

Annual report and consolidated financial statements

Year ended July 2016

Charity Number: 1001127
Company Number: 2517018



Universities UK

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President's introduction

Foreword to Universities UK Financial Statements 2015-16

Evidence-based analysis, policy development, close engagement with members and strong political engagement continued to be at the heart of our work to effectively represent members and influence the external environment to benefit universities. Issues as diverse as funding, teaching excellence, European Union membership, immigration, counter-terrorism, degree apprenticeships, social mobility, health reforms and internationalisation all featured prominently in our work during 2015-16.

We launched two new major taskforces to develop recommendations for the sector and government, the first focussing on tackling sexual harassment and violence, the second to examine universities' role in promoting social mobility. We made significant contributions to the Government's Green Paper on Higher Education and Research, the development of the Teaching Excellence Framework, the Nurse Review of the research councils, the Comprehensive Spending Review and consultation on reform of funding for health students in England. Research, policy development and political engagement took place throughout the year to influence new immigration policy to prevent a negative impact on universities' international students and staff recruitment.

In a year that was dominated by the EU referendum debate, Universities UK ensured that the voice of universities was heard in the public debate through the *Universities for Europe* campaign. This included building political and public understanding on the implications for universities on the vote. Notably, a separate campaign to promote student voter registration saw record numbers of students turning out to vote in the referendum.

Universities Scotland and Universities Wales set out universities' priorities ahead of the Scottish Parliament and Welsh Assembly elections that took place in May 2016. Faced with the threat of significant reductions to university funding, Universities Wales secured significant amendments to reduce cuts to the Welsh Funding Council budget. Universities Wales also played a key role in shaping the work of the Diamond Review of Welsh Higher Education Funding. Notable work by Universities Scotland included influencing a challenging spending review, securing changes to the Higher Education Governance Bill and contributing to the Commission on Widening Access.

Our international activities continued to grow including major programmes of work on transnational education, research on competitive advantage of UK higher education and organising outbound delegations and hosting inbound delegations with high-level individuals, university leaders and Governments. Priorities included projects and engagement with India, Brazil, Indonesia, Mexico and partners across Europe.

Professor Dame Julia Goodfellow

President, Universities UK

Trustees' report

The trustees present their report and the financial statements for Universities UK for the year ended 31 July 2016.

Name and membership

The name of the charity and company is Universities UK. Universities UK is the representative organisation for the United Kingdom's universities. Its members are the executive heads of UK university institutions which have met the criteria for membership agreed by the board of the company. It currently has 135 members (133 at 31 July 2016). Membership is voluntary and members are represented both at the UK level and through Universities Scotland and Universities Wales.

Trustees

The Board comprises up to 24 directors of the company and trustees of the charity, elected from among its members. Those appointed for the year to 31 July 2016 were as follows:

Professor Dame Julia Goodfellow DBE	President
Professor Janet Beer	Chair, England and Northern Ireland & Vice President
Professor Cliff Allan	
Sir David Bell	
Professor Dame Glynis Breakwell DBE	
Professor Julia Buckingham	Treasurer from 1 August 2016
Mr Nigel Carrington	
Professor Sir Ian Diamond	
Professor Sir Pete Downes **	Convenor, Universities Scotland & Vice President **
Professor Sir David Eastwood	
Professor Simon Gaskell	Treasurer to 31 July 2016
Professor Sir David Greenaway	
Professor Dame Julia King DBE *	
Professor David Latchman CBE **	
Professor Julie Lydon OBE	
Professor Quintin McKellar CBE	
Professor Anton Muscatelli	
Professor Paul O'Prey	
Professor David Phoenix OBE	
Professor Colin Riordan	Chair, Universities Wales & Vice President
Professor Sir Steve Smith	
Professor Sir Christopher Snowden	
Professor Steve West	

The following were also members of the UK Board on the date this report was approved:

Professor Andrea Nolan OBE	Convenor, Universities Scotland & Vice President
Professor John Latham	
Professor Paul Boyle	
Professor David Maguire	

* Stepped down from 1 January 2016

** Term of office ended 31 July 2016

No member of the UK Board had a beneficial interest in any contract with the company. Board members are elected by the vice-chancellors of the member universities or appointed by the President.

Chief Executive

Nicola Dandridge CBE

Trustees' report

Structure, governance and management

Organisational structure of the company

Universities UK

Universities UK is a company limited by guarantee with the registered number 2517018, governed by its Memorandum and Articles of Association adopted on 1 December 2006. It is a charity with the registered number 1001127. Its principal offices are in Bloomsbury, London.

Universities Scotland

In Scotland (where it operates from its Edinburgh office under the name Universities Scotland), Universities UK is registered as a charity with the registered number SC021963.

Universities Wales

In Wales (where it operates from its Cardiff office under the name Universities Wales), Universities UK is part of the charity with the registered number 1001127.

Structure of subsidiary companies

Woburn House Conference Centre Ltd

Universities UK owns 100% of the share capital of Woburn House Conference Centre Limited (company number 3031467) whose business is the operation of the conference facilities at Woburn House. Income generated from the activity of the centre is covenanted to Universities UK.

Medical Schools Council

Universities UK is the holding member of the Medical Schools Council, a company limited by guarantee (company number 8817383) and registered with the Charity Commission (number 1155370). The objects of the Medical Schools Council are to promote, encourage and develop medical schools in the UK and thereby advance education for the public benefit, in particular medical education, research and training. Its Board of Directors is elected from its own members.

MSC Assessment

The Medical Schools Council is the holding member of MSC Assessment, a company limited by guarantee (company number 8578576) and registered with the Charity Commission (number 1153045). The objects of MSC Assessment are to advance medical education for the benefit of the public including by the preparation, validation, accreditation, conduct and administration of any tests, examinations or other systems of assessing, evaluating and recording any aspect of medical education and training. Its Board of Directors is elected from members of the Medical Schools Council.

The results and financial position of Woburn House Conference Centre Limited, the Medical Schools Council and MSC Assessment are consolidated with those of Universities UK in preparing its consolidated financial statements. Separate results are shown in note 21 to the financial statements.

CVCP Properties plc

CVCP Properties plc is not a subsidiary of Universities UK but is considered to be a related party. Universities UK owns all 550,000 preference shares in CVCP Properties plc and 50,000 (1%) of its ordinary shares. Universities UK is a major tenant of CVCP Properties plc in Woburn House.

Trustees' report

Governance and decision-making

Non-executive directors/trustees

The Board of Trustees comprises up to 24 members and meets five times per year. The president, elected by the members, serves a term of two years. The Chairs of Universities Scotland and Universities Wales are members of the Universities UK Board.

Universities UK has three standing committees: the Executive Committee (5 members), the Treasurer's Committee and the Remuneration Committee. Seven Policy Networks cover the key policy issues of the UK higher education agenda in line with the organisation's strategic priorities.

Induction and training of trustees

New trustees receive information supporting their induction which includes relevant Charity Commission documents on the role of a trustee, a copy of the Universities UK Articles of Association, and the Strategic and Operational Plans. It is the aim of the organisation to update trustees and members on any new legislation that may affect the governance of the charity and to offer on-going support through additional training when required.

Arrangements for setting pay and remuneration

Member input and support to the work of Universities UK is on a non-remunerated basis.

The pay and remuneration of executive management is set by a Remuneration Committee, which comprises all the Executive Committee and one other observer.

Executive management

The Chief Executive leads a Senior Leadership Team comprising the Deputy Chief Executive and the Directors of Policy, Member Services, the Higher Education International Unit (Universities UK International from 1 August 2016), Universities Scotland and Universities Wales.

Strategic Report

Objectives and activities

Purpose and objectives

The objectives of Universities UK as set out in its Memorandum of Association are:

- To promote and provide facilities for discussion and consultation between representatives of university institutions in the United Kingdom, on any matters affecting or relevant to the university sector of higher education in the United Kingdom.
- To formulate policies on any matters affecting or relevant to the university sector of higher education in the United Kingdom.
- To represent the university sector of higher education in the United Kingdom and to conduct dealings and to liaise with the Government, any local, national or other institutions, authorities, agencies, bodies or persons, wheresoever in the world situate.
- To provide information, advice and assistance to universities within the United Kingdom, or any of their representatives, on any aspect of educational affairs, including administrative and financial matters relating to or connected with education.
- To take any steps (including without prejudice to the generality of the foregoing the issue, maintenance, financing and enforcement of legal proceedings) for the purpose of protecting the interest, reputation or good standing of the universities or the university sector of higher education in the United Kingdom or the integrity of any degree, diploma or other awards issued by universities in the United Kingdom.

Trustees' report

Mission and main activities

Universities UK's mission is to be the voice of universities, helping to maintain the world-leading strength of the UK university sector, supporting our members to achieve their aims and objectives.

Universities UK supports the strength of higher education throughout the UK, whilst fostering national and regional differences in Scotland, Wales, Northern Ireland and England. As a fundamental principle, Universities UK acknowledges that the diversity and autonomy of the UK's higher education sector are critical to its success.

Public benefit

All Universities UK's activities are ultimately carried out for the wider public benefit of creating and maintaining a world class higher education sector that benefits students, the UK economy, the UK's educational and research standing in the world and the wider social good.

The trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the Charity Commission's guidance on public benefit. Services delivered include research and policy development, lobbying of government and influential stakeholders, dissemination of information to members and the wider public using all forms of media, conferences and events, and national and international networking activity. In delivery of its services and activities, Universities UK has fully supported its members, and assisted them to achieve their public benefit goals.

Collectively, the institutions led by the members of Universities UK demonstrate their wide social and economic contribution through the delivery of research, teaching, expertise and training. Higher education is available to all with the ability to benefit, regardless of their economic circumstances. The benefits of this activity to the UK are considerable.

Strategic aims

2015-16 represented the third year of Universities UK's 5-year-strategic plan for the period 2013-18 which has the following aims:

1. To inform and influence the future agenda for the UK university sector
2. To support universities in their primary aims of educating students, carrying out research and innovation, and strengthening civic society
3. To provide excellent services for Universities UK members and for the UK university sector as a whole
4. To be an effective and efficient organisation

These aims are achieved by the delivery of activities to members in the UK, medical and health, exam delivery and conferences.

Activities for members – England, NI and UK wide

What did we say we would do?

- Promote the impact and value of universities
- Influence the outcomes of the government's autumn Comprehensive Spending Review
- Influence the development of the Teaching Excellence Framework through shaping the government's higher education Green Paper
- Drive skills, growth and innovation
- Highlight the value to universities of European Union membership to the public
- Promote the student experience and diversity
- Influence the future of research policy and immigration policy
- Initiatives to promote efficiency and modernisation within the sector
- Provide excellent services to members

Trustees' report

What did we do and achieve?

To inform and influence the future agenda for the UK university sector

- High profile interventions – through political engagement, policy development and the media - to defend and promote the interests of the sector ahead of the Comprehensive Spending Review and Autumn Statement in November 2015 and on issues including the immigration skills charge, counter-terrorism, higher level skills and degree apprenticeships, social mobility, harassment and violence.
- Responses to government and agency inquiries and consultations on a wide range of topics including freezing student loan repayment threshold, quality assurance and teaching excellence, science and technology committee, apprenticeships framework and proposals relating to teaching funding for 2017-18 and beyond.
- Led the *Universities for Europe* campaign to promote the value of EU membership to universities, raising the profile of this issue in the public debate
- Successfully increased student voter registration through a campaign of activities in the run up to the Referendum vote and following the vote coordinated a sector response to Brexit.
- Responding to the government's higher education and research green paper in January 2016, analysing the content and influencing the development of the Higher Education and Research Bill announced in the Queen's Speech in May 2016.
- Addressing universities' concerns in relation to new immigration policy that impacts university students and staff continued to be a priority throughout 2015-16. This involved evidence gathering, representing sector's concerns to government, engaging third party advocates and using media channels whenever appropriate.

To support universities in their primary aims of educating students, carrying out research and innovation, and strengthening civic society

- Developed the evidence base to inform Universities UK's policy positions, advocacy work and campaigns. Publications included *University Funding Explained*, *Higher education in facts and figures* and *Patterns and trends in UK higher education*.
- Coordinated the work of the All Party Parliamentary University Group, which creates regular opportunities for members to meet MPs, peers and ministers to discuss topical issues with them.
- Launched and coordinated the *Social Mobility Advisory Group* to provide evidence-based advice to the government and support for universities to improve access and long-term success for underrepresented groups in higher education.
- Launched and coordinated the *Taskforce to examine violence against women, harassment and hate crime affecting university students* to explore what more can be done to support the higher education sector to prevent and respond to incidents of violence and sexual harassment against women, hate crimes and other forms of harassment. This included considering the complex legal issues.
- The Political Affairs Network provides a channel for sharing information, intelligence and advice and for coordinating local political influencing on issues such as international student visas, public spending, economic impact and freedom of information legislation.

Trustees' report

To provide excellent services for Universities UK members and for the UK university sector as a whole

- Providing high quality and timely information and advice to members by way of briefings, reports and newsletters across the full range of issues affecting higher education and on specific policy and fiscal announcements (such as the Budget and Autumn Statement), and technical and legal issues.
- Providing opportunities for new members to network and to engage with the challenges of being new in post as a vice-chancellor or principal via the New Vice-Chancellors' Group.
- Establishing a working group to examine the current higher education sector agency landscape and provide advice on how the work of the agencies can continue to effectively support the sector into the future.
- Representing member interests to the Universities Superannuation Scheme and other sector pension schemes through board and sub-committee membership, analysis, and negotiations.
- Organising a wide range of events for university leaders and staff on a range of topical issues throughout the year to examine latest policy development, share best practice and discuss issues of mutual interest.

To be an effective and efficient organisation

- There was a focus on operational support services with a review of services and the launch of a Business Improvement Programme in January 2016 covering improvements to human resources, finance, facilities and IT. This included making enhancements to processes, systems and service levels.
- Woburn House continued to provide a hub for higher education activities, allowing for higher education related tenancies and a full programme of conferences, managed through Woburn House Conference Centre and CVCP Properties plc.
- The Universities UK website was redeveloped, with multiple sites consolidated into one, and significant improvements to design, functionality and content, improving accessibility of information.

Activities for members - International

What did we say we would do?

- Provide market intelligence to identify opportunities
- Enable UK higher education institutions to develop international strategies
- Create diverse opportunities through strategic partnerships including collaboration with European counterparts
- Influence policy and the regulatory environment

What did we do and achieve?

- Published the reports on *UK's Competitive Advantage, Scale and Scope of UK Higher Education Transnational Education* and the *Value of Social Mobility* (TNE).
- UK's competitive advantage report found the UK was ranked number 1 for international student recommendation at every level of study.
- HEGlobal convened a series of expert-led TNE seminars, including on student experience, the value of TNE and due diligence in TNE.

Trustees' report

- 496 overseas high-level individuals (including European Commissioners and EC officials, MEPs, Ministries representatives, university leaders, partner organisations) met with representatives from 106 UK universities.
- Engaged with Indian industry and creation of new opportunities in India, maintained close links with Brazil, facilitated UK engagement in Mexico's energy reform and created new opportunities with Egypt.
- Over 80 UK institutions remain eligible to receive scholarships studying through the BUDI scholarship, the successor to the Dikti scheme in Indonesia.
- Influenced the Education is GREAT campaign and a co-ordinated campaign to promote UK universities abroad with significant government investment; the new Education is GREAT digital campaign will be launched in the autumn.
- Support for the *Universities for Europe* campaign and post-EU referendum.

Activities for members - Universities Scotland

What did we say we would do?

- Secure as good an outcome as possible in the difficult circumstances of the 2015 Spending Review.
- Secure changes to the Higher Education Governance Bill.
- Influence the Commission on Widening Access.
- Promote universities' initiatives to develop entrepreneurial and employable graduates.
- Take leadership of work to improve the business/government/university innovation ecosystem.
- Secure broader political recognition of universities' contribution to Scotland's success.

What did we do and achieve?

- A budget settlement recognised as a good outcome in a time of severe financial challenges with a commitment from the Scottish Government for continuing support for an excellent, internationally competitive and widely accessible university sector.
- Influence the Commission on Widening Access, and secure political recognition of the need to address this through addressing the attainment gap between privileged and non-privileged learners at school.
- Universities Scotland members were involved in the Commission on Widening Access to represent Scottish members' interests.
- We took part in a delegation to Pakistan to explore potential partnerships between Scottish and Pakistani higher education.

Activities for members - Universities Wales

What did we say we would do?

- Address the funding needs of universities in Wales – Diamond Review and Welsh Government Budget in particular – through a new comprehensive public affairs strategy
- Enhance the reputation of universities in Wales, the UK and internationally
- Continue multifaceted work in relation to the regulatory environment for higher education

Trustees' report

What did we do and achieve?

- The proposal to remove £41m from higher education, placed this firmly at the top of Universities Wales' agenda between the end of August 2015 and March 2016. A successfully coordinated public affairs approach was taken to campaign for change to the budget resulting in an unprecedented reversal for the final Budget, and decision to reinstate £10m funding, and restore a further £21m earmarked for tuition fee grants and was enough to prevent severe difficulties for universities in managing the grant reduction in the immediate future.
- The Independent Review of Higher Education Funding and Student Finance Arrangements in Wales published its interim report this year and the key area of work focussed on identifying and modelling potential funding options and scenarios for consideration. Subsequent public affairs work followed with interaction with key political party stakeholders around the timing of the National Assembly for Wales elections in May 2016.
- The 2015-16 academic year saw a major push of the website www.studyinwales.ac.uk and a Study in Wales reception in Washington DC, hosted by the Deputy Ambassador to the US. Study in Wales is a partnership between British Council Wales, Welsh Government, Visit Wales and Universities Wales to promote the Welsh higher education sector internationally.
- Universities Wales continued to lead the Global Wales partnership approach to international higher education in Wales involving the Welsh universities, British Council Wales, the Welsh Government (including Visit Wales and Trade & Invest), and the Higher Education Funding Council for Wales, with a view to delivering a consistent message about the quality and diversity of the Welsh offer in terms of research, knowledge exchange, and international student experience.

Activities for members - Conferences

What did we say we would do?

- Deliver an enhanced programme of Universities UK conferences and events with an annual programme of revenue-generating national conferences and a series of stakeholder roundtables
- Engage Universities UK members through high quality members' meetings and the annual conference

What did we do and achieve?

- 2015-16 saw Universities UK hosting three Members' Meetings and the Universities UK Members' Annual Conference, addressing strategic issues in higher education across the UK, giving access to high quality speakers and providing networking opportunities for members.
- In 2015-16, Universities UK organised 15 conferences and 4 seminars which attracted some 1900 sector delegates. Topics included access agreements; international higher education, efficiency in higher education; universities, student wellbeing and mental health; student experience; digital innovation in marketing and communications; European partnerships; Prevent and strategic partnerships. These events generated a surplus that is used to support other charitable activities.

Trustees' report

Medical and health

What did we say we would do?

- Be the authoritative voice of all UK medical schools
- Identify issues and come up with solutions which optimise the public investment in medical education and research
- Respond proactively to the development and change that characterises the interface between higher education and the NHS
- Facilitate the transition between undergraduate and postgraduate environments
- Optimise the quality of medical education and to be a global leader in the assessment arena
- Promote clinical academic careers
- Support the high-quality, health-related research in all medical schools, recognising that the nature and scale of such research will differ between institutions
- Maintain close working relationships with partner institutions

What did we do and achieve?

- Represented universities in relation to their work in health and social care which involved close liaison with major stakeholders such as the Department of Health, Health Education England, and professional bodies and regulators.
- Created an Education Leads group to discuss curriculum development, reasonable adjustments and raising the profile of GP careers within medical schools.
- Worked with the GMC to produce *Professional behaviour and fitness to practice* and *Achieving good medical practice*, both publications launched in May 2016.
- Led a pilot Athena SWAN bronze application for a membership organisation.
- Launched the UK Medical Education Database (UKMED) working with the GMC to secure stakeholder buy-in.
- Responded to the significant changes in the Comprehensive Spending Review with the move from NHS grants to normal higher education funding system.
- Negotiated with Health Education England on the cohort starting studies in 2016 to secure NHS grants.

Exam delivery

What did we say we would do?

Continue the Health Education England funded work to allocate posts for the Situational Judgement test delivery and administration and to continue to work with the British Pharmacological Society to deliver the Prescribing Safety Assessment.

What did we do and achieve?

MSC Assessment successfully delivered the Situational Judgement Test for FP2016 and began the activities that will lead to delivering the Test for FP 2017. It also successfully delivered the Prescribing Safety Assessment to all final year UK medical students and, on 22 July 2016 to all new overseas doctors commencing the Foundation Programme.

Trustees' report

Woburn House Conference Centre and CVCP Properties plc

What did we say we would do?

- Re-focus Woburn House Conference Centre, develop a marketing plan to build business and diversify client base to reduce risk.
- Continue to provide good value to members using the conference facilities.
- Continue investment in the building fabric with the refurbishment of rest rooms, improvements to cooling.
- Re-negotiate Woburn House tenancies.
- Across both entities review all service contracts to secure better value and service.

What did we do and achieve?

- A business plan was developed for Woburn House Conference Centre to define the product and position in the market. Alterations to the premises licence to operate evenings and weekends was secured, and in June 2016 the company passed the £1,000,000 income mark for the first time.
- All service contracts for Woburn House and the conference centre were either tendered or re-negotiated.
- Successfully refurbished the rest rooms across Woburn House, installed replacement chiller for cooling in the ground floor areas.

Restricted Funds

The restricted funds managed by Universities UK included the UK HE International Unit and the Council of Deans of Health (operating units of Universities UK). Medical Schools Council and its various funds (a subsidiary) and MSC Assessment (a sub-subsidiary) are also restricted funds in Universities UK's consolidated financial statements. Further details on the objectives, activities and financial performance of all restricted funds are given in notes 19 and 21.

Relationship with Higher Education Sector Agencies

Universities UK is the original subscribing member of various UK higher education sector agencies including the Equality Challenge Unit, Higher Education Academy, Higher Education Careers Service Unit, Higher Education Statistics Agency, Leadership Foundation for Higher Education, Office of the Independent Adjudicator, Quality Assurance Agency, UCAS, the Universities and Colleges Employers Association and Jisc. Members of Universities UK contribute to governance oversight of these bodies through Board membership and other involvement, alongside interaction between Universities UK staff and staff of the bodies concerned.

Trustees' report

Financial review

Review of position at the end of the year

The statement of financial activities for the year is set out on page 19 and the balance sheet on page 20 of the financial statements.

Consolidated income and expenditure for the year and position at the end of the year are summarised in the table below.

	Unrestricted Activities £'000	Restricted Activities £'000	Total 2016 £'000	<i>Total 2015 £'000</i>
Income	7,115	4,463	11,578	<i>12,505</i>
Expenditure	(7,287)	(4,692)	(11,979)	<i>(11,673)</i>
(Deficit)/Surplus	(172)	(229)	(401)	<i>832</i>
Transfers	(70)	70	—	<i>—</i>
Net movement in funds	(242)	(159)	(401)	<i>832</i>
Funds brought forward	2,862	5,308	8,170	<i>7,338</i>
Funds carried forward	2,620	5,149	7,769	<i>8,170</i>

Unrestricted income in 2016 was up £114,000 year on year at £7,115,000 (2015: £7,001,000). The covenant from CVCP Properties plc fell by £230,000 following scheduled refurbishment work at Woburn House but this was more than offset by the improved performance of Woburn House Conference Centre Ltd and increased internal conference activity. Woburn House Conference Centre saw income (net of internal charges) increase by £214,000 from £599,000 to £813,000. The Universities UK conference programme saw income increase by £70,000 year on year.

Restricted income of £4,463,000 was down on 2015 by £1,042,000 reflecting the variable nature of this income stream. Overall, restricted funds show a balance to date of £5,149,000 (2015: £5,308,000)

Expenditure figures include £241,000 relating to movements on the pension deficit reduction plan creditor. Excluding this exceptional cost, unrestricted expenditure was therefore equal to unrestricted income. Universities UK's financial objective is driven by its reserves policy and performance against the reserves policy is reported below.

The organisation's net assets were £7,769,000 at 31 July 2016 (2015: £8,171,000). A high proportion of these are represented by cash.

Principal funding sources

Membership subscriptions provides 69% of the unrestricted income, covenant income 9% and the balance comes from conference receipts (8%), sales of goods and services (13%), investment and other income (1%). This income is used principally to support charitable activities, but also the cost of charged-for goods and services.

Significant events affecting financial performance and position

There were no significant events affecting performance or position in the year, but the decrease in grant funding for the UK HE International Unit in future years is requiring a greater reliance on subscription and trading income.

Impact of material pension liability

The deficit reduction plans for the USS and SAUL pension schemes agreed in 2015 have, as a result of FRS 102, required a provision for the amount of the extra employer pension contributions required over the life of the plans. This in turn has reduced reserves, though without any immediate impact on the cash position or on financial risk. The impact is dealt with in more detail in relation to effect on performance against the reserves policy.

Trustees' report

Fixed assets

The changes to intangible and tangible fixed assets during the year are shown in notes 12 and 13 to the financial statements.

Other interests

The long leasehold interest in Woburn House is owned by CVCP Properties plc, a business set up by the membership in 1995 for the purpose of acquiring the building. CVCP Properties plc also owns a central London residential flat which is either used by the President or let out at commercial rates with the revenue contributing to the CVCP Properties annual covenant to Universities UK.

Investment policy

Universities UK plans strategically over a five-year time horizon and budgets annually to expend substantially all anticipated unrestricted income, subject to retaining a prudent amount in reserves. It has no permanent endowment and provides for capital expenditure from unrestricted reserves.

The Board of Trustees does not consider that it is necessary to accumulate and invest income for the longer term. Its investment policy is therefore to retain surplus funds as cash and place them on bank deposit and treasury reserve at the best rate consistent with a prudent treasury management policy. As a result, it is not appropriate for the organisation to adopt an ethical investment policy.

Principal risks and uncertainties

The UK Board, supported by the Treasurer's Committee which carries responsibility for risk management, keeps under review the strategic and operational risks facing the organisation and its subsidiaries together with the programmes and activities which help manage those risks effectively.

As a membership organisation, Universities UK's principal risk is failing to respond adequately to developments in higher education policy and funding or to its members' needs, which would risk damage to its reputation and influence and a possible loss of members and subscription revenue. Horizon scanning and member feedback mechanisms are in place to minimise and mitigate this risk and other external financial and operational risks and uncertainties.

Specifically, potential policy divisions within the membership, and Universities UK's response to those, are monitored via the Board, members' meetings and the Policy Networks. Operational risks include IT systems and the infrastructure of Woburn House, and strategies are in place to identify and mitigate those risks. The risk registers are reviewed regularly by the Strategic Leadership Team, comprising the executive directors of the organisation, and the risk registers and overall risk management strategy are reviewed bi-annually by the Treasurer's Committee.

Reserves policy

The trustees have reviewed the requirements for free reserves (unrestricted reserves less any amounts designated or otherwise committed) in the light of the principal strategic and operating risks to the organisation, as outlined above. The nature and likely timing and financial impact of these risks is not considered to be either sufficiently immediate or material to warrant carrying higher reserves. Accordingly, the current target of four to six months of unrestricted expenditure is deemed still appropriate as this would ensure sufficient funds are available to meet current commitments if income streams were erratic or exceptional expenditure was incurred.

From July 2016, Universities UK reports its results under the new Charity SORP, based on revised UK GAAP: Financial Reporting Standard 102. This has had a significant impact on free reserves as Universities UK has had to provide for the present value of employer contributions to past service deficits in multi-employer defined benefit pension schemes previously accounted for solely as defined contribution schemes, and the cost of untaken staff leave. The impact of the new reporting regime has been to reduce reported unrestricted reserves by £1.4m (2015: £1.1m) and to cause Universities UK's group free reserves to be less than the target range of months of unrestricted expenditure previously set. The trustees do not believe this to be significant as most of the provision is for extra pension payments that will be made over a number of years up to 2030. These will be budgeted for and accommodated as modest extra expenditure (of around £100k or less) in each individual year.

Trustees' report

The trustees have also reviewed historic and future expected cash flows. They are content that cash balances, representing most of free reserves, are not likely to drop to a level during the annual cycle that would put undue pressure on normal operations or likely fluctuations in cash requirements.

Accordingly, the existing reserves policy and target is maintained, but with liabilities for pension deficits being added back to free reserves, as representing liabilities predominantly due after more than one year. Performance against the target is disclosed and measured both before and after this adjustment.

Performance against reserves policy	2016	2015
Total unrestricted reserves	2,610,000	2,851,000
Committed to fixed assets	1,018,000	1,042,000
Free reserves	<u>1,592,000</u>	<u>1,809,000</u>
Total unrestricted expenditure	7,287,000	7,254,000
Months of unrestricted expenditure in free reserves	2.6	3.0
Pension and annual leave liabilities	1,362,000	1,109,000
Expenditure excluding pension and annual leave costs	7,034,000	6,798,000
Months of unrestricted expenditure in free reserves	5.1	5.2
Months (target)	4.0-6.0	4.0-6.0

Political and charitable donations

The company made no political or charitable donations in the year (2015: nil).

Looking forward – our aspirations for 2016-17

All entities will be working closely on the implications of Brexit relating to their members and local priorities.

Activities for members – England, NI and UK-wide

We have identified a number of priority external-facing programmes for 2016-17:

- Influencing the development of the HE and Research Bill, TEF and wider regulatory concerns.
- Communicating the value and impact of universities for students, society and the economy across the whole UK
- Reforming sector infrastructure
- Addressing the implications of Brexit for UK universities
- Promoting international and European engagement
- Influencing the environment to ensure the UK is a welcoming destination for international students and staff

In addition, the importance of engaging members, and relationship between the UK, devolved and regional agendas will run across many of our programmes and initiatives in 2016-17. Together with the priority programmes, they will inform our decisions about prioritisation and resource allocation.

Activities for members – International

- Influence policy to create a coordinated cross government strategy to support international education and research including, by working with colleagues across Universities UK, to mitigate the impact of Brexit.
- Improve promotion of the UK higher education sector internationally by influencing and actively participating in the GREAT campaign, and by working with partners to promote UK higher education in Europe post Brexit.

Trustees' report

- Secure increased funding for UK universities to collaborate internationally, particularly in research.
- Seek out and facilitate new opportunities for UK higher education institutes through our unique ability to act at sector level with a particular focus on overseas government funded scholarships for study in the UK and opportunities to deliver transnational education.
- Increase the proportion of UK students who study abroad by providing practical support to universities in overcoming common challenges and lobbying for funding and mechanisms to support outward mobility.

Activities for members – Universities Scotland

- Secure an outcome from the multi-year Spending Review that supports the excellence, competitiveness and accessibility of higher education.
- Define and achieve the sector leaderships' preferred outcomes in the areas of productivity reform.
- Influence government and sector policy making in light of the Commission on Widening Access to achieve practical and acceptable ways of promoting wide access.
- Secure policy and funding outcomes that promote instruction capacity for research excellence.
- Define and secure the sector leadership's preferred outcomes as the sector infrastructure changes.

Activities for members – Universities Wales

- Future funding and student support including reaction to the publication of Diamond Review and Welsh Government Budget, lobbying for budget outcome to implement Diamond and for sustainable outcomes for universities from any in-year Welsh Government budget changes.
- Regulatory framework including HE (Wales) Act and Higher Education Research Bill.
- International work including the Global Wales partnership.

Conferences

Deliver a strong annual programme of revenue-generating Universities UK conferences and events implementing further enhancements to Universities UK's event content, marketing output and sponsorship packages.

Medical and health

Our plans for 2016-17 are to continue the strategic focus on assessment and on widening participation. Medical Schools Council will work closely with the GMC, Health Education England and the devolved nations to address the issues around removal of the overseas cap on medical student numbers, around the potential development of a UK Medical Licensing Assessment and on the point of registration with the GMC.

Exam delivery

Continue the Health Education England funded work to allocate posts for FP2017 and to continue to work with the British Pharmacological Society to deliver the Prescribing Safety Assessment.

Trustees' report

Statement of Trustees' Responsibilities

The trustees (who are also directors of Universities UK for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit Information

So far as each of the trustees at the time the Trustees' Report is approved is aware:

- there is no relevant information of which the auditors are unaware; and
- they have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

haysmacintyre, who were appointed on 1 April in succession to Kingston Smith LLP, has indicated its willingness to continue as auditor, subject to re-appointment at the next annual general meeting.

The Trustees' report is approved by the Trustees of the charity. The Strategic Report, which forms part of the Trustees' Report, is approved by the Trustees in their capacity as Directors in company law of the Charity.

Nicola Dandridge
Chief Executive
4 November 2016

Professor Julia Buckingham
Treasurer

Independent auditors' report to the members of Universities UK

We have audited the financial statements of Universities UK for the year ended 31 July 2016 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement, 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).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are 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.

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 charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 July 2016 and of the group's net movement in funds, for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Universities UK

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sam Coutinho, Senior Statutory Auditor
For and on behalf of haysmacintyre, Statutory Auditor

26 Red Lion Square
London
WC1R 4AG

4 November 2016

Consolidated statement of financial activities – year ended 31 July 2016

Income and expenditure	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2016 £	Total Funds 2015 £
Income from:					
. Donations	2	640,864	—	640,864	870,622
. Charitable activities	3	5,524,964	4,361,886	9,886,850	10,825,384
. Other trading activities	4	901,468	48,601	950,069	731,475
. Investments		40,115	2,791	42,906	40,947
. Other income		7,115	49,817	56,932	37,067
Total		<u>7,114,526</u>	<u>4,463,095</u>	<u>11,577,621</u>	<u>12,505,495</u>
Expenditure on:					
. Raising funds		521,898	18,508	540,406	588,047
. Charitable activities		6,764,917	4,673,817	11,438,734	11,085,139
Total	7	<u>7,286,815</u>	<u>4,692,325</u>	<u>11,979,140</u>	<u>11,673,186</u>
Net (expenditure)/income		(172,289)	(229,230)	(401,519)	832,309
Transfers between funds	19	(69,636)	69,636	—	—
Net movements in funds		<u>(241,925)</u>	<u>(159,594)</u>	<u>(401,519)</u>	<u>832,309</u>
Total funds brought forward		2,862,203	5,308,324	8,170,527	7,338,218
Total funds at 31 July 2016	19	<u>2,620,278</u>	<u>5,148,730</u>	<u>7,769,008</u>	<u>8,170,527</u>

All activities are continuing. There are no gains or losses other than those disclosed in the consolidated statement of financial activities.

The notes on pages 22 to 42 form part of these financial statements.

Balance sheets – 31 July 2016

	Notes	The Group		Universities UK	
		2016 £	2015 £	2016 £	2015 £
Fixed assets					
Intangible fixed assets	12	63,275	11,078	53,555	8,776
Tangible fixed assets	13	407,426	438,011	366,864	404,486
Investments	14	600,000	600,000	600,000	600,000
		1,070,701	1,049,089	1,020,419	1,013,262
Current assets					
Debtors					
- due within one year		1,594,919	2,634,957	1,829,214	1,912,538
- due after more than one year		375,000	375,000	375,000	375,000
	15	1,969,919	3,009,957	2,204,214	2,287,538
Investments – short term deposits		3,010,069	3,150,000	3,010,069	3,150,000
Cash at bank and in hand		4,827,898	5,060,251	1,156,908	2,289,101
		9,807,886	11,220,208	6,371,191	7,726,639
Liabilities					
Creditors: amounts falling due within one year	16	(1,970,080)	(3,125,693)	(1,821,911)	(3,032,169)
		7,837,806	8,094,515	4,549,280	4,694,470
<i>Net current assets</i>					
		8,908,507	9,143,604	5,569,699	5,707,732
<i>Total assets less current liabilities</i>					
Creditors: amounts falling due after one year	17	(1,139,499)	(973,077)	(1,139,499)	(973,077)
		7,769,008	8,170,527	4,430,200	4,234,655
Total net assets					
Funds and reserves					
Restricted funds		5,148,730	5,308,324	1,820,679	1,883,209
Unrestricted funds		2,609,521	2,851,446	2,609,521	2,851,446
Non-charitable trading funds		10,757	10,757	—	—
Total funds	19	7,769,008	8,170,527	4,430,200	4,734,655

Approved by the Board of Directors and authorised for issue on 4 November 2016.

Signed on their behalf:

Nicola Dandridge

Chief Executive

Company Number: 2517018

Julia Buckingham

Treasurer

The notes on pages 22 to 42 form part of these financial statements.

Consolidated cash flow statement – year ended 31 July 2016

	2016 £	2015 £
(a) Reconciliation of net income to net cash flow from operating activities		
Net income for the year	(401,519)	832,309
Interest income	(42,906)	(40,947)
Depreciation charges	144,061	192,424
Decrease/(Increase) in debtors	1,040,038	(119,839)
(Decrease)/Increase in creditors	(989,191)	772,595
Net cash used in operating activities	(249,517)	<u>1,636,542</u>
(b) Statement of cash flows		
Cash flows from operating activities	(249,517)	1,636,542
Cash flows for investing activities		
Purchase of tangible fixed assets	(165,673)	(40,493)
Interest income	42,906	40,947
Decrease/(Increase) in cash and deposits	139,931	(650,000)
Net cash used in investing activities	17,164	<u>(649,546)</u>
Change in cash and cash equivalents in the year	(232,353)	<u>986,996</u>
Cash and cash equivalents at 1 August	5,060,251	4,073,255
Cash and cash equivalents at 31 July	4,827,898	<u>5,060,251</u>

Notes to the financial statements – year ended 31 July 2016

1. Principal accounting policies

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

Universities UK meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The consolidated financial statements incorporate the results of Universities UK and its subsidiaries, Woburn House Conference Centre Limited, Medical Schools Council and MSC Assessment. No separate Universities UK statement of financial activities has been prepared, as permitted by section 408 of the Companies Act 2006.

Reconciliation of total funds as previously reported to total funds in accordance with FRS 102

	31 July 2015 £	1 August 2014 £
Total funds as previously reported in accordance with UK GAAP	9,279,649	7,991,709
Recognition of holiday pay accrual	(91,914)	(59,724)
Contributions payable relating to funding of deficit on multi-employer pension schemes	(1,017,208)	(593,767)
Total funds restated in accordance with FRS 102	<u>8,170,527</u>	<u>7,338,218</u>

Reconciliation of net income for the year ended 31 July 2015

	31 July 2015 £
Net income for the year ended 31 July 2015 as previously reported	1,287,940
Recognition of holiday pay accrual	(32,190)
Contributions payable relating to funding of deficit on multi-employer pension schemes	(423,441)
Net income reported under FRS 102	<u>832,309</u>

a. Critical accounting judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the charity's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The liability in respect of the pension deficit recovery plan has been calculated using key assumptions concerning future payroll growth and the discount rate (see note 23).

b. Preparation of the accounts on a going concern basis

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern. The review of our financial position, reserves levels and future plans gives the trustees confidence that the charity remains a going concern for the foreseeable future.

Notes to the financial statements – year ended 31 July 2016

c. Incoming resources

All income is included in the statement of financial activities when the conditions for receipt have been met and when there is reasonable assurance of receipt.

d. Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to that category. Where costs cannot be directly attributable to a particular heading, they have been allocated to activities on a basis consistent with the use of the resource.

Direct costs, including directly attributable salaries, are allocated on the basis of time to the key strategic areas of activity.

Overheads and other salaries are allocated between activities on the bases of usage, ie the same basis as expenditure incurred directly in undertaking the activity.

Governance costs are those incurred in connection with the management of Universities UK's assets, the organisation's administration and compliance with constitutional and statutory requirements.

Unconditional grants payable are charged to the statement of financial activities in the year in which they are communicated to the recipient as at that time a valid expectation has been created that the grants will be paid. Conditional grants are charged on a similar basis when conditions fall outside the control of the charity. Any unpaid amounts are shown as liabilities at the balance sheet date.

e. Intangible and tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

Leasehold improvements assets are stated at cost less depreciation. A full year's depreciation is charged in the year the asset is brought into use and none in the year of disposal.

Depreciation has been calculated at the following annual rates, in order to write off each asset over its estimated useful life.

Furniture and equipment	- over four years
Office technology (including website development)	- over three years
Leasehold improvements	- over the life of the lease

Universities UK capitalisation policy is to capitalise individual assets costing over £2,500.

f. Investments

Investments held as fixed assets are stated at cost, as permitted by FRS 102. In the opinion of the trustees the estimated fair value of the investment is not materially different from the cost as there is no active market for these shares.

g. Cash and cash equivalents

Surplus cash funds are held on deposit for up to a year in order to achieve a better rate of interest.

h. Financial instruments

The charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors are initially recognised at transaction value and subsequently measured at their settlement value. Liabilities are recognised on an accruals basis. Loans receivable are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements – year ended 31 July 2016

i. **Operating leases**

Rental costs under operating leases are charged to the statement of financial activities in equal amounts over the period of the lease.

j. **Employee benefits**

Short term benefits

Short term benefits including holiday pay are recognised as an expense in the period in which the service is received.

Employee termination benefits

Termination benefits are accounted for on an accruals basis and in line with FRS 102.

k. **Pensions**

Universities UK participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL).

Both these pension schemes are defined benefit, multi-employer schemes (contracted out of the State Second Pension [S2P] up until 31 March 2016), with the assets held in separate trustee-administered funds. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary. In the intervening years the actuary reviews the progress of the scheme.

Because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. Universities UK is therefore exposed to actuarial risks associated with members employed at other participating employers in the schemes and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the schemes as if they were defined contribution schemes.

As a result, the amount charged to income and expenditure through the Statement of Financial Activities represents the contributions payable to the schemes in respect of the accounting period.

Given the mutual nature of the schemes, participating employers are not expected to be liable for any other current participating employer's obligations, but in the event of an insolvency of any participating employer within each scheme, an amount of any pension shortfall which cannot otherwise be recovered in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Since Universities UK has entered into agreements to participate in deficit recovery plans for each scheme, it now also recognises a liability under FRS 102 for the future contributions payable that arise from those agreements to the extent that they relate to the deficits and the resulting expense in the statement of financial activities.

l. **Universities Scotland and Universities Wales**

The funds of these National Councils are included within the designated unrestricted funds of Universities UK. Universities Scotland is a recognised body in Scotland and separate accounts for it are prepared and filed with the Office of the Scottish Charity Regulator.

Notes to the financial statements – year ended 31 July 2016

2. Donations

CVCP Properties plc is a company owned by 100 higher education institutions, whose executive heads are members of Universities UK. The company owns two leasehold properties and the net profits from its activities are covenanted annually to Universities UK.

Covenanted income receivable during the year from CVCP Properties plc was £640,864 (2015: £870,622). Other transactions with CVCP Properties plc are included in note 25.

3. Income from charitable activities

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	<i>Total 2015 £</i>
Subscriptions from membership	4,901,891	1,415,106	6,316,997	<i>6,258,913</i>
Grants and contracts	46,537	2,702,890	2,749,427	<i>3,784,383</i>
Conference income	576,536	243,890	820,426	<i>782,088</i>
	5,524,964	4,361,886	9,886,850	<i>10,825,384</i>

See notes 5 and 6 for further analysis.

4. Other trading activities

Trading activities relate principally to Woburn House Conference Centre Ltd, a subsidiary. They are stated net of intra-group trading.

5. Subscriptions from membership

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	<i>Total 2015 £</i>
Universities UK	3,955,454	11,700	3,967,154	<i>4,072,089</i>
Universities Scotland	553,880	57,000	610,880	<i>553,880</i>
Universities Wales	392,557	—	392,557	<i>392,557</i>
Medical Schools Council	—	913,669	913,669	<i>949,149</i>
Council of Deans of Health	—	432,737	432,737	<i>291,238</i>
	4,901,891	1,415,106	6,316,997	<i>6,258,913</i>

Notes to the financial statements – year ended 31 July 2016

6. Grants and contracts

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	<i>Total 2015 £</i>
Higher Education Funding Council for England	—	960,656	960,656	1,032,477
Health Education England	—	850,000	850,000	1,146,000
Scottish Funding Council	—	204,861	204,861	261,610
British Council	—	187,506	187,506	189,510
Department for Business Innovation & Skills	—	130,759	130,759	90,488
Higher Education Funding Council for Wales	—	78,296	78,296	98,296
All Party Parliamentary University Group	33,637	22,605	56,242	58,504
NIHR CLAHRC	—	50,200	50,200	25,900
Visit Britain	—	45,657	45,657	—
Conservatoires UK	12,900	25,700	38,600	38,100
Health Foundation	—	36,653	36,653	83,203
Professional HE Services Ltd	—	25,000	25,000	—
Quality Assurance Agency	—	20,000	20,000	20,000
Department for Employment & Learning	—	18,519	18,519	18,519
Leadership Foundation for Higher Education	—	15,000	15,000	144,250
Welsh Government	—	15,000	15,000	30,000
CNPq Brazil	—	—	—	313,375
Research Councils UK	—	—	—	56,000
Jisc	—	—	—	30,000
Office for Fair Access	—	—	—	27,500
Higher Education Academy	—	—	—	20,000
UPP Group Ltd	—	—	—	19,000
Medical Research Council	—	—	—	15,000
Other organisations (less than £15,000)	—	16,478	16,478	66,651
	46,537	2,702,890	2,749,427	3,784,383

Notes to the financial statements – year ended 31 July 2016

7. Total resources expended

	Direct costs £	Support costs £	Total 2016 £	Total 2015 £
Cost of raising funds	516,425	23,981	540,406	588,047
Charitable activities				
Activities for members				
Core (see split below)	6,072,057	2,285,475	8,357,532	8,347,180
Conferences	573,367	80,216	653,583	449,803
Medical & health	1,073,773	182,136	1,255,909	1,577,709
Exam delivery	1,084,269	87,441	1,171,710	710,447
Total activities for members	8,803,466	2,635,268	11,438,734	11,085,139
Total resources expended	9,319,891	2,659,249	11,979,140	11,673,186

	Direct costs £	Support costs £	Total 2016 £	Total 2015 £
Split of core activities				
England, NI and UK-wide	3,579,527	1,788,408	5,367,935	5,237,447
International	1,427,441	193,495	1,620,936	1,559,749
Universities Wales	404,332	92,690	497,022	555,140
Universities Scotland	660,757	210,882	871,639	994,844
Total core activities	6,072,057	2,285,475	8,357,532	8,347,180

8. Support costs allocations

	Premises £	Governance £	Depreciation £	Finance , HR IT£	Other £	Total 2016 £	Total 2015 £
Trading activities: costs of goods sold and other costs	9,654	3,566	1,507	6,030	3,224	23,981	21,265
Charitable activities							
Core	968,962	143,476	97,496	645,268	430,273	2,285,475	2,185,819
Conferences	34,022	5,039	3,442	22,643	15,070	80,216	72,924
Medical and health	77,353	16,024	10,514	35,659	42,586	182,136	138,453
Exam delivery	27,158	8,455	—	51,828	—	87,441	77,597
Total resources	1,117,149	176,560	112,959	761,428	491,153	2,659,249	2,496,158

Notes to the financial statements – year ended 31 July 2016

8. Support costs allocations (continued)

	Total 2016	<i>Total 2015</i>
	£	£
Governance costs are made up of the following:		
Staff costs	131,248	129,948
External audit	19,115	18,428
Other professional fees	20,976	2,413
Meeting costs and expenses	5,221	4,094
	176,560	<u>154,888</u>

	Total 2016	<i>Total 2015</i>
	£	£
Other direct costs include:		
Auditors' remuneration:		
. For audit services	21,375	18,428
. For other services	790	4,187
. Prior year fees: other services	(2,260)	7,490
Operating lease rentals:		
. Land and buildings	888,622	887,992
. Office and equipment	40,379	40,567

9. Analysis of staff costs

	Total 2016	<i>Total 2015</i>
	£	£
Total staff costs including full and part-time employees were:		
Wages and salaries	5,272,242	4,910,108
Social security costs	487,117	414,789
Other pension costs	1,008,883	1,106,919
Termination payments	17,114	72,441
	6,785,356	<u>6,504,257</u>

In 2016 a further £35,621 in termination costs were covered by third parties (2015: nil).

	2016	<i>2015</i>
	No.	No.
The average number of employees throughout the year was:		
Charitable activities	98.0	94.5
Support staff	15.5	15.0
Trading activities – Woburn House Conference Centre Limited	3.0	3.0
	116.5	<u>112.5</u>

Notes to the financial statements – year ended 31 July 2016

9. Analysis of staff costs (continued)

The number of employees whose emoluments exceeded £60,000 (excluding employer's pension contributions) was 14 (2015: 14).

	2016	<i>2015</i>
	No.	<i>No.</i>
£60,001 - £70,000	8	<i>8</i>
£80,001 - £90,000	2	<i>3</i>
£90,001 - £100,000	2	<i>—</i>
£110,001 - £120,000	1	<i>2</i>
£130,001 - £140,000	—	<i>1</i>
£140,001 - £150,000	1	<i>—</i>

The total employer pension contributions for these staff were £189,716 (2015: £173,811).

10. Trustees' emoluments and emoluments of other key management personnel

No trustees received any remuneration for their services.

During the year, travel and accommodation expenses were reimbursed to five trustees amounting to £3,609 (2015: two trustees - £1,194).

The total employee benefits of the Chief Executive and Deputy Chief Executive (2015: Chief Executive and Chief Operating Officer) who are considered to be key management personnel (in addition to trustees) was:

	2016	<i>2015</i>
	£	<i>£</i>
Employee benefits of key management personnel for services to the charity	244,254	<i>248,600</i>

11. Taxation

The charity is exempt from corporation tax under sections 466-497 of the Corporation Taxes Act 2010 as all its income is applied to charitable purposes.

Notes to the financial statements – year ended 31 July 2016

12. Intangible fixed assets

	Group £	Universities UK £
Website development and software		
Cost		
At 1 August 2015	755,414	632,040
Additions	94,913	80,333
Written off	(407,239)	(387,894)
At 31 July 2016	<u>443,088</u>	<u>324,479</u>
Depreciation		
At 1 August 2015	744,336	623,264
Charge for year	42,716	35,554
Written off	(407,239)	(387,894)
At 31 July 2016	<u>379,813</u>	<u>270,924</u>
Net book value		
At 31 July 2016	<u>63,275</u>	<u>53,555</u>
At 31 July 2015	<u>11,078</u>	<u>8,776</u>

13. Tangible fixed assets

Group	Leasehold Improvements £	Furniture & Equipment £	Office Technology £	Total £
Cost				
At 1 August 2015	458,056	624,506	243,234	1,325,796
Additions	12,347	20,301	38,112	70,760
Written off	—	(18,934)	(32,928)	(51,862)
At 31 July 2016	<u>470,403</u>	<u>625,873</u>	<u>248,418</u>	<u>1,344,694</u>
Depreciation				
At 1 August 2015	87,354	594,490	205,941	887,785
Charge for year	39,665	27,195	34,485	101,345
Written off	—	(18,934)	(32,928)	(51,862)
At 31 July 2016	<u>127,019</u>	<u>602,751</u>	<u>207,498</u>	<u>937,268</u>
Net book value				
At 31 July 2016	<u>343,384</u>	<u>23,122</u>	<u>40,920</u>	<u>407,426</u>
At 31 July 2015	<u>370,702</u>	<u>30,016</u>	<u>37,293</u>	<u>438,011</u>

Notes to the financial statements – year ended 31 July 2016

13. Tangible fixed assets (continued)

	Leasehold Improvements £	Furniture & Equipment £	Office Technology £	Total £
Universities UK				
Cost				
At 1 August 2015	458,056	405,390	142,843	1,006,289
Additions	12,347	12,629	9,494	34,470
Written off	—	(32,120)	(24,881)	(57,001)
At 31 July 2016	<u>470,403</u>	<u>385,899</u>	<u>127,456</u>	<u>983,758</u>
Depreciation				
At 1 August 2015	87,354	397,556	116,893	601,803
Charge for year	39,665	10,991	21,436	72,092
Written off	—	(32,120)	(24,881)	(57,001)
At 31 July 2016	<u>127,019</u>	<u>376,427</u>	<u>113,448</u>	<u>616,894</u>
Net book value				
At 31 July 2016	<u>343,384</u>	<u>9,472</u>	<u>14,008</u>	<u>366,864</u>
At 31 July 2015	<u>370,702</u>	<u>7,834</u>	<u>25,950</u>	<u>404,486</u>

14. Investments held as fixed assets

	Total 2016 £	Total 2015 £
Group and Universities UK		
CVCP Properties plc ordinary shares of £1 each	50,000	50,000
CVCP Properties plc preference shares of £1 each	550,000	550,000
	<u>600,000</u>	<u>600,000</u>

CVCP Properties plc is an unquoted company and the shares are stated at cost. In the trustees' opinion, the fair value of the investment is not materially different from the cost at the balance sheet date as there is no active market for these shares.

15. Debtors

	Group		Universities UK	
	2016 £	2015 £	2016 £	2015 £
Trade debtors	429,134	1,424,701	287,947	385,431
Amounts due from subsidiary undertakings	—	—	432,778	347,339
Other debtors	683,613	895,788	683,613	895,788
Prepayments and accrued income	482,172	314,468	424,875	283,980
Loan	375,000	375,000	375,000	375,000
	<u>1,969,919</u>	<u>3,009,957</u>	<u>2,204,213</u>	<u>2,287,538</u>

The £375,000 loan is repayable after more than one year (2015: £375,000).

Notes to the financial statements – year ended 31 July 2016

16. Creditors: amounts falling due within one year

	Group		Universities UK	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	496,282	429,187	408,730	391,306
Amounts due to subsidiary undertakings	—	—	16,855	12,482
Taxation and social security	202,049	200,931	181,571	176,618
Other creditors	107,051	95,813	107,051	95,813
Accruals and deferred income	1,164,698	2,399,762	1,107,704	2,355,950
	1,970,080	3,125,693	1,821,911	3,032,169

At the year end outstanding pension contributions amounted to £107,051 (2015: £95,813).

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

	Total 2016	Total 2015
	£	£
Group and Universities UK		
Accruals		
Pension deficit funding payments in relation to USS	1,115,204	973,077
Pension deficit funding payments in relation to SAUL	24,295	—
	1,139,499	973,077

See note 23 for further details regarding these liabilities.

18. Operating lease commitments

The group and company have the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Total 2016	Total 2015
	£	£
Group and Universities UK		
Land and buildings:		
. Within one year	336,212	888,026
. Between one and five years	462,240	682,145
. After five years	105,942	221,502
Office equipment:		
. Within one year	21,212	36,683
. Between one and five years	20,775	41,987
	946,381	1,870,343

Notes to the financial statements – year ended 31 July 2016

19. Movement in funds

	At 1 August 2015 £	Incoming resources £	Resources expended £	Transfers £	At 31 July 2016 £
Unrestricted funds					
Investment fund	600,000	—	—	—	600,000
Universities Scotland / Universities Wales	346,466	1,008,695	(1,350,637)	425,565	430,089
General funds	1,904,980	5,292,471	(5,122,818)	(495,201)	1,579,432
	<u>2,851,446</u>	<u>6,301,166</u>	<u>(6,473,455)</u>	<u>(69,636)</u>	<u>2,609,521</u>
Restricted funds					
Medical Schools Council	1,383,884	389,599	(364,791)	(4,000)	1,404,692
MSC Assessment	797,766	851,834	(866,110)	7,500	790,990
MSC Assessment Alliance	578,315	284,720	(305,600)	(14,000)	543,435
Selecting for Excellence	282,303	16,650	(128,374)	—	170,579
Assoc of UK University Hospitals	163,270	132,731	(86,866)	—	209,135
Dental Schools Council	92,387	76,000	(78,288)	—	90,099
Pharmacy Schools Council	82,658	58,000	(60,882)	—	79,776
Council of H'care Science in HE	40,510	—	(1,163)	—	39,347
Council of Deans of Health	280,430	530,365	(509,035)	(6,116)	295,644
Health Services Research N'work	100,674	96,638	(122,906)	—	74,406
CLAHRC	107,803	53,330	(93,811)	—	67,322
UUKi	331,636	1,125,020	(1,034,477)	27,252	449,431
Go International	244,558	184,581	(167,774)	44,000	305,365
Science Without Borders	254,974	(1,248)	(101,512)	—	152,214
Newton	52,063	67,910	(76,253)	—	43,720
HEGlobal	66,752	108,507	(127,905)	—	47,354
Universities Wales International	13,182	97,658	(100,459)	15,000	25,381
Universities Wales OER/P	—	20,000	(20,000)	—	—
US International	101,030	105,452	(92,281)	—	114,201
US Commonwealth	21,819	(11,120)	(10,699)	—	—
US Committee for Scottish Chairs	—	57,000	(12,011)	—	44,989
Efficiency and innovation hub	31,726	—	(64,609)	—	(32,883)
Efficiency benchmarking	29,941	—	—	—	29,941
Open Data	39,631	15,000	(46,953)	—	7,678
Open Access	70,259	43,000	(35,252)	—	78,007
PREVENT	4,960	35,784	(24,536)	—	16,208
Ratings	—	25,000	(25,000)	—	—
APPUG	5,193	22,605	(14,176)	—	13,622
Other	130,600	78,079	(120,602)	—	88,077
	<u>5,308,324</u>	<u>4,463,095</u>	<u>(4,692,325)</u>	<u>69,636</u>	<u>5,148,730</u>
Non-charitable trading funds	10,757	813,360	(813,360)	—	10,757
Group – total funds	<u>8,170,527</u>	<u>11,577,621</u>	<u>(11,979,140)</u>	<u>—</u>	<u>7,769,008</u>

Transfers during the year between funds relate to contributions made from unrestricted monies to restricted funds for specific projects, where there are insufficient restricted funds available to meet expenditure or where the charity is committed to contributing towards projects from its own resources.

Background information on each of the restricted funds is set out below:

The **Medical Schools Council** represents the interests and ambitions of UK Medical Schools as they relate to the generation of national health, wealth and knowledge through biomedical research and the profession of medicine.

MSC Assessment is a subsidiary of the Medical Schools Council set up to run the annual Foundation Programme.

Notes to the financial statements – year ended 31 July 2016

19. Movement in funds (continued)

The **MSC Assessment Alliance** was set up to help ensure the confidence of the public, employers and the regulator in the quality of UK medical school graduates by developing the highest quality assessments for undergraduate medical students and by seeking to demonstrate the equivalency of passing standards.

Selecting for Excellence project aims to encourage more children from disadvantaged backgrounds to apply for medical school.

The **Association of UK University Hospitals** promotes the unique interests of university hospitals across the UK. Its role is to represent the unique tripartite – service, teaching and research – interests of UK University Hospital Trusts in partnership with other national bodies.

The **Dental Schools Council** represents the interests and ambitions of the UK's Dental Schools as they relate to the generation of national health, wealth and knowledge acquisition through research and the profession of dentistry.

The **Pharmacy Schools Council** is building on the work of the Council of UK Head of Pharmacy and has benefited from being able to access increased resources through being hosted by a secretariat which also supports equivalent groups for other healthcare professionals.

The **Council of Healthcare Science in Higher Education** brings together the collective interests of the sector to increase awareness of healthcare science.

The **Council of Deans of Health** represents the UK's university faculties engaged in education and research for nurses, midwives and allied health professionals. The Council is the voice of nursing, midwifery and AHP higher education and research. Operating across the UK at the heart of policy and political debate, the Council aims to lead policy at national and UK level, promoting the essential contribution of members to health and social care.

The **Health Services Research UK** is a membership network that convenes and represents the producers and users of health services research.

The **CLAHRC Partnership Programme** is the national network of the 13 NIHR Collaborations for Leadership in Applied Health and Research Care (CLAHRC), supporting them in their mission to deliver world class applied research and to translate health research into practice for the benefit of patients and populations.

UUKi is the international arm of Universities UK, representing UK universities and acting in their collective interests globally. It actively promotes universities abroad, provides trusted information for and about them, and creates new opportunities for the sector.

The **Go International** programme works with UK universities to increase the number of UK-domiciled students who enjoy an international experience as part of their education.

The **Science without Borders** programme is a scholarship scheme funded by the Brazilian agencies CAPES and CNPq which enables up to 10,000 Brazilian students to study at UK higher education institutions.

The **Newton** programme aims to foster research and institutional partnerships between UK universities and 15 emerging-market countries. UUKi is a co-partner with the British Council helping the higher education sector to access this funding and helping applicants to connect with host institutions in the UK.

HEGlobal is a joint initiative between UUKi and the British Council to empower UK universities' transnational education (TNE) activity.

Notes to the financial statements – year ended 31 July 2016

19. Movement in funds (continued)

Universities Wales International covers funding for Universities Wales' international and European activities and includes funding from Visit Britain, the British Council and the Welsh Government.

The **Universities Wales OER/P** (Open Educational Resources/Practice) project is funded by the Higher Education Funding Council for Wales to deliver a series of workshops and conferences, an online portal and a 'champions' network.

The **Universities Scotland International Unit** develops and implements policy and research on international issues on behalf of the Scottish higher education sector.

The **US Commonwealth Games** programme supported events highlighting the sector's contribution to the success of the Glasgow 2014 Commonwealth Games, and the educational legacy from the Games.

Funds raised to support the **Committee of Scottish Chairs** to carry out a review of the Scottish Code of Good Higher Education Governance, including secretariat to the review's independent Steering Group and commissioning external consultants.

The **Efficiency and innovation hub** provides a dynamic multi-media platform that can support institutions in their efforts to embed innovation and efficiencies.

Efficiency benchmarking is a review of effective benchmarking via an accessible tool that will provide all universities with the facility to evaluate their operational costs in certain areas.

Open Data explores the potential of open data within the higher education sector, particularly the potential benefits of open and linked data for the student experience.

Open Access – Universities UK's work in this area is to monitor and oversee the coordination and implementation of open access publishing in UK universities

PREVENT work relates to helping universities mitigate the risks of radicalisation and extremism on their campuses.

Ratings is funding towards the development of a Memorandum of Agreement between the Valuation Office Agency and the higher education sector, in respect of ratings valuations of higher education institutions' premises.

Universities UK provides administrative support to the **All Party Parliamentary University Group (APPUG)**. The Group exists to be the main avenue of communication between parliamentarians and vice-chancellors of the UK's universities; and to provide an opportunity to examine issues affecting the country's university sector and university research which is influencing public policy and higher level skills.

Notes to the financial statements – year ended 31 July 2016

20. Allocation of net assets between funds

The net assets held for various funds are as follows:

	Restricted funds £	Unrestricted funds £	Non-charitable trading funds £	Total
Fixed assets	13,240	417,827	39,634	470,701
Investments	—	600,000	—	600,000
	13,240	1,017,827	39,634	1,070,701
Net current assets/(liabilities)	5,135,490	2,731,193	(28,877)	7,837,806
Long-term liabilities	—	(1,139,499)	—	(1,139,499)
Group total	5,148,730	2,609,521	10,757	7,769,008

21. Subsidiaries

Woburn House Conference Centre Limited

The charity owns 100% of the share capital of Woburn House Conference Centre Limited. The £2 cost of the investment has been written down to zero in the accounts of the parent company. The trading activity of Woburn House Conference Centre Limited is the management of the conference centre and meeting rooms at Woburn House. The results and financial position of Woburn House Conference Centre Limited are consolidated with those of Universities UK in preparing the consolidated accounts.

A summary of the trading results for the year ended 31 July 2016 and 2015, and the aggregate amount of the assets, liabilities, share capital and reserves as at 31 July of each year is shown. Audited accounts have been filed with the Registrar of Companies.

	Total 2016	<i>Total 2015</i>
	£	£
<i>Profit and loss account:</i>		
Turnover	1,047,166	802,876
Cost of sales	(474,833)	(405,380)
Gross profit	572,333	397,496
Administration costs	(52,049)	(57,586)
Staff costs	(167,054)	(170,070)
Operating profit	353,230	169,840
Interest receivable	277	169
Gift aid payment to Universities UK	(353,507)	(170,009)
(Loss) / profit on ordinary activities before taxation	—	—
Taxation	—	—
(Loss) / profit on ordinary activities after taxation	—	—

Notes to the financial statements – year ended 31 July 2016

21. Subsidiaries (continued)

	Total 2016	<i>Total 2015</i>
	£	£
<i>Balance sheet:</i>		
Fixed assets	39,634	35,827
Current assets	394,219	309,644
Creditors: amounts falling due within one year	(423,096)	(334,714)
Net current liabilities	(28,877)	(25,070)
Total net assets	10,757	10,757
Represented by:		
Share capital	2	2
Profit and loss account	10,755	10,755
	10,757	10,757

Medical Schools Council

Universities UK is also the holding member of the Medical Schools Council, a company limited by guarantee (company number 8817383) and registered with the Charity Commission (number 1155370). The objects of the Medical Schools Council are to promote, encourage and develop medical schools in the UK and thereby advance education for the public benefit, in particular (but without limitation) medical education, research and training.

A summary of income and expenditure for the year to 31 July 2016 and 2015, and the aggregate amount of the assets, liabilities, share capital and reserves as at 31 July of each year is shown below. Audited accounts have been filed with the Registrar of Companies.

Unrestricted funds and free reserves at 31 July 2016 were £1.4m (2015 free reserves: £1.4m) which is equal to 46 months of unrestricted expenditure (2015: 58 months). Medical Schools Council recognises that free reserves are larger than currently required and plans to support medical assessment activities by investing heavily in both electronic exam delivery and in the creation of larger numbers of exam questions over the next few years.

	Total 2016	<i>Total 2015</i>
	£	£
<i>Income and expenditure account:</i>		
Income	993,701	1,350,792
Expenditure	(1,083,987)	(912,611)
(Deficit)/surplus	(90,286)	438,181

	Total 2016	<i>Total 2015</i>
	£	£
<i>Balance sheet:</i>		
Assets	2,692,575	2,724,147
Liabilities	(155,513)	(96,799)
Net assets	2,537,062	2,627,348

Notes to the financial statements – year ended 31 July 2016

21. Subsidiaries (continued)

MSC Assessment

The Medical Schools Council is the parent of MSC Assessment, a company limited by guarantee (company number 8578576) and registered with the Charity Commission (number 1153045). The objects of MSC Assessment are to advance medical education for the benefit of the public including, without limitation, by the preparation, validation, accreditation, conduct and administration of any tests, examinations or other systems of assessing, evaluating and recording any aspect of medical education and training.

A summary of the income and expenditure for the year to 31 July 2016 and 2015, and the aggregate amount of the assets, liabilities, share capital and reserves as at 31 July of each year is shown below. Audited accounts have been filed with the Registrar of Companies.

	Total 2016	<i>Total 2015</i>
	£	£
<i>Income and expenditure account:</i>		
Income	901,834	900,000
Expenditure	(908,610)	(752,124)
(Deficit) surplus	(6,776)	147,876

	Total 2016	<i>Total 2015</i>
	£	£
<i>Balance sheet:</i>		
Assets	815,437	852,446
Liabilities	(24,447)	(54,680)
Net assets	790,990	797,766

22. Conduit funding

	2016	<i>2015</i>
	£	£
Funds received in advance b/fwd	1,245,033	51,479
Amount received	19,609,649	59,658,553
Amount paid out	(20,507,757)	(58,464,999)
Funds received in advance c/fwd	346,925	1,245,033

Amounts received and dispersed to universities on behalf of the Brazilian Government for the scholarship programme Science without Borders.

Certain trustees are Vice Chancellors of institutions in receipt of grants. Universities UK is not involved in the grant decision making progress.

Notes to the financial statements – year ended 31 July 2016

23. Pension

Universities Superannuation Scheme

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

The latest available full triennial actuarial valuation of the scheme was at 31 March 2014, which was carried out using the projected unit method. The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion, and the value of the scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which have accrued to members after allowing for future increases in earnings.

Following the 2014 valuation, the employers agreed to increase their contributions from 16% to 18% with effect from 1 April 2014, to address the scheme deficit.

At 31 March 2016, USS had 180,862 (2015: 147,137) members.

Superannuation Scheme of the University of London (SAUL)

SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

The latest available full triennial actuarial valuation of the scheme was at 31 March 2014, which was carried out using the projected unit method. At the valuation date, the value of the assets of the scheme was £1.93 billion, and the value of the liabilities was £1.99 billion, indicating a shortfall of £0.06 billion. The assets therefore were sufficient to cover 97% of liabilities.

Pension benefits for SAUL have previously accrued on either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis. Following a consultation with Members, the SAUL Final Salary Section closed from 31 March 2016 and all Members will accrue benefits on a CARE basis from 1 April 2016.

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the "Technical Provisions"). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

Notes to the financial statements – year ended 31 July 2016

23. Pension (continued)

The Trustees and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). As a result, the overall level of Employers' contributions increased from 13% to 16% of Salaries with effect from 1 April 2016.

At 31 March 2016, SAUL had 42,359 (2015: 32,208) members.

Summary	USS	SAUL
Group contributions for the year to 31 July 2016	£633,425	£154,256
Active members at 31 July 2016	78	42
Group contributions for the year ended 31 July 2015	£573,456	£129,075
Active members at 31 July 2015	72	42

Provision has been made for Universities UK's share of the estimated future deficit reduction payments in both the USS and SAUL pension schemes. These liabilities have been calculated by reference to current and projected contributions and the proportion of these deemed to be related to deficit recovery, all discounted at appropriate rates.

The USS liability is based on a deficit recovery plan to 31 March 2031, a deficit contribution rate averaging 2.1% p.a., staff salary inflation of 2%, and a discount rate of 1.73% (2015: 2.1%, 2%, 2.73%).

The SAUL liability is based on a deficit recovery plan to 31 March 2018, a deficit contribution rate averaging 3.0% p.a., staff salary inflation of 2.0%, and a discount rate of 0.81% (2015: nil as deficit plan not agreed until November 2015).

24. Parent Charity

Gross income for the parent charity was £9,323,234 and gross expenditure was £9,638,191, resulting in a loss (before transfers) of £314,957 (2015: surplus of £691,887). Advantage has been taken of the exemption in FRS 102 from the requirement to disclose transactions.

Notes to the financial statements – year ended 31 July 2016

25. Related Party Transactions

The financial statements include transactions with CVCP Properties plc as follows:

	2016 £	2015 £
Included in income and debtors		
Covenanted income	<u>640,864</u>	<u>870,622</u>
Sale of goods and services	<u>25,000</u>	<u>24,624</u>
Included in expenditure		
Rental and service charges	<u>685,378</u>	<u>679,091</u>
Included in debtors		
Other recharges	<u>36,354</u>	<u>35,010</u>
Loan	<u>375,000</u>	<u>375,000</u>

The financial statements include transactions with the Equality Challenge Unit, a charity which has trustees in common, as follows:

	2016	2015
Included in expenditure and creditors		
Grant payable	50,237	57,476
Other costs	<u>8,323</u>	<u>—</u>
	<u>58,560</u>	<u>57,476</u>
Creditors	<u>20,131</u>	<u>28,738</u>
Included in income and debtors		
Charges made	<u>1,651</u>	<u>6,498</u>
Debtors	<u>—</u>	<u>5,512</u>

Universities UK also made payments for services to the Higher Education Statistics Agency £12,297 (2015: £199) and UCAS £1,440 (2015: £7,860), both of which organisations have trustees in common with Universities UK.

26. Members

The charity is incorporated as a private company limited by guarantee having no share capital and, in accordance with the Memorandum of Association, every member is liable to contribute a sum of £1 in the event of the company being wound up. At 31 July 2016 there were 133 members (2015: 133).

Notes to the financial statements 31 July 2016

27. Statement of financial activities

	Notes	Unrestricted Funds 2016 £	Unrestricted Funds 2015 £	Restricted Funds 2016 £	Restricted Funds 2015 £	Total Funds 2016 £	Total Funds 2015 £
Income and expenditure							
Income from:							
. Donations	2	640,864	870,622	—	—	640,864	870,622
. Charitable activities	3	5,524,964	5,388,204	4,361,886	5,437,180	9,886,850	10,825,384
. Other trading activities	4	901,468	697,780	48,601	33,695	950,069	731,475
. Investments		40,115	38,397	2,791	2,550	42,906	40,947
. Other income		7,115	5,905	49,817	31,162	56,932	37,067
Total		7,114,526	7,000,908	4,463,095	5,504,587	11,577,621	12,505,495
Expenditure on:							
. Raising funds		521,898	588,047	11,820	—	533,718	588,047
. Charitable activities		6,764,917	6,665,581	4,680,505	4,419,558	11,445,422	11,085,139
Total	7	7,286,815	7,253,628	4,692,325	4,419,558	11,979,140	11,673,186

Reference and administrative details

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Universities UK also has two regional offices:

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