the benefits structure. In July 2015 the scheme actuaries were able to submit a deficit recovery plan to the Pensions Regulator for a deficit of £5.3 billion (89% funded). This involves an increase in employer contributions from 16% to 18% from 1 April 2016, the closure of the final salary scheme on 31 March 2016 with benefits increased in line with CPI and members moved to a career average scheme with a threshold salary of £55,000 per annum above which contributions are made into the defined contribution section of the scheme. In line with the move to FRS 102 for 2015/16, the University's share of this deficit recovery plan will be accounted for with a significant impact for the balance sheet and income and expenditure account.

Despite the increase in the PASNAS pension liability, total net assets increased by £28 million to £409 million. This has been primarily driven by the operating surplus, the acquisition of fixed assets and through repaying long-term loans.

Operating and Financial Review (continued)

Performance of Investments

The continuation of historically low interest rates has again impacted on the performance of our investments. The main impact is due to longer term deposits, negotiated at better rates several years ago, coming to an end and being replaced by deposits with lower rates. The rates on longer term deposits are similar to those on short-term funds. As such there has been little benefit in placing funds long-term so we have reduced the average longevity of deposits. We have closely monitored our deposit counterparties throughout the year. Given the market conditions, the University considers that an average return rate of 1.23% is an acceptable outcome for the year.

In January 2015 the Lazard Charity Unit Trust fund was closed unexpectedly and the endowment funds were returned to the

University as cash. The sale was concluded in an orderly fashion at no detriment to the University. We are currently undertaking due diligence to locate a new fund manager that is appropriate to the University's needs and meets our investment policies.

The University of Southampton Science Park continues to trade strongly, contributing a surplus to the consolidated accounts of £1.4 million. The net asset value on the balance sheet of the company is £22 million (2013/14 £22 million). As well as making a valuable contribution to our operating surplus, the Science Park supports our strategy with opportunities for our research to spin out into enterprise activities and for employment for our students as they graduate as well as driving economic growth and social development in our city and region.

Key Performance Indicators (KPIs) 2010/11 to 2014/15

The University has over-achieved against three of the four medium-term financial targets set within the University strategy (2010-2015): salary costs, cash generated from ordinary activities and maximum net debt as a percentage of income. The operating surplus for the year has improved from 3.2% to 4.6% of income against a target of 5% for 2015 and cash generated from ordinary activities has exceeded the target of 8%, rising from 7.1% to 8.9%, although the one-off receipt of RDEC credits in the year has contributed to the improvement in both these targets.

Financial Measure (as a % of income)	Strategic Plan 2015 Target	2013/14 Achievement	2014/15 Achievement
Surplus on Ordinary Activity	5%	3.2%	4.6%
Cash Generation from Ordinary Activities ¹	8%	7.1%	8.9%
Maximum Net Debt	Less than 15%	-3.2%	4.6%
Salary Costs	Less than 55%	54.8%	53.5%

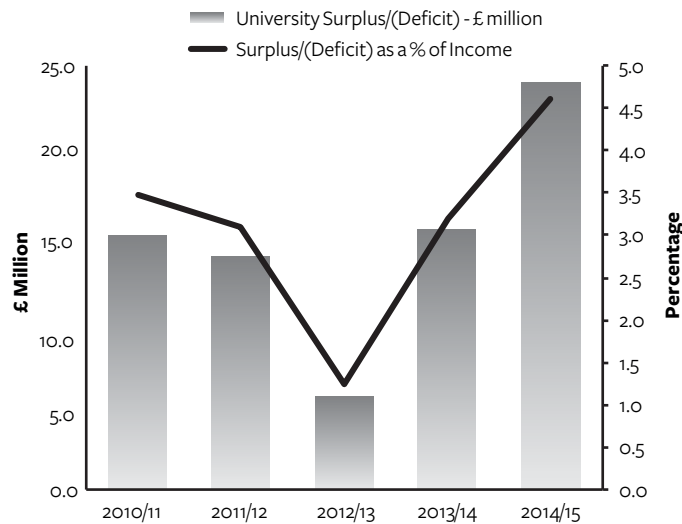
The refreshed "Vision 2020" strategy (2015-2020) was approved at Council in July 2014 and is summarised below. The financial key performance indicators (KPIs) that will be used to monitor progress in future are Surplus on Ordinary Activities, Salary Costs as a percentage of income and liquid assets expressed as a numbers of months of payroll costs. Further KPIs relating to cashflow and balance sheet strength will be developed within a new treasury strategy that will explore the approach to funding the next capital programme.

¹ Cash generation from ordinary activities is defined as the surplus excluding depreciation and HEFCE deferred capital grants released in year

Operating and Financial Review (continued)

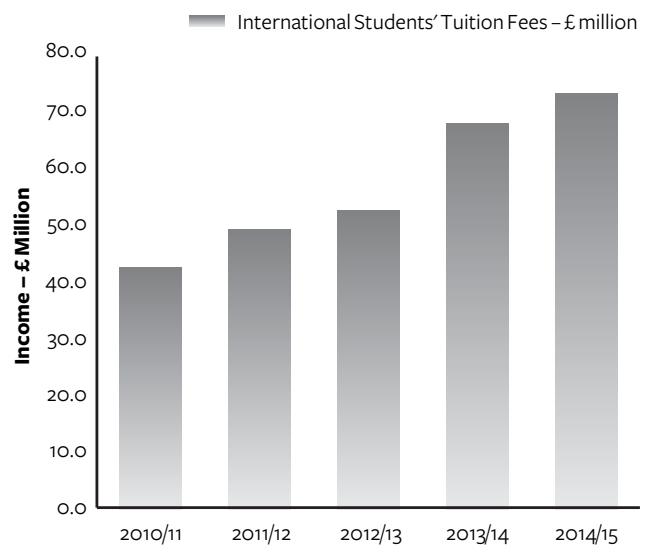
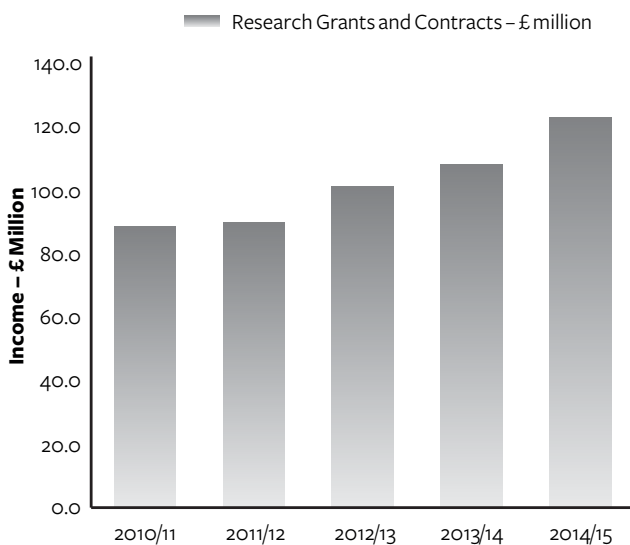
University Surpluses on Ordinary Activity 2010/11 – 2014/15

The surplus in 2014/15 represented 4.6% (2013/14 3.2%) of income and continues a long-term trend of sound financial performance. The surplus includes the receipt of £8.9 million (after tax) in respect of the University’s claim for research and development expenditure credits from HMRC. The lower than planned level of recruitment in 2012 continues to hamper our ability to generate surpluses at the targeted level but strong income growth over the last two years coupled with ongoing constraint of expenditure increases has produced a steady underlying surplus.



Research Grants and Contracts and International Students’ Tuition Fees 2010/11 – 2014/15

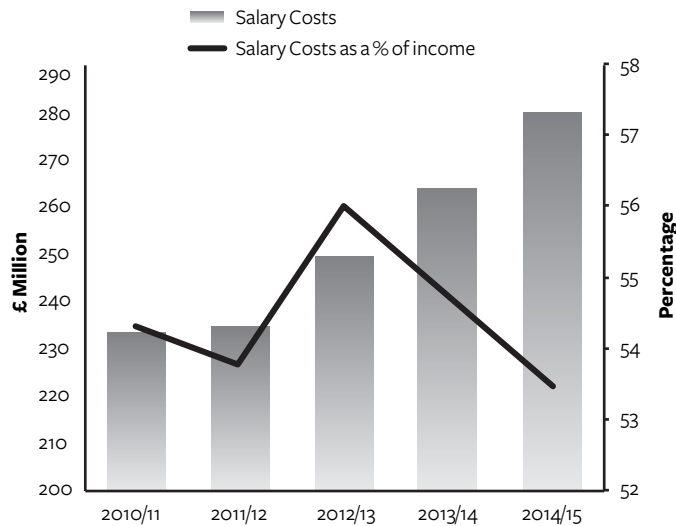
We identified research grant and contract earnings and international students’ tuition fees as the two key sources of income where significant growth could be achieved through the University’s efforts. The 2014/15 results continue the trend of strong growth. Success in winning research awards, which have shown strong growth in recent years, continues to feed through to research income and is expected to drive further increases in future years. The receipt of RDEC credits of £11.3 million has also provided a one-off boost to our research performance in this year.



Operating and Financial Review (continued)

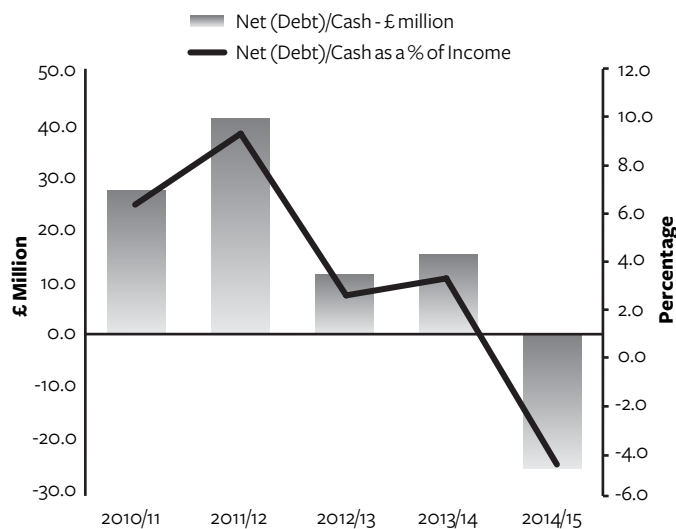
Salary Costs as Proportion of Income 2010/11 – 2014/15

The growth in staff numbers reflect planned investments as we approached the Research Excellence Framework (REF) submission in November 2013, with over 1,100 staff being included in our submission. Salary costs as a percentage of income peaked as planned in 2012/13 and further increases in staff numbers over the last two years have been constrained in line with growth in student numbers and research grant and contract activity. In addition, approximately 40 full-time equivalent members of staff have been recruited to support the operation of the new Mayflower halls of residence.



Movement of (Net Debt)/Net Cash 2010/11 – 2014/15

The level of University debt exceeds cash holdings by £24.4 million (2013/14 cash exceeded debt by £16 million). In 2014/15 the University entered into a finance lease relating to the Mayflower halls of residence, which added £44.8 million to our long-term financing arrangements as at 31 July. The University plans to continue to fund capital programme spend from cash balances and debt as a result of the decline in HEFCE capital funding.



Operating and Financial Review (continued)

Vision 2020 – The University Strategy (2015-2020)

In July 2014, Council approved a refresh of the University strategy (2010-2015). The original strategy was approved in July 2010 and took us to 2015. The new strategy, “Vision 2020”, builds on the successes achieved between 2010 and 2014, reflects market developments since and now takes us through to 2020.

The vision within “Vision 2020” is to “be a distinctive, global leader in education, research and enterprise. By 2020 we expect to be clearly recognised as a successful and highly influential international university. We aspire to be a place of opportunity and inspiration that attracts the most talented staff and students from the UK and across the globe. We will grow our University resources and facilities to meet fully the expectations and ambitions of our high-performing staff and students.”

Our aims

By 2020 we will have:

Revolutionised our education

We will harness current and emerging technologies to broaden our reach and optimise student engagement in learning. Our curriculum structures, teaching delivery and extension activities will offer greater flexibility, enabling students to personalise their learning and to participate in teaching programmes connected to all parts of the globe.

Transformed our global research competitiveness

Our future reputation depends upon our competitive edge in research. We will sustain the peaks of excellence in which we are international leaders and invest in emerging researchers and groups who are capable of global recognition. We will continue to grow our academic community in line with our overall growth and, through enhanced diversification of funding, increase our total research income to £135 million by 2020.

Become a globally connected University

We will build on our international success in research and education. By strengthening existing relationships and developing new partnerships we will increase our global presence and reach. Our international research collaborations will grow along with our international student population based in the UK and overseas.

Made important contributions to our society and the economy

We will further strengthen the economic and societal impact of the University and be a first point of engagement for business and policy makers. We will achieve further success in incubating new forms of enterprise and spin-out companies and maintain our position as one of the UK’s top five universities for business and enterprise.

Become a partner for growth in our city and region

We will continue to make a major contribution to economic growth and social development in our city and region, creating jobs and working with local authorities, business organisations and our Science Park to attract future inward investment.

Strengthened our community in keeping with our values

Ultimately, the University’s strength lies in the vitality, quality and diversity of our people. We aspire to be an empowered and mutually supportive community. This will be evident from our behaviours, our systems of reward and recognition, and the working environment we create.

Major Financial Risks

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

A comprehensive financial risk assessment was considered by Council in setting the 2015/16 University budget. The major risk areas are summarised below:

Risk of reduced recruitment of students

In the UK, competition for students has increased substantially since the introduction of £9,000 fees and the steady deregulation of intake quotas. The trend of highly volatile recruitment continues, and competition has intensified in 2015 with the removal of remaining student number controls. Longer term, the number of 18 year olds within the UK is declining up until 2020. The International recruitment market is also highly competitive but is influenced by different factors such as exchange rates, UK government visa policies which are subject to short notice changes and competition from other countries. The Home PGT market has been substantially impacted by the changes to funding for Home undergraduates. For 2015/16 the Government introduced a first step to improve the accessibility of PGT study through a match funded bursary

Operating and Financial Review (continued)

scheme for students from disadvantaged backgrounds. A consultation was launched on a loan scheme for PGT students from 2016/17 which would improve support for students.

The strategy of the University is to grow overall student numbers, both in the UK and globally, but not at the cost of quality of intake and the student experience. The growth requires significant investments in facilities, information technology and new locations for study abroad. The availability of funds to invest will, in turn, be dependent on the University's abilities to generate sufficient surpluses to service the investment requirements.

Risk of the outcome of the 2015 Government Spending Review reducing the funding the University receives from one or more sources

Whilst the changes to funding for Home and EU students have significantly reduced our reliance on Government, we recognise that our research is heavily reliant on RCUK and HEFCE grant funding, which has to date been subject to pressures through the lack of real term growth. We have substantial relationships with Government around training teachers, doctors and health care professionals and we continue to work with Government on many areas of national infrastructure investment in our research and in our graduates. Following the real terms reduction in research funding over previous years, we saw in year reduction to Government grant funding in 2014/15 from the Summer Budget and we anticipate revenue and capital pressures from the spending review. We consider these risks in our business planning and budgeting and they are a key consideration in our future focus on the improvements we need in our operating model to ensure sustainability.

Risk of not meeting student expectation of their education and other experiences

The changes to higher education funding within the UK places a stronger emphasis on maintaining a consistent high-quality student experience. Failure to satisfy students would lead to reputational damage and eventually lower recruitment. The University has placed continued student experience improvements at the centre of its strategic plan. While the University's National Student Survey results in 2015 are generally positive (with an improved rank of 4 places to 10th in the Russell Group for overall satisfaction), our strategy demands further improvement. Therefore, we are taking targeted action to address weaknesses in certain parts of the University. Moreover, by generating sufficient surpluses, the

University will be able to invest in areas that further improve the student experience.

Risk that the University staff costs will become unsustainable

Following the recovery plan for the USS, employer contributions are set to increase in 2015/16 by 2% for 65% of the staff employed by the University. Government changes to the contracting out from State Pensions means that employers' NI contributions increase further in 2015/16 by around 2%. The continuation of large deficits in the USS and PASNAS schemes remains a concern. The PASNAS scheme deficit has increased significantly in the year because of declines in gilt yields and discount factors. The valuation for PASNAS at 31 July 2015 is underway and the expectation is of an increased deficit for the University (as major employer) to consider. The budget for 2015/16 has built in provision for these significant pressures on pay inflation at a time of frozen Home/EU tuition fees and reducing government grants.

Capital Developments

2014/15 has seen the occupation of the first stage of our Innovation Campus on the Boldrewood site, in collaboration with Lloyd's Register. The campus has seen our staff, students and 400 staff from Lloyd's Register move into world class facilities for marine and maritime teaching and research. The project has been delivered within the overall cost plan. Construction was completed on phase 2, the hydromechanics building, and the facility was operational in the first semester of 2015/16 enabling the towing tank together with the anechoic wind chamber to be used.

As part of the residences strategy the University saw students moving into the Mayflower halls of residence. This was delivered in August 2014 and within the overall budget approved by Council. This new student accommodation comprises three residential blocks of up to 17 floors housing 1,100 students and includes a shop and gym. Situated next door to the Mayflower Theatre, the build represents a substantial investment in the city. This has been followed by the delivery of around 350 beds at the City Gateway halls in August 2015 on a long-term operating lease and construction is underway for around 350 beds in the new Chamberlain Halls on the University's Glen Eyre site for occupation in September 2016.

We launched our Cancer Science Immunology campaign to fund the first dedicated cancer immunology centre in the UK.

Operating and Financial Review (continued)

Connected to leading institutions worldwide, this cutting-edge research hub will enable our interdisciplinary teams to expand clinical trials, explore new areas and develop lifesaving drugs. This is the biggest fundraising campaign the University has ever undertaken. We have already received donations totalling more than £13 million from our supporters.

We were successful in winning a bid for match funded capital grant funding from HEFCE to invest in growing and enhancing our teaching facilities for STEM. Work progressed over the summer to deliver enhanced teaching facilities for Electronics and Computer Sciences, and Ocean and Earth Sciences, to increase our capacity and ultimately grow the numbers of top quality graduates in key STEM disciplines and cross-disciplinary areas studying at Southampton.

Future Plans

Future plans include the progression and completion of existing construction projects on the Chamberlain Halls of residence, the completion of Boldrewood with the National Infrastructure Laboratory, a world class structures laboratory, as part of the UK Collaboratorium for Research in Infrastructure and Cities (UKCRIC), a multi university collaboratorium providing leadership and support for a step change in the nation's approach to infrastructure investment and the Cancer Immunology Centre being built on the University Hospital Southampton NHS Foundation Trust site.

The next capital programme is well developed and will support the development of the Business School, the enhancement of teaching and learning facilities for our students and an improvement in our core infrastructure enabling effective business processes.

For 2015/16 all universities will move to a new Financial Reporting Standard (FRS 102). We are advanced in our planning for the change which will substantially change the presentation of our annual financial statements. We are working with our key stakeholders to ensure the change and any associated apparent volatility is well understood.

We welcome Sir Christopher Snowden as our new Vice-Chancellor and will be working with him to sharpen our strategy to address the changing higher education environment. The comprehensive spending review will bring new challenges, and the development of the Teaching Excellence Framework will put additional focus on the student experience alongside our continued focus on our Research Excellence. In sharpening the strategy, we will be looking at further improving our sustainability ensuring we can generate the funds we need to continue to invest in our ambition to change the world for the better through our teaching, research and enterprise.

Conclusion

The University has had a good year. Our performance in the UK national assessment of research that took place in December 2014 was excellent, with outstanding achievements in both our research intensity and the impact of our research on society. Both our research income and academic fees have grown to record levels. The quality of our teaching has received the highest level of commendation from the QAA and the feedback from the National Student Survey has shown that we have continued to improve our student experience. All of these have contributed to improvements in both our national and international university rankings. The University has, therefore, made good progress against its strategic goals to change the world for the better through our research, education, innovation and enterprise.

During the year, the University invested over £86 million in new buildings and equipment. Further investment to complete the Innovation Campus, create a new centre for cancer immunology, new teaching and learning facilities as well as more student accommodation will be required for the coming year. A new Vice-Chancellor, a strong cash position and our recent successes in research and education provide an excellent foundation for the future.

David Price
University Treasurer

Public Benefit

Introduction

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

Our reputation for excellence in research and education, which is reflected in our UK and international league table rankings, is built on a long history of world-changing achievements. We are a founding member of the Russell Group of research intensive universities and our successes continue to be acknowledged with prestigious awards.

Our position as a destination of choice for undergraduates was underlined this year with a commendation from the Quality Assurance Agency for Higher Education (QAA) for our enhancement of student learning opportunities. The commendation – the highest rating possible – was published by the QAA in its Higher Education Review report on the quality and standards of provision at Southampton, in April 2015.

In December 2014, we reaffirmed our position as one of the world's leading research universities in the latest national assessment of research – the Research Excellence Framework (REF). We were ranked 8th in the UK based on the quality and percentage of staff whose research was submitted.

We featured highly in university league tables in 2014/15, retaining our ranking in the top 1% of universities worldwide.

We invest heavily in the development of our students, working with partners around the world to provide a relevant, flexible education that prepares our students for their future. In 2014/15, over 23,000 full and part-time students benefitted from our world-class educational programmes.

At the same time, our leading-edge research continues to have a tangible impact on individuals, communities and the economy. Through our research and enterprise activities, we connect with businesses to foster innovations that address some of society's greatest challenges. Over the past year, as a result of our investment in student communications, a Southampton initiative to better present financial information to students has been identified by HEFCE as a good practice case study. We asked our students how they wanted us to communicate financial information, and learned, for example, that they

would prefer it communicated graphically where possible, with narrative text reserved for the highlighting of key messages. Our finance and communications and marketing teams have been working with the Students' Union to refine our approach.

Charitable status

The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. We are responsible to the Higher Education Funding Council for England (HEFCE), our principal regulator. The University reports annually on the ways in which it has delivered charitable purposes for the public benefit.

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

Beneficiaries of the University's charitable objectives are our students, both undergraduate and postgraduate, our research collaborators, employers, industry, policymakers and the wider public, who derive considerable benefit from the contributions of the University's teaching, research and enterprise. The local, regional and national economies also benefit significantly from our activities.

Economic and social impact

In February 2015, a detailed economic and social impact assessment of the University was produced by independent consultancy BiGGAR Economics. Their study demonstrates how the University's activities create benefits and impacts for both the economy and for society, underlining our role as a major contributor to the local area of Southampton, the wider region, the UK and beyond. <http://www.southampton.ac.uk/about/impact.page>

The BiGGAR report shows that in addition to education and research and our purchase of goods and services, the University drives economic impact through partnership with businesses and the public sector, leading to invention and innovation in products, services, policy, strategy and health care delivery and also the creation and growth of businesses. The report's authors estimate that the University of Southampton annually supports economic activity in Southampton of more than £729 million and 11,700 jobs. For the regional area the figure is over

Public Benefit (continued)

£1.0 billion and 16,300 jobs; and for the UK it is over £2.0 billion and 26,500 jobs.

The report also highlights our role as a major regional employer – with well over 6,400 members of staff – most of whom live in the region and contribute to the communities in which they live. It further highlights the economic and social contribution of our students, through volunteering activities and part-time employment, as well as through their purchase of goods and services.

Student education, admissions and widening participation

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

Since the introduction of our first MOOCs (massive open online courses) in November 2013, over 250,000 learners have enrolled on our free online courses. We now have a suite of nine MOOCs (soon to be 10) all of which have the benefit of being available online, making our educational resources available to anyone in the world with internet access.

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

We work closely with schools, colleges and local communities to encourage prospective students to consider higher education. Ambitious local school children are able to make more informed choices about higher education through programmes developed by our Student Recruitment and Outreach Team. In Southampton's primary and secondary schools and local sixth form colleges, we deliver workshops and seminars on a wide range of practical life skill topics.

Through our "Learn with US" outreach programme we take a long-term and targeted approach to raising aspirations among

school-age children. This programme is linked to our Access to Southampton scheme, providing special consideration and financial support to students from designated under-represented groups, including those who are the first generation of immediate family to apply to Higher Education or those who live, or have grown up in public care.

Our ground-breaking "Learn with US transition" programme provides unique support for sixth-form students to develop their research skills, including support for the Extended Project Qualification (EPQ). Its research-active members of staff also provide schools and colleges with taster lectures, seminars and our 'Research-Based Learning Project' to tap into students' curiosity and scholarship. We are the only Russell Group university to make an alternative offer based on students attaining an A or A* in the EPQ for disciplines in areas such as Humanities or Social Sciences (for example: ABB plus an "A" in an EPQ, rather than AAB).

The impact of our commitment to widening access and student success has been evidenced in our performance indicators for UK students. We have performed consistently well in recruiting state school students, being third highest in the Russell Group, with 86.1% in 2013/14. In the last five years, we have increased our proportion of first-year undergraduate black and minority ethnic students from 10.2% in 2008/09 to 15.2% in 2013/14. In 2013/14, 22.5% of our students came from low socio-economic groups and 7% from low participation neighbourhoods.

The University's contribution to student financial support consists of primarily bursaries and fee waivers that are administered centrally, independently from decisions over admissions. We operate a 'needs blind' admissions policy. Students in health care disciplines may be supported by non-repayable bursaries from the NHS.

The overall total for student financial support has risen in 2014/15 to £9.3 million. This is analysed as follows:

- Payments in 2014/15 of £8.7 million under our current OFFA agreement, relating to bursaries and partial fee waivers of up to £3,000 per annum for students from low income households entering since 2012/13.
- Payments in 2014/15 of £0.6 million for undergraduate students entering the University from less well-off backgrounds under the previous student funding framework.

Public Benefit (continued)

Investment from the University and the Higher Education Funding Council (HEFCE) is supporting a multi-million pound transformation of our undergraduate Electronic and Computer Science laboratories in 2015. We have also invested significantly in our teaching facilities for Ocean and Earth Science at the National Oceanography Centre Southampton.

Outreach

The University continued to expand its public engagement activities in 2014/15.

- Our annual “Bringing research to life” roadshow tours regionally and nationally between March and September, showcasing an expanded selection of Southampton research. It reaches on average over 20,000 visitors annually, with invaluable support from an enthusiastic team of volunteer research-communicators and undergraduate Student Ambassadors. Our touring Planetarium Shows continue to be popular and we run successful Stargazing Live events which tie in with the BBC show. In total, over 25,500 people have participated in our Physics and Astronomy outreach activities in the past year.
- Since 2010, we have provided the funding for local school students to learn more about science by visiting the Winchester Science Centre and Planetarium. In 2014/15 a total of 2,403 pupils accompanied by 407 staff/helpers attended on a no-fee basis as a result of the grant offered by the University of Southampton.
- Our LifeLab project, overseen by academics in Medicine and Education, helped 1,442 schoolchildren from Southampton and the surrounding areas learn about science and health, through visits to our hospital-based classroom and laboratory facility in 2014/15. The project has been shortlisted for a Times Higher Education award.
- We have engaged with local secondary school students and teachers in the RCUK-funded project “Talk to US!” over the past three years. Researchers from our Education School work with colleagues from other disciplines on a range of projects to help teachers and students develop a research culture.
- In the past year, pupils from 12 different schools attended five Royal Institution Mathematics Masterclasses at the University, aimed at helping talented Year 9 pupils. The annual sessions are designed to encourage, inspire and engage young people in the art and practice of Maths.
- In this International Year of Light, Southampton researchers have been highlighting the importance of photonics, the

science of light, in many global industries such as lighting, telecommunications, medicine and manufacturing. One initiative involved the Optoelectronics Research Centre (ORC) and Physics and Astronomy collaborating with an award-winning garden designer to create a garden for the RHS Tatton Flower Show, taking visitors on a journey into the world of light-based technology. This was voted Best Garden in the People’s Choice Awards at the show.

- Our Researchers’ Café events continue to take place on campus and in town; and in May this year a number of Southampton researchers took part in highly successful Pint of Science public engagement events in local pubs.
- In 2014, the University had three projects shortlisted for the national Engage Awards 2014, winning Best Individual-Led Project.
- In a joint initiative, scientists from the School of Ocean and Earth Science worked in partnership with the city’s SeaCity museum to bring a major dinosaur exhibition to the city.

Social impact

The University contributes significantly to improvements to health and well-being through its research. We annually train around 250 doctors and 520 nurses and midwives, together with other allied health professionals, health visitors and school nurses – many of whom work in this region. The work of our student volunteers and our schools’ outreach programmes benefit the wider community and open up the University to groups who might not otherwise have a connection with us.

We have a close working relationship with hospitals in the region. Patients are regularly diagnosed and treated by University medical professionals. Our medical staff work with colleagues at University Hospital Southampton NHS Foundation Trust in translational research, offering patients novel and effective treatment options in areas as diverse as cancer, osteoporosis, asthma and eye disease.

We are a major investor in the city of Southampton – building facilities for education, research and enterprise, as well as for residences for our students – and providing work for local contractors.

We recently launched a £25 million fundraising campaign to build the first dedicated cancer immunology centre in the UK. Southampton researchers have been leading the way in cancer immunology research and immunotherapy treatments for over 40 years and the last few years have seen exciting

Public Benefit (continued)

developments, harnessing the power of people's immune system to seek out, destroy and eradicate cancers, potentially providing lifelong immunity. <http://www.southampton.ac.uk/youreit/get-involved/>

In April 2015, our Auditory Implant Service, based in the Institute of Sound and Vibration Research, celebrated 25 years of helping deaf adults and children to hear. Since it was established in 1990, the Service (formerly known as the South of England Cochlear Implant Centre) has implanted over 1,000 cochlear implants – devices that help people to regain their hearing or allow them to hear for the first time. It has also developed a number of firsts in clinical treatment, including the UK's first bilateral implant, and has conducted ground breaking research into speech processing, measuring hearing improvement and assessing patient quality of life.

In April 2015, Enactus Southampton won the national social enterprise final for the fourth time in five years and will again represent the UK at the World Cup in October. The Southampton group, now over 200 members strong, supports projects in the UK and Africa.

Research impact

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

The 2014 Research Excellence Framework, ranked us first on the basis of the volume and quality of our research in Electronic and Electrical Engineering and General Engineering; first on the quality of research in Music; and first in Nursing and Allied Health Professions in terms of research intensity. Southampton achieved top five nationally in Ocean and Earth Science; History; Modern Languages; and Social Policy (including criminology, demography, gerontology, and sociology). These results provide an endorsement of the extremely high quality of research produced here and confirm our reputation as one of the most respected universities in the UK and around the world.

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

The University is a major driver of innovation with the exploitation of world-leading research and development undertaken by our academics and students. We are global leaders in the aerospace and defence sector, with research strengths in structures, power-plants, materials, fluid dynamics, electronics, optoelectronics and cyber-systems, as well as supply chains and logistics. We help a wide range of companies from multi-national blue chip companies through to SMEs find solutions to their most challenging problems using our knowledge and world-class facilities.

Over 40% of our annual research is conducted in collaboration with industrial partners. As one of the top three UK universities in terms of working with SMEs, industrial partnerships are strategically very important to us and are a proven route for wider benefit and impact of our research activities. Our Science Park, located in Chilworth, has provided a nurturing home for many start-up and rapidly growing businesses over the past 30 years. New development on the Park has been approved to expand the available rental space.

We also run a successful business incubation programme to support high-tech, high-growth companies. The SETSquared partnership, of which the University is a founding member, retains its number one ranking of university business incubation activities in Europe and number two in the world.

Our Public Policy@Southampton initiative works to increase the reach and impact of University of Southampton research by bringing together the expertise of world-leading researchers with the expertise and experience of key policymakers and practitioners to address issues of social, cultural, economic and political importance. <http://publicpolicy.southampton.ac.uk>.

The University's marine and maritime expertise boosts growth in the maritime sector across the region and the UK. The first new buildings on our £140 million Boldrewood Innovation Campus were completed in 2014, with staff from Engineering and the Environment moving into their new state-of-the-art accommodation. Marine specialists, Lloyd's Register, have also moved 400 jobs to their new base at the campus. The company relocated its Global Technology Centre to Southampton in order to be close to the University's marine experts and state-of-the-art facilities.

Public Benefit (continued)

Research highlights from 2014/15

Environment and sustainability

- The University is leading one of three major research projects that make up a £4.5 million investment from the EPSRC to safeguard the UK's water, energy and food security.
- Researchers are working in Assam, India, to investigate the effects of climate factors on the production of tea – one of the most important beverage crops in the world.
- Southampton geographers have developed a new way of measuring the 'health' of poor regional communities. Their methodology examines the balance between factors such as standards of living, natural resources, agriculture, industry and the economy. They aim to improve the wellbeing of people by guiding sustainable development practices to help avoid social and environmental collapse.
- University of Southampton research has shown consumers reduce their water consumption by 16.5% after they receive a metered connection – based on the study of a five-year programme to install nearly half a million water meters in the south-east of England.

Critical infrastructures

- Southampton researchers have led a national EPSRC-funded project to help the UK rail industry reduce delays and achieve multi-million-pound savings. Practical measures to aid landslip prevention and enhance track stability are among the improvements pinpointed.
- The University of Southampton is to join forces with the European Commission and the Japanese government to develop new technologies for high-speed networks in densely populated user areas.

Health and well-being

- What does it take for us to get to 100 years old? What are our chances of living beyond a century? How do our early years, lifestyle, work and where we live affect our lifespan? These are just some of the questions raised in a new exhibition taken around the UK by population experts at the University of Southampton.
- Engineering researchers have helped to develop pioneering "tweezers" that use ultrasound beams to grip and manipulate tiny clusters of cells, which could lead to life-changing medical advances, such as better cartilage implants that reduce the need for knee replacement operations.
- Scientists at the University are set to analyse research investments into infectious diseases, particularly pneumonia

and maternal and neonatal infections, after receiving over £370,000 in funding from the Bill & Melinda Gates Foundation.

- A new drug with the potential to reverse resistance to immunotherapy has been developed by scientists at Southampton. It has shown great promise in pre-clinical models and will be available to patients with certain leukaemias and non-Hodgkin lymphomas in clinical trials later this year.
- Cancer patients can return to pre-treatment fitness levels within six weeks using a novel 'prehabilitation' programme, developed by doctors and scientists at Southampton. Researchers at the NIHR Southampton Respiratory Biomedical Research Unit studied the effect of tailored exercise programmes on bowel cancer patients after chemotherapy and radiotherapy but before surgery.
- An international study involving the University of Southampton suggests there could be a rise in measles cases of 100,000 across the three countries most affected by the Ebola outbreak in West Africa due to health system disruptions.

Advanced materials, manufacturing and technologies

- Southampton is to play a major role in helping to boost the UK's ability to develop and exploit the vast potential of robotics and autonomous systems, as a founding partner of the EPSRC UK Robotics and Autonomous Systems Network (UK-RAS Network).
- The University of Southampton is to share in £20 million of funding to advance the UK's manufacturing capability. Southampton will receive £3.1 million to revolutionise the manufacture and use of specialised glass, called chalcogenides, in a range of products from optical fibre and infrared lenses to electronic devices, including logic and memory. The University's Composite Material Facility, unique to the UK, will also help to develop and manufacture radically new and advanced materials.

Humanities

- Archaeologists from the University of Southampton have revealed for the first time the plan of a network of buildings in a once thriving medieval city at the historic site of Old Sarum, near Salisbury.
- The experiences of a young soldier killed in the First World War underpin a major new work by the world-renowned composer and University of Southampton professor, Michael Finnissy.
- Experts on the Battle of Agincourt attending the University of Southampton conference to mark its 600th anniversary

Public Benefit (continued)

heard new evidence suggesting Henry V's naval fleet, used to transport troops, was much smaller than previously thought.

- To coincide with the 200th anniversary of the Battle of Waterloo, an exhibition at the University's Hartley Library gave a unique perspective on the Duke of Wellington's role in the battle, using material from the Wellington Archives, held and conserved by the Library.

Values

Southampton is a world-class university built on the quality and diversity of our community. We place a high value on excellence and creativity, supporting independence of thought, and the freedom to challenge existing knowledge and beliefs through critical research and scholarship. Through our education and research, we transform people's lives and change the world for the better. The University's continued drive to improve fairness and equality for women has gained us a silver and four bronze awards as part of the UK-wide Athena SWAN initiative.

Four core values underpin our activities and shape our culture, ultimately enabling us to achieve our vision:

- Excellence: We aspire to be the best in all we do, inspiring the confidence and ambition that enable our staff and students to reach their full potential.
- Creativity: We are imaginative and resourceful, thriving in an environment that values independent thought and encourages originality and innovation amongst its staff and students.
- Community: We achieve more together, we are an inclusive, collegial community that builds tolerance, respect and mutual support amongst staff and students.
- Integrity: We are committed to the highest standards. Our personal and institutional conduct is consistent and honest, engendering trust between and within our University communities.

Private benefit

Private benefit arising from commercially funded research and knowledge transfer activity is incidental to the University's principal objects. The University's trustees are aware of their obligations in respect of our public benefit principles and ensure that the University has appropriate procedures and policies in place to manage any potential for conflict of interest.

Public and community engagement and culture

With over 6,400 members of staff, the University is one of the largest employers in Southampton and offers a wide variety of employment opportunities. Many of our students contribute to the city through their volunteering activities, and many remain in the region after graduation, providing a skilled workforce and contributing professionally.

Our excellent sports facilities and arts venues are open to members of the local community, and uniquely within UK higher education, we support three world-class arts venues that are "national portfolio organisations" funded by Arts Council England. These are the John Hansard Gallery, the Turner Sims concert hall and the Nuffield theatre. In 2015, the John Hansard Gallery was selected to join the Plus Tate contemporary visual arts network, and Nuffield was voted Regional Theatre of the Year 2015 at The Stage Awards.

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

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

Creating a sustainable organisation

We recognise that there is a tension between the University's aspirations for globalisation and growth, and our desire to minimise the environmental impacts of our activities. Our vision is to embed the principles of sustainability into all aspects of our work, integrating sustainable development into our business planning and policy-making (Vision 2020).

To manage our environmental impacts we have an environmental management system certified to the ISO 14001 standard. ISO 14001 is an internationally recognised standard for environmental management. External auditors reviewed our systems and processes in July 2015, to verify that we are continuing to meet the requirements of the standard – they

Public Benefit (continued)

remarked on the considerable effort we put into maintaining our environmental management system.

We manage a range of activities to reduce our environmental impacts from energy use, waste and travel. Engaging our students and staff in our activities is a positive way to achieve change. The integration of sustainability into our taught curriculum ensures we provide all students with an opportunity to engage in sustainability to equip them with the skills to contribute to a low carbon, sustainable society. During the course of the year, we held a series of events such as Blackout – a switch-off campaign, Waste Wars – a waste audit and Swop Shop – a clothes exchange.

The University has an aspirational target to achieve a 20% reduction in carbon dioxide equivalent emissions by 2020 (from a 2005/06 baseline), and we have a strategic carbon management plan in place. This is a very challenging target, given that we had already established plans for significant growth from 2005/06 levels of activity. Since 2005/06 our student and staff full-time equivalent (FTE) numbers have increased by around 11%, yet in 2014/15 our energy and carbon dioxide emissions per FTE were approximately 6% less than the 2005/06 baseline year.

Over the last year, our Unilink bus service carried approximately 5.5 million passengers – half a million more than the previous year. In September 2014, we increased the frequency of buses to and from the city centre to provide better connections with rail services from Southampton Central station and to

support students at our Mayflower halls of residence. We have installed additional cycle storage facilities across our campuses, and continue to work closely with local authority partners to develop and improve the local cycle network. These measures have helped us meet our Travel Plan objectives for 2015; we have set new objectives to take us up to 2020.

The University continues to manage its resources efficiently. In 2012/13, we achieved the 60% recycling target following introduction of a comprehensive recycling and waste management scheme. In 2013/14, this increased to 70% and this rate has been maintained in 2014/15. A revised target of 75% has been set for July 2016. Additionally, none of our non-recyclable waste is being sent to landfill.

In June 2015, we collaborated with the city council to run another Southampton BioBlitz event, which saw local people join wildlife groups and university scientists in a race against the clock to find as many species of plants and animals as possible in 24 hours. Visitors took part in some important citizen science and learned more about the wildlife that surrounds them. The data collected will be added to a vast database at the Hampshire Biological Information Centre, to compare Southampton's biodiversity with other places in the county.

Over the next year we will continue to work towards meeting our energy, travel and waste targets – we will also work with students and staff to reduce our printing and explore new ways of encouraging sustainable behaviours.

Corporate Governance

Summary of Corporate Governance

The University of Southampton is an exempt charity under the terms of the Charities Act 2011.

The University was established in 1952 by Royal Charter which, together with the Statutes that came into force at the same time, provides the framework for the corporate governance of the institution. The Council is the governing body of the University, and is charged by the Charter with responsibility for “...the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University...” (Article 11 of the Charter). In carrying out its functions, the Council is bound by the terms of the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE), which is updated annually, and the acceptance of which is a precondition for the receipt of HEFCE grants. The Senate is the other principal decision-making body.

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

<http://www.southampton.ac.uk/aboutus/councilmembers/>

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

Whilst the Chancellor is the titular head of the University, the Vice-Chancellor is the University’s principal academic and administrative officer, and Accountable Officer. The Treasurer is a lay and non-executive member of the Council whose remit is to advise generally on matters relating to the University economy, and to satisfy himself as to the soundness of the University’s financial position and the integrity of its financial transactions. The Registrar is Secretary to the University Council.

The Council meets six times a year, and receives reports on the functioning of the University and of its subsidiary companies. These include the critical assessment of agreed Key Performance Indicators. Matters specifically reserved for Council decision include the Mission and strategic direction of

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

The Audit Committee meets four times a year. Meetings are attended by the External Auditors, to discuss audit findings, and also by the Internal Auditors, to discuss detailed internal audit reports and recommendations for the improvement of the University’s systems of financial control, together with management’s response and implementation plans. The Committee also considers reports from HEFCE relating to the conduct of business and monitors adherence to the regulatory requirements. The Committee reviews the University’s annual financial statements together with the accounting policies. Whilst senior executives are in attendance at meetings, they are not members of the Committee, which reserves the right to meet separately with the External and Internal Auditors for independent consultations.

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

The Senior Salaries Committee determines the salaries of University Executive Group members and maintains an overview of the salary costs of senior professorial and administrative staff. Lay members of the Committee determine the Vice-Chancellor’s salary.

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

Statement of Internal Control

The Council is responsible for maintaining a sound system of

Corporate Governance (continued)

internal control which supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible.

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

- clear definition of the responsibilities and delegated authority of heads of academic and administrative groups;
- a medium and short-term planning process, supplemented by detailed annual income and expenditure and capital budgets;
- regular reviews of performance and at least termly reviews of financial performance and updates of forecasts of out-turns;
- clearly defined and formalised requirements for control of expenditure, appointment of staff, investment and borrowing decisions;
- comprehensive Financial Regulations, amended most recently in March 2014, approved by the Audit Committee and Council;
- a professional internal audit service, whose responsibilities cover the entire internal control systems of the institution.

The system of internal control is supplemented by an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. Council has approved a process of identifying major risks and encouraging risk management awareness throughout the University with formal risk management strategies, policies and reporting systems, which are regularly monitored by Audit Committee and Council. This includes a focus on primary strategic aims and Key Performance Indicators. Risk management and internal control are considered on a regular basis during the year and there is an adequate risk and control assessment system. Risk management has also been incorporated fully into the corporate planning and decision-making processes of the University. Council reviews the University's strategic risk register at every other meeting, and reviews the University Key Performance Indicators annually in July.

Council's review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and other reports.

Role of Council in the Preparation of the Financial Statements

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

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

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

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

The Council has taken reasonable steps to:

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

Members of Council have had regard to the Charity Commission's guidance on public benefit.

Corporate Governance (continued)

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

Members of the Council

There are five classes of Council membership.

Class 1: Officers

Class 2: Lay members appointed by the Council

Class 3: Members of University staff appointed by the Senate

Class 4: Members of University non-teaching staff

Class 5: Representatives of the Union of Students

Membership for the period 1 August 2014 – 26 November 2015

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 26 Nov 2015	Attendance Aug 2014 – Jul 2015	Membership of other Committees of Council (including joint committees)
Dr G Rider	Class 1 Chair	August 2012	July 2018	6/6	Standing Committee of Council Nominations Committee Senior Salaries Committee
Dr M P Read CBE	Class 1 Vice-Chair	August 2008	July 2015	3/6	Standing Committee of Council Nominations Committee Senior Salaries Committee
Dr R C Rivaz Hon DSc	Class 1 Vice-Chair	August 2014	July 2017	4/6	Standing Committee of Council Nominations Committee Senior Salaries Committee
Mr M S Killingley	Class 1 Treasurer	August 2009	July 2015	6/6	Standing Committee of Council Nominations Committee Senior Salaries Committee
Professor D Nutbeam	Class 1 Vice-Chancellor	October 2009	30 September 2015	6/6	Standing Committee of Council Nominations Committee Senior Salaries Committee
Professor Sir Christopher Snowden	Class 1 Vice-Chancellor	October 2015		0/0	Standing Committee of Council Nominations Committee Senior Salaries Committee
Professor A A Wheeler	Class 1 Deputy Vice-Chancellor	August 2007		6/6	Standing Committee of Council Nominations Committee Senior Salaries Committee

Corporate Governance (continued)

Mr M C Burrow	Class 2	May 2010	May 2016	2/6	Audit Committee
Rear Admiral P D Greenish CBE	Class 2	March 2011	July 2017	5/6	Health and Safety Audit and Assurance Committee
Ms S Kumar	Class 2	March 2012	July 2017	5/6	
Mr T P O'Brien CBE	Class 2	April 2009	July 2017	6/6	
Dr D J Price CBE	Class 2 (until 31 July 2015) Class 1 Treasurer (from 1 August 2015)	October 2010	July 2016	5/6	Audit Committee Nominations Committee Senior Salaries Committee
Mr J A Trewby CB	Class 2	October 2009	July 2018	5/6	
Mr W Shannon	Class 2	July 2015	July 2018	1/1	
Mr G Berruyer	Class 2	October 2015	July 2018	0/0	
Professor Dame Jessica Corner	Class 3	August 2014	July 2017	6/6	
Professor D McGhee	Class 3	August 2012	July 2015	5/6	
Professor J A Vickers	Class 3	March 2012	July 2018	5/6	Nominations Committee
Dr B Lwaleed	Class 3	August 2015	July 2018	0/0	
Mr A Reyes-Hughes	Class 4	August 2014	July 2017	6/6	
Mr D Mendoza Wolfson	Class 5	July 2014	June 2015	5/5	
Mr B Franklin	Class 5	July 2015	June 2016	0/1	

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF SOUTHAMPTON

We have audited the group and parent institution financial statements (the "financial statements") of the University of Southampton for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Parent Institution Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, the Accounting Policies and the related notes. 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).

Respective responsibilities of Council and auditor

As explained more fully in the Statement of Corporate Governance, the Council is responsible for the preparation of the financial statements and for being satisfied that they 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.

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the Accounts Direction of the Charters and Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 parent institution'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 institution's affairs as at 31 July 2015 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

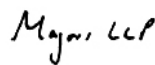
In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group.



Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol
BS1 6DP

26 November 2015

Consolidated Income and Expenditure Account for the year ended 31 July 2015

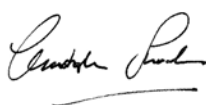
	Notes	2015 £000	2014 £000
Income			
Funding Council grants	2	78,968	84,965
Academic fees and support grants	3	213,382	191,355
Research grants and contracts	4	124,188	110,971
Other operating income	5	108,578	94,140
Endowment income and interest receivable	6	1,785	2,860
Total income		<u>526,901</u>	<u>484,291</u>
Expenditure			
Staff costs	7	281,778	265,462
Depreciation	10	28,859	24,483
Other operating expenses	8	181,201	173,145
Interest payable	9	8,581	5,697
Total expenditure	10	<u>500,419</u>	<u>468,787</u>
Surplus after depreciation of assets and before tax		26,482	15,504
Taxation	4	(2,470)	-
Surplus after depreciation of assets and tax		<u>24,012</u>	<u>15,504</u>
Surplus for the year transferred to accumulated income in endowment funds	20	(37)	(110)
Surplus for the year		<u>23,975</u>	<u>15,394</u>

All income and expenditure is in respect of continuing operations.

Balance Sheets as at 31 July 2015

	Notes	Consolidated		University	
		2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Tangible assets	11	564,366	505,921	531,914	474,203
Investments	12	1,385	1,385	15,938	14,238
		<u>565,751</u>	<u>507,306</u>	<u>547,852</u>	<u>488,441</u>
Endowment asset investments	13	12,470	12,101	12,470	12,101
Debtors: amounts falling due after more than one year	14	443	473	561	583
Current assets					
Creditors: amounts falling due within one year	16	177,258 (152,942)	159,757 (144,263)	175,340 (150,186)	159,205 (141,598)
Net current assets		<u>24,316</u>	<u>15,494</u>	<u>25,154</u>	<u>17,607</u>
Total assets less current liabilities		<u>602,980</u>	<u>535,374</u>	<u>586,037</u>	<u>518,732</u>
Creditors: amounts falling due after more than one year	17	(127,382)	(91,168)	(119,343)	(82,401)
Provisions for liabilities and charges	18	(373)	(246)	-	-
Net assets excluding pension liability		<u>475,225</u>	<u>443,960</u>	<u>466,694</u>	<u>436,331</u>
Pension liability	26	(66,097)	(62,678)	(66,097)	(62,678)
Total net assets		<u>409,128</u>	<u>381,282</u>	<u>400,597</u>	<u>373,653</u>
Represented by:					
Deferred capital grants	19	180,060	177,366	180,035	177,366
Endowments					
Permanent	20	10,548	10,260	10,548	10,260
Expendable	20	1,922	1,841	1,922	1,841
		<u>12,470</u>	<u>12,101</u>	<u>12,470</u>	<u>12,101</u>
Reserves					
Revaluation reserve	21	7,881	7,502	-	-
Pension reserve	26	(66,097)	(62,678)	(66,097)	(62,678)
Income and Expenditure account	22	274,814	246,991	274,189	246,864
		<u>216,598</u>	<u>191,815</u>	<u>208,092</u>	<u>184,186</u>
Total funds		<u>409,128</u>	<u>381,282</u>	<u>400,597</u>	<u>373,653</u>

The financial statements on pages 24 to 63 were approved by the Council on 26 November 2015, and signed on its behalf by:



Professor Sir Christopher Snowden
Vice-Chancellor



David Price
Treasurer



Sarah Pook
Director of Finance

The notes on pages 28 to 63 form part of these financial statements

Consolidated Cash Flow Statement for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	27	36,214	32,106
Returns on investments and servicing of finance	28	(4,965)	(1,291)
Capital investment and financial investment	29	(72,211)	(26,976)
Cash (outflow)/inflow before use of liquid resources and financing		<u>(40,962)</u>	<u>3,839</u>
Management of liquid resources	31	564	10,013
Net financing	30	38,742	(7,085)
(Decrease)/increase in cash	31	<u>(1,656)</u>	<u>6,767</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	2015 £000	2014 £000
(Decrease)/increase in cash in period	31	(1,656)	6,767
Decrease in liquid resources	31	(566)	(10,016)
New loans and debt movement	30	(49,000)	-
Exchange rate gain	30	897	756
Repayment of debt	30	10,258	7,085
Change in net debt		<u>(40,067)</u>	<u>4,592</u>
Net cash at 1 August 2014	31	15,660	11,068
Net cash at 31 July 2015	31	<u>(24,407)</u>	<u>15,660</u>

The notes on pages 28 to 63 form part of these financial statements

Statement of Total Recognised Gains and Losses (STRGL) for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus after depreciation of assets and tax		24,012	15,504
Net movement on deferred capital grants	19	2,694	10,583
Unrealised appreciation on endowment asset investments	20	289	351
Realised gains on endowment asset investments	20	(112)	(303)
Endowments received in year	20	117	70
Unrealised gain on revaluation of University of Southampton Science Park	21	379	2,836
Actuarial gain/(loss) on defined benefit pension schemes		467	(12,275)
Total recognised gains relating to the year		<u>27,846</u>	<u>16,766</u>
 Total funds as per balance sheet:			
At 1 August 2014		381,282	364,516
Total recognised gains		<u>27,846</u>	<u>16,766</u>
At 31 July 2015		<u>409,128</u>	<u>381,282</u>

Notes to the Financial Statements for the year ended 31 July 2015

1. Statement of principal accounting policies

a. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and investment properties in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP) and applicable accounting standards.

b. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and all its subsidiary undertakings.

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

The consolidated financial statements do not include those of the University of Southampton Students' Union as it is a separate entity over which the University does not exercise control or significant influence over policy decisions.

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

c. Recognition of income

Government basic and other recurrent grants are included in the year to which they relate. Specific grants are brought into income to the extent of expenditure in the year.

Fee income is credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is waived or reduced, income receivable is shown net of the discount. Bursary payments are accounted for gross as expenditure and not deducted from income. Income from short courses is recognised in line with the expenditure incurred during the year, with any surplus recognised on completion.

Income from specific donations, research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs.

Income from restricted endowments is credited to the income and expenditure account on a receivable basis. Any excess or shortfall of income compared to expenditure is then transferred to or from the balance sheet before the surplus or deficit for the year is struck.

Income from short-term investments, deposits and general endowment asset investments is accrued up to the balance sheet date.

Major external contracts and rental income are accounted for under the accruals basis. Income from other external contracts, consultancies and services rendered is credited to the income and expenditure account to the extent of amounts invoiced during the year.

The University acts as agent on behalf of the Higher Education Funding Council for England with regard to the disbursement of Access funds. Receipts and payments are therefore not included in the income and expenditure account.

National College for Teaching and Leadership bursaries are administered on behalf of the Funding Council and are therefore not included in the income and expenditure account.

d. Pension schemes

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

In addition, the University has introduced the NEST scheme to comply with the Pensions Act 2008, which gives all University workers access to a qualifying pension scheme.

e. Foreign currencies

Transactions denominated in foreign currencies are recorded in the income and expenditure account at the actual rate of exchange on conversion to sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Notes to the Financial Statements for the year ended 31 July 2015

f. Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

g. Land and buildings

Capitalised expenditure on land and buildings is included in the balance sheet at historical cost.

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

Depreciation is charged on the following bases:

- (i) Buildings acquired after 1 August 1989 - on a straight line basis over 50 years, with the exception of certain special purpose buildings with shorter useful lives.
- (ii) Buildings acquired before 1 August 1989 - on a straight line basis over 30 years commencing in August 1989.

Land is not depreciated.

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

University of Southampton Science Park, an investment property, is accounted for at market value. It is revalued annually and any surplus or deficit arising is taken to a revaluation reserve in general funds. No provision is made for depreciation of this property in accordance with SSAP19.

In accordance with SSAP4 and the SORP, grants received from governmental sources and restricted capital funds are held as deferred capital grants and released to the income and expenditure account over the estimated life of the asset.

h. Equipment

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

Equipment capitalised by the University is generally stated at cost and depreciated over three years. Large scale items of equipment and computer infrastructure are depreciated over a period equal to their expected useful economic life. Capitalised furniture and equipment held by subsidiary undertakings is depreciated over periods of between 3 and 10 years.

Depreciation is charged to the income and expenditure account on a straight line basis.

i. Deferred capital grants

Where tangible fixed assets are acquired with the aid of specific grants they are capitalised and depreciated. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

j. Heritage assets

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

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

Income received to support the purchase of heritage assets is recognised in the year the assets are acquired.

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

Notes to the Financial Statements for the year ended 31 July 2015

k. Gifts in kind

Gifts in kind are included as fixed assets and in other income or deferred capital grants as appropriate using a reasonable estimate of their gross value or the amount actually realised.

l. Investments

Endowment asset investments are included in the balance sheet at market value. Other investments are included at the lower of cost and net realisable value.

m. Stocks

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

n. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

o. Maintenance

In line with FRS 12 the University charges long term maintenance costs to the income and expenditure account as they are incurred.

p. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

q. Comparatives

Where accounting practice has changed, the prior year comparatives have been revised accordingly.

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

r. Taxation

The Institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471 and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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 Institution 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 tangible fixed assets is included in their cost.

The Institution decided to submit a claim to HMRC under the Research and Development Expenditure Credit Scheme (RDEC); this was following a discussion in the sector on eligibility and the Chancellor of the Exchequer's announcement of the removal of entitlement after 1 August 2015, which established the fact of entitlement prior to this date.

Notes to the Financial Statements for the year ended 31 July 2015

2. Funding Council grants

	2015	2014
	£000	£000
Recurrent grants:		
Higher Education Funding Council for England (HEFCE)	62,856	72,146
National College for Teaching and Leadership	(42)	159
Specific grants:		
HEFCE	10,177	7,012
Deferred capital grants released in year (note 19)	5,977	5,648
	<u>78,968</u>	<u>84,965</u>

3. Academic fees and support grants

	2015	2014
	£000	£000
Full-time Home/EU students	117,788	99,749
Full-time international students	71,526	68,337
Part-time Home/EU students	2,192	1,948
Part-time international students	826	528
Research training support grants	15,656	14,528
Special and short course fees	5,394	6,265
	<u>213,382</u>	<u>191,355</u>

Included in the above is £17,359,000 (2014: £18,539,000) of NHS Teaching Contract income in respect of full and part-time fees.

Other income from health authorities is disclosed under note 5.

Fee income is stated net of waivers and discounts.

Notes to the Financial Statements for the year ended 31 July 2015

4. Research grants and contracts

	2015	2014
	£000	£000
Income		
Research councils	51,362	50,053
UK based charities	12,547	14,434
UK Central Government/local authorities/health authorities and hospitals	16,115	13,240
UK public corporations/industry and commerce	8,186	8,296
EU Government	16,325	16,231
EU other sources	2,134	3,034
Other overseas sources	5,224	4,517
Other sources	967	1,166
HMRC – Research and development expenditure credit (RDEC) claims	11,328	-
	<u>124,188</u>	<u>110,971</u>
Expenditure - direct costs		
Salaries and wages	49,363	46,452
Equipment	3,940	3,689
Depreciation	4,710	3,996
Other costs	24,281	25,661
	<u>82,294</u>	<u>79,798</u>
Contribution to indirect costs - research grants	30,566	31,173
Contribution from RDEC claims (before taxation)	11,328	-
	<u>41,894</u>	<u>31,173</u>

Included within income above are deferred capital grants released in the year of £4,710,000 (2014: £4,024,000) (see note 19).

The RDEC claim relates to qualifying expenditure incurred in the period 1 April 2013 to 31 July 2015.

It is subject to corporation tax of £2,470,000.

5. Other operating income

	2015	2014
	£000	£000
Residences, catering and conferences	33,826	28,873
Consultancies, trading and services rendered	38,447	35,965
Health authorities	10,007	9,429
Other donations and subventions	3,692	2,594
Deferred capital grants released in year (note 19)	619	457
Other income	21,987	16,822
	<u>108,578</u>	<u>94,140</u>

Notes to the Financial Statements for the year ended 31 July 2015

6. Endowment income and interest receivable

	2015	2014
	£000	£000
Income from permanent endowment asset investments (note 20)	149	248
Income from expendable endowment asset investments (note 20)	16	330
Income from short term deposits and investments	1,620	2,282
	<u>1,785</u>	<u>2,860</u>

7. Staff

	2015	2014
	£000	£000
Staff costs:		
Salaries and wages	227,721	215,373
Social Security costs	18,001	16,930
Other pension costs (note 26)		
Employer contributions	33,135	31,575
Accounting adjustments relating to defined benefit pension schemes	2,563	1,232
Severance and early retirement	358	352
	<u>281,778</u>	<u>265,462</u>

	2015	2014
	Number	Number
Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:		
Education, research and enterprise	2,773	2,725
Management, specialist and administrative	1,973	1,885
Technical and experimental	371	365
Community and operational	472	439
	<u>5,589</u>	<u>5,414</u>

Notes to the Financial Statements for the year ended 31 July 2015
7. Staff (continued)

	2015 £000	2014 £000
Emoluments of the Vice-Chancellor	252	248
Performance-related bonus	39	31
Taxable benefits	1	1
	<u>292</u>	<u>280</u>
Pension contributions	40	40
Total remuneration of the Vice-Chancellor	<u>332</u>	<u>320</u>

The Vice-Chancellor donated £1,000 (2014: £1,000) to the University during the year as a member of the Hartley Circle.

Higher Paid Staff:

Remuneration of higher paid staff, excluding employer's pension contributions and any compensation for loss of office but including NHS distinction awards where appropriate:

	2015 Number		2014 Number	
	Total	Clinical	Total	Clinical
£100,000 - £109,999	35	11	28	7
£110,000 - £119,999	26	11	29	17
£120,000 - £129,999	20	9	16	7
£130,000 - £139,999	9	5	6	3
£140,000 - £149,999	10	5	15	9
£150,000 - £159,999	11	6	10	8
£160,000 - £169,999	13	9	5	4
£170,000 - £179,999	3	2	4	4
£180,000 - £189,999	3	1	2	1
£190,000 - £199,999	-	-	1	-
£200,000 - £209,999	2	2	-	-
£210,000 - £219,999	2	2	3	3
£220,000 - £229,999	1	1	-	-
£230,000 - £239,999	-	-	-	-
£240,000 - £249,999	-	-	-	-
£250,000 - £259,999	-	-	-	-
£260,000 - £269,999	-	-	-	-
£270,000 - £279,999	-	-	-	-
£280,000 - £289,999	-	-	1	-
£290,000 - £299,999	1	-	-	-

Notes to the Financial Statements for the year ended 31 July 2015

7. Staff (continued)

Compensation for loss of office:

Aggregate payments for compensation for loss of office for three (2014: none) senior members of staff earning more than £100,000 were £137,534 (2014: £0).

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

8. Other operating expenses

	2015 £000	2014 £000
Non capitalised equipment	20,756	20,093
(Gain)/loss on disposal of equipment	(50)	54
(Gain)/loss on disposal of land and buildings	(53)	188
Impairment of property value	10	-
Impairment of equipment	-	67
Consumables and laboratory expenditure	17,315	16,624
Office expenses and professional fees	26,450	25,897
Travel costs	15,099	14,119
Repairs, refurbishment and scheduled maintenance	18,117	20,370
Heat, light, water and power	9,816	8,517
Books and periodicals	4,941	4,721
Bursaries, fellowships, scholarships and prizes	32,924	29,001
External agencies and staff secondments	10,544	9,363
Rents, rates and hire of facilities	6,853	6,332
Catering supplies	2,251	2,203
Conference fees	2,894	2,709
Grant to Students' Union	2,514	2,468
Diminution of current asset investments valuation below historic cost	2	3
External auditors' remuneration	71	72
Auditors' remuneration in respect of other services	87	75
Other expenses	10,660	10,269
	181,201	173,145

Payments to members of the Council

Lay members and non University staff officers of the Council were reimbursed for expenses totalling £7,125 (2014: £2,795) during the year.

No payments were made to members of the Council for serving as Council members.

Notes to the Financial Statements for the year ended 31 July 2015
9. Interest payable

	2015	2014
	£000	£000
Loans not wholly repayable within five years	3,646	3,730
Loans wholly repayable within five years	501	736
Finance leases	3,111	-
Net finance cost of defined benefit pension schemes	1,323	1,231
	<u>8,581</u>	<u>5,697</u>

10. Analysis of 2015 expenditure by activity

	Staff		Other		2015	2014
	costs	Depreciation	operating	Interest	Total	Total
	£000	£000	expenses	payable	£000	£000
			£000	£000		
Academic departments	150,567	1,652	31,363	-	183,582	176,777
Academic services	17,748	4,894	16,265	-	38,907	35,915
Research grants and contracts (note 4)	49,363	4,710	28,221	-	82,294	79,798
Residences, catering and conferences	7,278	2,258	10,981	2,805	23,322	23,633
Premises	9,894	14,433	20,230	-	44,557	43,582
Administration and central services	19,933	80	11,772	-	31,785	29,847
General educational expenditure	6,137	-	36,921	-	43,058	38,411
Consultancies, trading and services rendered	17,914	832	22,393	312	41,451	35,886
Other activities	2,944	-	3,055	5,464	11,463	4,938
	<u>281,778</u>	<u>28,859</u>	<u>181,201</u>	<u>8,581</u>	<u>500,419</u>	<u>468,787</u>

The depreciation charge has been funded by:

Deferred capital grants released (note 19)	11,306
General income	17,553
	<u>28,859</u>

Notes to the Financial Statements for the year ended 31 July 2015
11. Tangible assets
Consolidated

	Land and buildings		Assets in		Furniture	Heritage	Total
	Completed	Completed	course of	Investment	fittings and	Assets	
	freehold	leasehold	construction	properties	equipment		
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 August 2014	462,353	84,900	35,936	30,907	115,404	6,000	735,500
Additions at cost	327	48,821	34,064	267	3,456	-	86,935
Transfers at cost	5,998	1,581	(16,030)	-	8,451	-	-
Revaluation	-	-	-	379	-	-	379
Disposals at cost	(1,947)	-	(10)	-	(2,274)	-	(4,231)
At 31 July 2015	466,731	135,302	53,960	31,553	125,037	6,000	818,583
Depreciation							
At 1 August 2014	(104,669)	(34,631)	-	(143)	(90,136)	-	(229,579)
Charge for year	(11,647)	(5,353)	-	(12)	(11,847)	-	(28,859)
Eliminated on disposal	1,947	-	-	-	2,274	-	4,221
At 31 July 2015	(114,369)	(39,984)	-	(155)	(99,709)	-	(254,217)
Net book value							
At 31 July 2015	352,362	95,318	53,960	31,398	25,328	6,000	564,366
At 1 August 2014	357,684	50,269	35,936	30,764	25,268	6,000	505,921

Notes to the Financial Statements for the year ended 31 July 2015**11. Tangible assets (continued)****University**

	Land and buildings		Assets in course of construction £000	Equipment £000	Heritage Assets £000	Total £000
	Completed freehold £000	Completed leasehold £000				
Cost or valuation						
At 1 August 2014	462,353	84,900	35,726	113,731	6,000	702,710
Additions at cost	327	48,822	33,862	3,282	-	86,293
Transfers at cost	5,998	1,581	(16,030)	8,451	-	-
Disposals at cost	(1,947)	-	(10)	(2,274)	-	(4,231)
At 31 July 2015	466,731	135,303	53,548	123,190	6,000	784,772
Depreciation						
At 1 August 2014	(104,669)	(34,631)	-	(89,207)	-	(228,507)
Charge for year	(11,647)	(5,353)	-	(11,572)	-	(28,572)
Eliminated on disposal	1,947	-	-	2,274	-	4,221
At 31 July 2015	(114,369)	(39,984)	-	(98,505)	-	(252,858)
Net book value						
At 31 July 2015	352,362	95,319	53,548	24,685	6,000	531,914
At 1 August 2014	357,684	50,269	35,726	24,524	6,000	474,203

At 31 July 2015, completed freehold land and buildings included £6,386,000 (2014: £6,231,000) in respect of land, which is not depreciated.

The figures for completed leasehold land include an asset held under a finance lease which has been capitalised. This is held at a cost of £49,000,000, with accumulated depreciation of £817,000 (2014: £0) and a net book value of £48,183,000 (2014: £0).

Included in the balances for leasehold land and buildings is expenditure of £27,781,000 funded by HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership, and £13,546,000 for the National Oceanography Centre, Southampton, funded by HEFCE in respect of buildings constructed by the Natural Environment Research Council.

The investment property, University of Southampton Science Park, has been valued as at 31 July 2015 by Vail Williams LLP. In accordance with SSAP 19, revaluations are conducted annually by an external valuer in accordance with the Practice Statements in the RICS Appraisal and Valuation manual. The property has been valued on the basis of net present value of guaranteed future rental income from existing leases. The market value of the science park increased by £379,000 during the year. The historical cost of these assets at 31 July 2015, net of assistance grants, amounted to £22,112,000 (2014: £21,845,000).

In addition to the above expenditure on tangible assets a further £87,337,000 has been committed by the University and its subsidiary undertakings (note 24).

Notes to the Financial Statements for the year ended 31 July 2015

11. Tangible assets (continued)

Heritage assets

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

In August 2011, the University completed the acquisition of the Broadlands Archives, a significant collection of manuscripts dating from the sixteenth century to the present. Comprising more than 4,500 boxes of documents, the Broadlands Archives include correspondence of the Victorian Foreign Secretary and Prime Minister Lord Palmerston and approximately 250,000 papers and 50,000 photographs of Earl Mountbatten of Burma, including the foundation archives for the states of India and Pakistan. The collection also includes the diaries of the 19th-century social reformer and philanthropist, the 7th Earl of Shaftesbury and material regarding the Temple and Ashley estates in Hampshire.

An open market valuation of the Broadlands Archives was obtained in September 2012 from Bernard Quaritch Ltd, specialists in the valuation and sale of archives and manuscript collections. The valuer considered the separate collections that comprise the Broadlands Archives and took account of restrictions under the terms of associated grants and contracts in reaching an overall valuation of £6 million. The Archives have been capitalised at this value and there has been no movement in the balance during the current or prior financial year.

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

Notes to the Financial Statements for the year ended 31 July 2015**12. Fixed asset investments**

	Consolidated £000	University £000
Cost		
At 1 August 2014	1,789	14,738
Additions	-	1,700
Disposals	-	-
At 31 July 2015	<u>1,789</u>	<u>16,438</u>
Impairment		
At 1 August 2014	(404)	(500)
Additions	-	-
Disposals	-	-
At 31 July 2015	<u>(404)</u>	<u>(500)</u>
Net Book Value		
At 31 July 2015	<u>1,385</u>	<u>15,938</u>
At 1 August 2014	<u>1,385</u>	<u>14,238</u>
Investments comprise:		
Investment in subsidiary undertakings at valuation/cost	-	14,886
Other investments	<u>1,385</u>	<u>1,052</u>
	<u>1,385</u>	<u>15,938</u>

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

Notes to the Financial Statements for the year ended 31 July 2015

12. Fixed asset investments (continued)

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

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

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

Notes to the Financial Statements for the year ended 31 July 2015

13. Endowment asset investments

	Consolidated and University	
	2015 £000	2014 £000
Balance at 1 August	12,101	11,802
Disposals of stocks, equities and managed funds	(10,613)	(174)
Increase in market value of investments	289	351
Increase in endowment fund cash balances	10,693	122
Balance at 31 July	12,470	12,101
Represented by:		
Equities	86	118
Unit trusts and managed funds	-	10,292
Total stocks, equities and managed funds at market value*	86	10,410
Short term deposits	12,384	1,691
Total	12,470	12,101
*Total stocks, equities and managed funds at cost	3	8,111

As at the balance sheet date, the main portfolio of endowment asset investments were in transition between fund managers and were being held as short term deposits.

14. Long term debtors and prepayments

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Prepayments	443	473	370	392
Amounts owed by subsidiary undertakings	-	-	191	191
	443	473	561	583

Notes to the Financial Statements for the year ended 31 July 2015
15. Current assets

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Stock	726	707	726	707
Debtors and prepayments:				
Grants from HEFCE	1,359	57	1,359	57
Student debtors	857	1,101	857	1,101
Research grants and contracts	36,367	23,578	36,367	23,578
Amounts due from group undertakings	-	-	3,590	3,093
Prepayments to group undertakings	-	-	105	87
Other prepayments	11,483	9,388	10,996	9,111
Trade and other debtors	15,846	12,084	14,100	10,164
	65,912	46,208	67,374	47,191
Short term deposits and investments	54,052	54,618	54,052	54,618
Cash at bank and in hand (redeemable within 24 hours)	56,568	58,224	53,188	56,689
	177,258	159,757	175,340	159,205

Short term deposits and investments are represented by:

	2015 £000	2014 £000
Quoted shares and securities *	52	58
Cash on deposit (not redeemable within 24 hours)	54,000	54,560
	54,052	54,618
* Market value of quoted shares and securities (held at lower of cost and net realisable value above)	243	251

The debtors figure for research grants and contracts includes an amount of £11,328,000 which relates to the University's RDEC claim to HMRC.

Notes to the Financial Statements for the year ended 31 July 2015**16. Creditors: amounts falling due within one year**

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans	4,476	6,788	3,766	6,119
Other loans - HEFCE	1,125	1,125	1,125	1,125
Obligations under finance leases	3,906	-	3,906	-
Advance income on research	43,368	46,079	43,368	46,079
Social Security and other taxation	10,931	9,837	10,931	9,837
Amounts owed to group undertakings	-	-	109	66
Trade and other creditors	26,174	19,539	25,105	18,563
Accruals and deferred income	62,962	60,895	61,876	59,809
	<u>152,942</u>	<u>144,263</u>	<u>150,186</u>	<u>141,598</u>

17. Creditors: amounts falling due after more than one year

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans	77,704	85,081	71,267	77,933
Other loans - HEFCE	3,063	4,188	3,063	4,188
Obligations under finance leases	44,753	-	44,753	-
Accruals and deferred income	1,862	1,899	260	280
	<u>127,382</u>	<u>91,168</u>	<u>119,343</u>	<u>82,401</u>

Loans are repayable as follows:

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans:				
Between one and two years	4,123	5,208	3,369	4,498
Between two and five years	9,296	12,509	6,746	10,106
Over five years	64,285	67,364	61,152	63,329
	<u>77,704</u>	<u>85,081</u>	<u>71,267</u>	<u>77,933</u>

Notes to the Financial Statements for the year ended 31 July 2015**17. Creditors: amounts falling due after more than one year (continued)**

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Other loans - HEFCE:				
Between one and two years	1,063	1,188	1,063	1,188
Between two and five years	2,000	3,000	2,000	3,000
Over five years	-	-	-	-
	<u>3,063</u>	<u>4,188</u>	<u>3,063</u>	<u>4,188</u>
Finance leases:				
Between one and two years	3,906	-	3,906	-
Between two and five years	11,718	-	11,718	-
Over five years	29,129	-	29,129	-
	<u>44,753</u>	<u>-</u>	<u>44,753</u>	<u>-</u>

Additional information on bank loans repayable after more than one year:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance	Balance
				outstanding 2015 £000	outstanding 2014 £000
University:					
HSBC	1993	2018	variable	-	2,042
National Westminster Bank	1996	2016	fixed	508	1,461
National Australia Bank	1997	2018	fixed	332	480
National Australia Bank	1997	2018	fixed	458	696
National Australia Bank	1997	2019	fixed	1,884	2,512
National Westminster Bank	1999	2019	fixed	1,550	2,005
Barclays Bank	1999	2020	fixed	1,169	1,444
Barclays Bank	2006	2026	variable	5,579	7,022
Barclays Bank	2006	2036	fixed	9,787	10,271
Barclays Bank	2007	2047	fixed	50,000	50,000
				<u>71,267</u>	<u>77,933</u>
Subsidiaries:					
Santander	2007	2023	fixed	6,437	7,148
				<u>77,704</u>	<u>85,081</u>

The interest rates on the bank loan facilities are at fixed and variable rates. The fixed interest rates range from 1.59% to 8.43%, and the variable rates are at margins of between 0.19% and 0.5% over UK Base Rate or Euribor. The bank and other loans are secured against specific assets and/or the general covenant of the University.

The University does not guarantee the borrowings of any subsidiary undertaking.

Notes to the Financial Statements for the year ended 31 July 2015

18. Provisions for liabilities and charges

	Consolidated Maintenance Fund £000
At 1 August 2014	246
Utilised during year	(215)
Transfer from Income and Expenditure account	342
At 31 July 2015	<u>373</u>

The maintenance fund (into which payments are made from landlord and tenants) provides funding for future maintenance of buildings, roadways and other common areas at Southampton Science Park, and includes payments from tenants who have since left the Science Park. The fund is held by University of Southampton Science Park Limited.

Notes to the Financial Statements for the year ended 31 July 2015

19. Deferred capital grants

	Funding Council £000	Consolidated Other grants £000	Total £000
At 1 August 2014			
Buildings	147,105	20,058	167,163
Equipment	722	9,481	10,203
Total	<u>147,827</u>	<u>29,539</u>	<u>177,366</u>
Additions			
Buildings	6,283	279	6,562
Equipment	519	6,919	7,438
Total	<u>6,802</u>	<u>7,198</u>	<u>14,000</u>
Released to Income and Expenditure account			
Buildings	(5,712)	(1,150)	(6,862)
Equipment	(265)	(4,179)	(4,444)
Total	<u>(5,977)</u>	<u>(5,329)</u>	<u>(11,306)</u>
At 31 July 2015			
Buildings	147,676	19,187	166,863
Equipment	976	12,221	13,197
Total	<u>148,652</u>	<u>31,408</u>	<u>180,060</u>
Released to Income and Expenditure account			
Funding body grants (note 2)			(5,977)
Research grants and contracts (note 4)			(4,710)
Other income (note 5)			(619)
Total			<u>(11,306)</u>

Notes to the Financial Statements for the year ended 31 July 2015
20. Endowments

Consolidated and University

	Restricted Permanent £000	Unrestricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2015 Total £000	2014 Total £000
At 1 August						
Capital	6,752	2,389	9,141	1,772	10,913	10,727
Accumulated income	829	290	1,119	69	1,188	1,075
	<u>7,581</u>	<u>2,679</u>	<u>10,260</u>	<u>1,841</u>	<u>12,101</u>	<u>11,802</u>
Additions	98	-	98	19	117	70
Disposals	-	(96)	(96)	(16)	(112)	(303)
Appropriations from Income and Expenditure reserves	-	38	38	-	38	71
Investment income	111	38	149	16	165	578
Expenditure	(97)	(38)	(135)	7	(128)	(468)
	14	-	14	23	37	110
Increase in market value of investments	192	42	234	55	289	351
At 31 July	<u>7,885</u>	<u>2,663</u>	<u>10,548</u>	<u>1,922</u>	<u>12,470</u>	<u>12,101</u>
At 31 July						
Capital	7,059	2,340	9,399	1,815	11,214	10,913
Accumulated income	826	323	1,149	107	1,256	1,188
	<u>7,885</u>	<u>2,663</u>	<u>10,548</u>	<u>1,922</u>	<u>12,470</u>	<u>12,101</u>

21. Revaluation reserve

	Consolidated	
	2015 £000	2014 £000
At 1 August	7,502	4,666
Increase in year of University of Southampton Science Park valuation	379	2,836
At 31 July	<u>7,881</u>	<u>7,502</u>

Notes to the Financial Statements for the year ended 31 July 2015

22. Reconciliation of Income and Expenditure reserves

	Consolidated £000	University £000
Balance at 1 August 2014	246,991	246,864
Surplus for the year	23,975	23,477
Add back pension deficit	3,886	3,886
Transfer to endowments (note 20)	(38)	(38)
Balance at 31 July 2015	<u>274,814</u>	<u>274,189</u>

The above reserves have arisen from accumulated annual surpluses. A total of £256,234,000 (2014: £237,151,000) from within these sums has been applied to finance capital developments within the University.

23. Related party transactions

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

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

Written declarations have been obtained from all members of Council, senior officers of the University and directors of fully owned subsidiary companies, either listing transactions during the year ended 31 July 2015 between the University and third parties in which they or close family members held a position of influence, or stating that there were no relevant transactions during the period.

The declarations have been reviewed by the Director of Finance. There were four related party transactions during the year ended 31 July 2015 significant enough to warrant disclosure in the Financial Statements.

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

Mr David Mendoza-Wolfson and Mr Benjamin Franklin were members of Council (Class 5 membership) as representatives of the Union of Students. Mr Franklin (Mr Mendoza-Wolfson for the period July 2014 to June 2015) is President of the University of Southampton Students' Union, which is a separate entity over which the University does not exercise control or significant influence over policy decisions. The Union receives a block grant from the University, which is calculated annually according to a methodology agreed between the University and the Union. All other transactions between the two parties are conducted on a commercial basis.

Notes to the Financial Statements for the year ended 31 July 2015

23. Related party transactions (continued)

In addition, Professor Dame Jessica Corner, Dean of the Faculty of Health Sciences and a member of Council from August 2014, is also Chief Clinician at Macmillan Cancer Support. The University is in receipt of a number of research grants from Macmillan Cancer Support, funding research into people affected by cancer. Income to the University was a total of £385,000 in 2014/15.

In accordance with the exemptions contained within Financial Reporting Standard 8, no disclosure has been made for transactions between the University and fully owned group undertakings. Transactions between the University and spin-out companies in which minority shareholdings are held are not generally disclosed as the University does not control or exercise any significant influence over the financial and operating policies of the companies. However, in 2014/15 Southampton Asset Management Ltd (a subsidiary in which the University has a 80% holding) made a gift aid payment of £896,000 to the University of Southampton following the sale of one of its investments.

24. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2015:

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Commitments contracted for	38,520	12,378	38,314	12,378
Authorised but not contracted for	48,817	78,831	48,817	78,831
	<u>87,337</u>	<u>91,209</u>	<u>87,131</u>	<u>91,209</u>

The University's capital programme for the period 2011 to 2015 is nearing completion. The above figures include £80 million which has been approved for key projects identified in the next phase of the capital programme (2015 to 2018).

25. Lease obligations

At 31 July 2015 the University was committed to making the following payments under non-cancellable operating leases in the next financial year:

	2015			2014		
	2 - 5 years £000	Over 5 years £000	Total £000	2 - 5 years £000	Over 5 years £000	Total £000
Land and Buildings	89	2,577	2,666	50	889	939
Equipment	1,744	-	1,744	1,744	-	1,744
	<u>1,833</u>	<u>2,577</u>	<u>4,410</u>	<u>1,794</u>	<u>889</u>	<u>2,683</u>

Notes to the Financial Statements for the year ended 31 July 2015
26. University pension schemes

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

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

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

The pension scheme costs incurred in 2014/15 and 2013/14 are summarised as follows:

	2014/15			2013/14		
	Employer	FRS 17	Total	Employer	FRS 17	Total
	contributions	accounting	Cost	contributions	accounting	Cost
	£000	adjustment	£000	£000	adjustment	£000
		£000			£000	
USS	25,342	-	25,342	24,290	-	24,290
PASNAS*	6,268	2,573	8,841	5,914	1,232	7,146
NHPS	1,094	-	1,094	1,001	-	1,001
Other pension schemes	431	(10)	421	370	-	370
Total pension cost (note 7)	<u>33,135</u>	<u>2,563</u>	<u>35,698</u>	<u>31,575</u>	<u>1,232</u>	<u>32,807</u>

* The figure for PASNAS employer contributions excludes an amount of £124,000 (2014: £110,000) which is made on behalf of a third party at no cost to the University.

Employer contributions in 2015/16 are expected to be:

	Rate %	£000
USS (until March 2016)	16.00	
USS (from April 2016)	18.00	27,249
PASNAS	17.25	6,554
TPS	14.10	81
NHPS	14.30	1,095
MRCPS	14.90	139
HCC	15.60	62
NEST	3.00	58

HCC contributions include a fixed fee of £30,000 which is payable over and above the salary based rate of 15.6%.

Notes to the Financial Statements for the year ended 31 July 2015

26. University pension schemes (continued)

The University has fully adopted the disclosure rules of FRS 17 'Retirement Benefits'. The notes that follow show the detailed valuations required by the standard. However, pension fund liabilities can be valued in a number of other ways, and the University will continue to support the schemes based on the principles of on-going operations, as advised by the scheme trustees and actuaries.

The actuaries' recommendations for contributions to USS and PASNAS are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. Pension costs, which have been calculated using the projected unit method, are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average working lifetime of members of the schemes, after making suitable allowances for future withdrawals. The latest valuations of the schemes assets and liabilities for which results are available are:

	USS	PASNAS	HCC
Date of valuation	31 March 2014	31 July 2012	31 March 2013
Market valuation of assets	£41,600 million	£120 million	£4,341 million
Past service liabilities	£46,900 million	£156 million	£5,428 million
Deficit of assets	(£5,300) million	(£36) million	(£1,087) million

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

USS

The assets of USS are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS is a multi-employer defined benefit pension scheme which is contracted out of the State Second Pension. It is not possible to identify each institutional members' share of the assets and liabilities, and therefore this scheme has been accounted for as a defined contribution scheme. As a result the costs charged to the income and expenditure account represent the contributions payable to the scheme for the year.

The latest triennial actuarial valuation was at 31 March 2014, which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016. At the valuation date, the Scheme's assets were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As at 31 March 2015, USS had over 147,000 active members and the University had 4,237 active members participating in the scheme.

The total pension cost for the year was £25,342,000 (2014: £24,290,000) which includes £2,148,000 (2014: £2,046,000) of contributions outstanding at the Balance Sheet date, payable in August 2015.

Notes to the Financial Statements for the year ended 31 July 2015

26. University pension schemes (continued)

NHPS/TPS/MRCPS

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

The number of members of these schemes employed by the University as at 31 July 2015 was TPS 11; NHPS 125 and MRCPS 16.

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

	Pension cost		Outstanding at 31 July	
	2015 £000	2014 £000	2015 £000	2014 £000
NHPS	1,094	1,001	90	81
TPS	75	77	7	6
MRCPS	158	166	12	14

NEST

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

The total pension cost for the year was £49,171 (2014: £36,012) which includes £4,757 (2014: £3,343) of contributions outstanding at the Balance Sheet date, payable in August 2015.

The number of members of this scheme as at 31 July 2015 was 130.

Federated Superannuation Scheme for Universities (FSSU)

The University maintains records for former members of FSSU, which is a closed scheme, based on fixed pensions. These pensions are supplemented by the University on an ex gratia basis from general income approximately in line with increases of other pensions which have an annual inflation element built in. During the year a total of £6,088 (2014: £5,957) was paid to former members of FSSU or widows of members in respect of these unfunded liabilities.

Notes to the Financial Statements for the year ended 31 July 2015

26. University pension schemes (continued)

PASNAS

The University contributes to a self-administered pension and assurance scheme for non-academic staff (PASNAS). The scheme is a defined benefit scheme, funded by contributions made in accordance with the recommendations of the scheme's actuaries.

As at 31 July 2015 there was a total of 2,275 active members of PASNAS.

The last full valuation on 31 July 2012 indicated that the scheme's assets represented 77% of the technical provisions.

The principal actuarial assumptions used at the Balance Sheet dates are:

	31 July 2015	31 July 2014
Increase in salaries	3.55% pa	3.55% pa until 2015 then 4.05% pa
Increase in pensions – pre 01/10/10 (CPI)	2.60% pa	2.55% pa
Increase in pensions – post 01/10/10 (CPI max 2.5%)	2.10% pa	2.10% pa
Discount rate	3.90% pa	4.30% pa
Inflation (RPI)	3.60% pa	3.55% pa
Inflation (CPI)	2.60% pa	2.55% pa
Mortality	110% of SAPS with CMI 2011 projections and a long term rate of improvement of 1.25% pa	110% of SAPS with CMI 2011 projections and a long term rate of improvement of 1.25% pa

The fair value and expected rate of return of assets held on behalf of PASNAS comprise:

	Value 31 July 2015	Long term rate of return expected at July 2014	Value 31 July 2014	Long term rate of return expected at July 2013	Value 31 July 2013
	£000		£000		£000
Gilts	23,726	3.5%	19,262	3.8%	17,789
Bonds	15,253	4.3%	14,817	4.8%	13,684
Equities	86,430	6.2%	72,605	6.5%	69,786
Target return funds	33,895	4.6%	31,116	4.5%	27,367
Property	8,474	6.2%	7,409	6.5%	5,473
Cash deposits	1,695	3.6%	2,963	3.7%	2,737
Total	169,473		148,172		136,836

The Scheme's actuaries did not derive a long term rate of expected return at July 2015 as these figures no longer need to be provided.

Notes to the Financial Statements for the year ended 31 July 2015**26. University pension schemes (continued)**

	2015 £000	2014 £000
Analysis of the amount shown in the balance sheet		
Fair value of scheme assets	169,473	148,172
Present value of liabilities	(233,560)	(208,960)
Net liability on balance sheet	<u>(64,087)</u>	<u>(60,788)</u>
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(8,965)	(7,256)
Total operating charge	<u>(8,965)</u>	<u>(7,256)</u>
Analysis of the amount charged to interest payable within operating surplus		
Expected return on scheme assets	7,775	7,584
Interest on scheme liabilities	(9,098)	(8,795)
Net finance cost	<u>(1,323)</u>	<u>(1,211)</u>
Analysis of amount recognised in the STRGL		
Experience gain on assets	10,818	1,645
Experience gain/(loss) on liabilities	2,006	(95)
Changes in assumptions underlying the present value of the scheme liabilities	(12,227)	(14,165)
Actuarial gain/(loss) recognised in the STRGL	<u>597</u>	<u>(12,615)</u>
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(60,788)	(45,730)
Movement in the year:		
Current service cost	(8,965)	(7,256)
Contributions	6,392	6,024
Net finance cost	(1,323)	(1,211)
Actuarial gain/(loss) in the STRGL	597	(12,615)
Deficit in scheme at end of year	<u>(64,087)</u>	<u>(60,788)</u>
Analysis of movement in fair value of fund assets		
Assets at beginning of year	148,172	136,836
Employer contributions	6,392	6,024
Employee contributions	2,420	2,273
Benefits paid	(6,104)	(6,190)
Expected return on scheme assets	7,775	7,584
Actuarial experience gain on assets	10,818	1,645
Assets at end of year	<u>169,473</u>	<u>148,172</u>

Notes to the Financial Statements for the year ended 31 July 2015

26. University pension schemes (continued)

	2015 £000	2014 £000
Analysis of movement in present value of liabilities		
Liabilities at beginning of year	(208,960)	(182,566)
Current service cost	(8,965)	(7,256)
Interest on scheme liabilities	(9,098)	(8,795)
Employee contributions	(2,420)	(2,273)
Benefits paid	6,104	6,190
Actuarial experience gain/(loss) on liabilities	2,006	(95)
Changes in assumptions underlying the present value of the scheme liabilities	(12,227)	(14,165)
Liabilities at end of year	<u>(233,560)</u>	<u>(208,960)</u>

	2015	2014	2013	2012	2011
History of experience gains and losses					
Experience gains/(losses) on assets (£000)	10,818	1,645	11,089	(5,482)	5,000
Percentage of scheme assets	6.4%	1.1%	8.1%	4.6%	4.3%
Experience gains/(losses) on liabilities (£000)	2,006	(95)	1,066	2,428	1,365
Percentage of scheme liabilities	0.8%	0.0%	0.6%	1.3%	0.8%
Total amount recognised in STRGL (£000)	597	(12,615)	25,636	(18,498)	11,552
Percentage of scheme liabilities	0.2%	6.0%	14.0%	10.0%	7.1%

Notes to the Financial Statements for the year ended 31 July 2015

26. University pension schemes (continued)

HCC

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

The main financial assumptions used at the Balance Sheet dates are:

	31 July 2015	31 July 2014
Increase in salaries	3.6% pa	3.7% pa
Increase in pensions	2.1% pa	2.2% pa
Discount rate	3.6% pa	4.1% pa
RPI inflation	3.2% pa	3.2% pa
CPI inflation	2.1% pa	2.2% pa

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

	Retiring today	Retiring in 20 years
Male	24.5	26.6
Female	26.3	28.6

The number of members of this scheme employed by the University as at 31 July 2015 was 7.

The fair value and expected rate of return of assets, calculated in proportion to the entire fund comprise:

	Value 31 July 2015	Long term rate of return expected at July 2014	Value 31 July 2014	Long term rate of return expected at July 2013	Value 31 July 2013
	£000		£000		£000
Equities	2,519	7.5%	2,408	7.8%	2,290
Government bonds	1,130	3.2%	956	3.3%	974
Property	359	6.8%	308	7.3%	299
Corporate bonds	74	3.7%	52	4.0%	48
Cash	145	1.1%	152	0.9%	120
Other	153	7.5%	124	7.8%	259
Total	4,380		4,000		3,990

The Scheme's actuaries did not derive a long term rate of expected return at July 2015 as these figures no longer need to be provided.

Notes to the Financial Statements for the year ended 31 July 2015**26. University pension schemes (continued)**

	2015 £000	2014 £000
Analysis of the amount shown in the balance sheet		
Fair value of scheme assets	4,380	4,000
Present value of liabilities	(6,390)	(5,890)
Net liability on balance sheet	<u>(2,010)</u>	<u>(1,890)</u>
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(60)	(60)
Total operating charge	<u>(60)</u>	<u>(60)</u>
Analysis of the amount charged to interest payable within operating surplus		
Expected return on scheme assets	240	250
Interest on scheme liabilities	(240)	(270)
Net finance cost	<u>-</u>	<u>(20)</u>
Analysis of amount recognised in the STRGL		
Experience gain/(loss) on assets	200	(40)
Experience gain on liabilities	40	300
Changes in assumptions underlying the present value of the scheme liabilities	(370)	80
Actuarial (loss)/gain recognised in the STRGL	<u>(130)</u>	<u>340</u>
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(1,890)	(2,210)
Movement in the year:		
Current service cost	(60)	(60)
Employer contributions	70	60
Net finance cost	-	(20)
Actuarial (loss)/gain in STRGL	(130)	340
Deficit in scheme at end of year	<u>(2,010)</u>	<u>(1,890)</u>

Notes to the Financial Statements for the year ended 31 July 2015
26. University pension schemes (continued)

	2015	2014
	£000	£000
Analysis of movement in fair value of fund assets		
Assets at beginning of year	4,000	3,990
Employer contributions	70	60
Employee contributions	20	20
Benefits paid	(150)	(280)
Expected return on scheme assets	240	250
Actuarial experience gain/(loss) on assets	200	(40)
Assets at end of year	<u>4,380</u>	<u>4,000</u>

Analysis of movement in present value of liabilities

Liabilities at beginning of year	(5,890)	(6,200)
Current service cost	(60)	(60)
Interest on scheme liabilities	(240)	(270)
Employee contributions	(20)	(20)
Benefits paid	150	280
Actuarial experience gain on liabilities	40	300
Changes in assumptions underlying the present value of the scheme liabilities	(370)	80
Liabilities at end of year	<u>(6,390)</u>	<u>(5,890)</u>

	2015	2014	2013	2012	2011
History of experience gains and losses					
Experience gains/(losses) on assets (£000)	200	(40)	380	(90)	810
Percentage of scheme assets	4.6%	0.0%	9.5%	2.5%	22.5%
Experience gains/(losses) on liabilities (£000)	40	300	(10)	(30)	(380)
Percentage of scheme liabilities	0.6%	5.1%	0.2%	0.5%	7.0%
Total amount recognised in STRGL (£000)	(130)	340	150	(470)	280
Percentage of scheme liabilities	2.0%	5.8%	2.4%	7.9%	5.2%

Notes to the Financial Statements for the year ended 31 July 2015

27. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2015	2014
	£000	£000
Surplus after depreciation of assets and tax	24,012	15,504
Depreciation	28,859	24,483
(Gain)/loss on disposal of tangible fixed assets	(40)	334
(Gain)/loss on disposal of fixed asset investments	(1,140)	49
Write down of fixed asset investments	-	94
Deferred capital grants released to income (note 19)	(11,306)	(10,129)
Non-cash donations	(492)	-
Current service cost of defined benefit pension schemes (note 26)	2,563	1,232
Exchange rate gain on loans	(897)	(756)
Investment income	(1,785)	(2,860)
Interest payable	8,581	5,697
Diminution of current asset investments valuation below historic cost	2	3
Increase in stock	(19)	(81)
Increase in debtors	(19,511)	(2,418)
Increase in creditors and accruals	7,260	1,452
Increase/(decrease) in provisions	127	(498)
Net cash inflow from operating activities	36,214	32,106

The increase in debtors includes an amount of £11,328,000 which relates to the University's RDEC claim to HMRC.

28. Returns on investments and servicing of finance

	2015	2014
	£000	£000
Income from endowments	165	578
Income from short term deposits and investments	2,181	2,623
Interest paid	(7,311)	(4,492)
	(4,965)	(1,291)

Notes to the Financial Statements for the year ended 31 July 2015

29. Capital investment and financial investment

	2015 £000	2014 £000
Tangible assets acquired	(86,554)	(47,872)
Endowment asset investment (acquisitions)/disposals	(80)	52
	<hr/>	<hr/>
Total fixed and endowment asset investments acquired	(86,634)	(47,820)
Receipts from sales of fixed asset investments	1,140	47
Receipts from sales of tangible assets	50	175
Deferred capital grants received	13,228	20,855
Endowment acquisitions/(disposals)	5	(233)
	<hr/>	<hr/>
	(72,211)	(26,976)
	<hr/>	<hr/>

30. Analysis of changes in consolidated financing during the year

	2015 £000	2015 £000	2014 £000	2014 £000
Balance at 1 August		97,182		105,023
New loans and increased debt	49,000		-	
Exchange rate gain on loans	(897)		(756)	
Capital repayments	(10,258)		(7,085)	
	<hr/>	37,845	<hr/>	(7,841)
		<hr/>		<hr/>
Balance at 31 July		135,027		97,182
		<hr/>		<hr/>

In 2014/15 the University entered into a finance lease for £49,000,000 relating to the Mayflower halls of residence.

Notes to the Financial Statements for the year ended 31 July 2015
31. Analysis of changes in net (debt)/cash

	At 1 August 2014 £000	Cash flows £000	Other non cash changes £000	At 31 July 2015 £000
Cash at bank and in hand	58,224	(1,656)	-	56,568
Short term deposits and investments	54,618	(564)	(2)	54,052
Debt due within one year	(7,913)	6,010	(7,604)	(9,507)
Debt due after one year	(89,269)	(44,752)	8,501	(125,520)
	<u>15,660</u>	<u>(40,962)</u>	<u>895</u>	<u>(24,407)</u>

32. Access funds

	Consolidated and University	
	2015 £000	2014 £000
Balance at 1 August	106	3
Net HEFCE grant	-	274
	<u>106</u>	<u>277</u>
Disbursed to students	(106)	(171)
Balance at 31 July	<u>-</u>	<u>106</u>

The receipts and disbursements above are excluded from the income and expenditure account as the funds are administered by the University on an agency basis on behalf of HEFCE. This scheme finished at the end of the 2014/15 year.

33. National College for Teaching and Leadership (NCTL) bursaries

	Consolidated and University				At
	At 1 August 2014 £000	Income received £000	Disbursements £000	Returned to NCTL £000	31 July 2015 £000
Initial Teacher Training bursaries	254	1,978	(1,926)	(7)	299
	<u>254</u>	<u>1,978</u>	<u>(1,926)</u>	<u>(7)</u>	<u>299</u>

The receipts and disbursements above are excluded from the income and expenditure account as the funds are administered by the University on an agency basis on behalf of the NCTL.

Notes to the Financial Statements for the year ended 31 July 2015

34. Linked charities

	Consolidated and University					Change in market value £000	At 31 July 2015 £000
	At 1 August 2014 £000	Transfers £000	Income £000	Expenditure £000			
Miss Betty Evelyn Veal Will Trust	63	-	1	-	(8)	56	
The Southampton University Development Trust	1,606	5	37	(42)	47	1,653	
The Spitfire Mitchell Memorial Fund	214	-	1	-	-	215	
	<u>1,883</u>	<u>5</u>	<u>39</u>	<u>(42)</u>	<u>39</u>	<u>1,924</u>	

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

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

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

Financial Statistics

Financial Statistics

Financial Indicators	2015	2014	Restated		
			2013	2012	2011
Key financial metrics					
Surplus after depreciation of assets and tax as % of total income	4.6%	3.2%	1.3%	3.2%	3.6%
Net liquidity/ (total expenditure - depreciation) (days)	86	93	101	140	137
External borrowing as % of total income	25.6%	20.1%	23.5%	25.5%	27.2%
Discretionary reserves (excl. pension liability) as % of total income	52.5%	51.4%	51.7%	50.4%	47.5%
Net cash inflow from operating activities as % of total income	6.9%	6.6%	7.8%	10.9%	10.7%
Staff costs as % of total income	53.5%	54.8%	56.1%	53.8%	54.4%
Long term liabilities as % of income and expenditure reserves	46.4%	36.9%	43.6%	48.1%	55.6%
Net (cash)/debt as % of total income	4.6%	(3.2)%	(2.5)%	(9.6)%	(6.6)%
Current assets / Current liabilities	1.16:1	1.11:1	1.13:1	1.51:1	1.71:1
Source of income					
Funding Council grants	15.0%	17.6%	21.8%	25.1%	28.4%
Home/EU fees and support grants	26.8%	25.3%	22.4%	19.8%	18.9%
International fees	13.7%	14.2%	11.8%	11.2%	10.1%
Research grants and contracts	23.6%	22.8%	22.9%	21.6%	21.8%
Other operating income	20.6%	19.5%	20.0%	21.3%	19.8%
Endowment income and interest receivable	0.3%	0.6%	1.1%	1.0%	1.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Financial Statistics

Income from sponsored research for the year ended 31 July 2015

From Research Councils	£000
Arts and Humanities Research Council	561
Biotechnology and Biological Sciences Research Council	3,498
British Academy	214
Economic and Social Research Council	4,026
Engineering and Physical Sciences Research Council	28,889
Medical Research Council	5,846
Natural Environment Research Council	5,610
Royal Society	1,273
Science and Technology Facilities Council	1,445
Total Research Councils	51,362
From UK-based Charitable Bodies	£000
AAIR Charity	142
Alzheimer's Research UK	217
Alzheimer's Society	56
Arthritis Research UK	224
Asthma UK	54
Breast Cancer Now	232
Breast Cancer Research Trust	31
British Heart Foundation	103
British Liver Trust	66
British Lung Foundation	68
British Society for Rheumatology	49
Bupa Foundation	168
Cancer Research UK	4,121
Children with Cancer UK	35
Crohn's in Childhood Research Association	35
Diabetes UK	102
Dunhill Medical Trust	51
Fight for Sight	74
Gerald Kerkut Charitable Trust	38
Health Foundation	104
Kay Kendall Leukaemia Fund	117
Leukaemia and Lymphoma Research	1,230
Leverhulme Trust	893
Lloyd's Register Foundation	206
Macmillan Cancer Support	385
Marie Curie Cancer Care	36
Marine Biological Association of the UK	186
MQ: Transforming Mental Health	20
Multiple Sclerosis Society	21
Nuffield Foundation	40
Parthenon Trust	32

Financial Statistics

Income from sponsored research for the year ended 31 July 2015 (Continued)

Pathological Society of Great Britain & Ireland	37
Prostate Cancer UK	394
Psoriasis Association	25
Rosetrees Trust	24
Royal Academy of Engineering	510
Royal College of Anaesthetists	47
Royal College of Surgeons of Edinburgh	40
Royal College of Surgeons of England	49
Royal Commission for the Exhibition of 1851	33
Sparks	58
Wellcome Trust	1,363
Wessex Medical Research	378
Wolfson Foundation	29
World Cancer Research Fund	46
Worldwide Cancer Research	60
Others less than £20,000	318
Total UK-based Charitable Bodies	12,547
From Other Sources	£000
ABB Switzerland Ltd	49
Abbott Laboratories	153
Adama Makhteshim Ltd	36
Airbus Operations GmbH	28
Airbus Operations Ltd	84
Airbus Operations S.A.S.	193
Alcan International Ltd	85
Anderson Acoustics Ltd	20
Andrew W. Mellon Foundation	73
Aquinox Pharmaceuticals Inc. (Canada)	56
ARM Ltd	113
AstraZeneca (UK) Ltd	30
Auckland UniServices Ltd	33
Audi AG	20
BAE Systems (Marine) Ltd	720
BAE Systems (Operations) Ltd	323
BAE Systems Integrated Systems Technologies Ltd	49
Beach Energy Ltd	23
Bill & Melinda Gates Foundation	512
BioInvent International AB	92
Biothera	37
BP America Production Company	21
Bristol-Myers Squibb Pharmaceuticals Ltd	41
British Council	58
Calouste Gulbenkian Foundation	110

Financial Statistics

Income from sponsored research for the year ended 31 July 2015 (Continued)

Cambridge University Hospitals NHS Foundation Trust	43
Celldex Therapeutics Inc.	72
Central and North West London NHS Foundation Trust	32
CERN - The European Organization for Nuclear Research	57
Chiesi Farmaceutici S.p.A	46
Compin Group	30
Copper Development Association	71
Covesion Ltd	38
Department for Environment, Food and Rural Affairs	104
Department for International Development	176
Department for Transport	145
Department of Energy and Climate Change	42
Department of Health	1,273
Deregallera Ltd	22
Deutsche Forschungsgemeinschaft	52
Dublin Institute for Advanced Studies	62
Enims Ltd	25
E.V. Analytics Ltd	79
EADS UK Ltd	50
EchoVista Systems Ltd	43
EDF Energy Holdings Ltd	43
EEF Expeditions Ltd	142
Eisai Ltd	56
Energy Technologies Institute	116
English Heritage	90
English Institute of Sport Ltd	312
Environment Agency	84
European Commission	15,746
European Organisation for Research and Treatment of Cancer	61
European Regional Development Fund	260
European Space Agency	137
F. Hoffmann-La Roche Ltd	97
Fairtransport B.V.	35
Flowminder Foundation (Sweden)	28
Food and Agriculture Organization of the United Nations	50
Food Standards Agency	94
Ford Motor Company Ltd	22
Forestry Commission	66
GE Global Research	30
Genentech Inc.	25
GlaxoSmithKline Biologicals S.A.	374
GlaxoSmithKline Plc	231
Hairy Cell Leukaemia Research Foundation	32
Hampshire Hospitals NHS Foundation Trust	23
Higher Education Academy	131

Financial Statistics

Income from sponsored research for the year ended 31 July 2015 (Continued)

Hitachi Europe Ltd	73
Home Office	50
Honeywell International Inc.	93
Huawei Technologies Duesseldorf GmbH	136
IBM UK Ltd	71
Informa UK Ltd	58
InterMune UK & I Ltd	38
International Development Research Centre	318
International Institute for Environment and Development	55
International Paint Ltd	23
Invibio Ltd	47
InviCRO LLC (USA)	48
Jaguar Land Rover Ltd	38
Janssen-Cilag Ltd	262
John Templeton Foundation	199
Keele University	22
King Abdulaziz University	24
Korea Railroad Research Institute	49
Leids Universitair Medisch Centrum (Netherlands)	26
Local Authorities Consortium	55
Lockheed Martin	33
London Metropolitan University	22
Lonza Biologics Plc	34
Loughborough University	40
Luxfer Gas Cylinders Ltd	20
Marin Academy	39
Mayor's Office for Policing and Crime (MOPAC)	20
MedImmune LLC	39
Mesothelioma Applied Research Foundation, Inc.	20
Microsoft Corporation	98
Ministry of Higher Education (Malaysia)	41
Momenta	124
Mott MacDonald	20
National Grid Electricity Transmission Plc	601
National Institutes of Health (USA)	459
National Physical Laboratory	25
Nestec Ltd (Switzerland)	938
Netherlands Organisation for Scientific Research (NWO)	33
Network Rail	108
Newtricious BV	50
NHS England	37
NHS National Institute for Health and Care Excellence	33
NHS National Institute for Health Research	7,218
NHS South Central Strategic Health Authority	172

Financial Statistics

Income from sponsored research for the year ended 31 July 2015 (Continued)

Northern Arizona University	25
Novartis Institutes for BioMedical Research	54
Nutricia Ltd	32
Office for National Statistics	162
Ohio Aerospace Institute	27
Ordnance Survey	82
Partnership for Clean Competition	67
Pfizer Inc.	121
Pfizer Ltd	99
Pharma Quality Europe S.R.L.	41
Portsmouth Hospitals NHS Trust	38
Qatar National Research Fund	122
QinetiQ Ltd	22
Qioptiq Photonics Ltd	21
Railway Safety and Standards Board Ltd	147
Region Haute-Normandie	73
Rockley Photonics Ltd	129
Rolls-Royce Plc	716
Royal Brompton & Harefield NHS Foundation Trust	81
Royal Centre for Defence Medicine	121
Sailing Yacht Research Foundation (USA)	23
Samsung Electronics Co., Ltd	81
Schlumberger Ltd (USA)	72
School of Advanced Study	26
Selex ES Ltd	67
SGRI Europe GmbH	41
Shell International Trading & Shipping Company Ltd	28
Shire Development LLC	23
Shire Pharmaceuticals Ltd	163
Silec Cable S.A.S.	30
Sirena Marine Denizcilik Sanayi ve Ticaret A.S.	27
Solent NHS Trust	160
Southampton City Council	75
Southampton Solent University	74
Southern Health NHS Foundation Trust	74
Space ConneXions Ltd	140
SPI Lasers UK Ltd	115
St George's, University of London	23
Star Financial Systems Ltd	38
Stirling Dynamics Ltd	25
Sultanate of Oman	45
Syngenta Ltd	59
Synpromics Ltd	37
Technology Strategy Board	2,644

Financial Statistics

Income from sponsored research for the year ended 31 July 2015 (Continued)

Merck Group (Germany)	83
Total Foundation	75
Touchlight Genetics Ltd	145
TRL Ltd	48
TWI Ltd	33
UCB Celltech	103
UK Space Agency	36
UK Sport	32
UK-India Education and Research Initiative	23
UM Cancer Research Institute	31
Unilever	147
United Nations Office at Geneva	65
University Campus Suffolk	25
University College London	59
University Hospital Southampton NHS Foundation Trust	1,166
University of Bath	22
University of Birmingham	29
University of Glasgow	21
University of Oxford	38
University of Toronto	32
University of Trento (Italy)	141
VirtualPiE Ltd	260
Vitacress Ltd	60
Wickham Laboratories Ltd	22
Wolfson Microelectronics Plc	32
York St John University	21
Others less than £20,000	4,317
HMRC - Research and development expenditure credit (RDEC) claim	11,328
Total Other Sources	60,279
Total Income from Sponsored Research	124,188

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