

Annual report and consolidated financial statements

Year ended July 2017

Charity Number: 1001127
Company Number: 2517018



Universities UK

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President's introduction

Foreword to Universities UK Financial Statements 2016–17

2016–17 saw a number of significant issues for the sector impacting all nations of the UK. This included the first major regulatory reform to the UK higher education sector in 25 years with the Higher Education and Research Act, government spending reviews, the challenges of Brexit and the development of the Teaching Excellence Framework (TEF).

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.

As a result of our political lobbying, Universities UK achieved 31 positive concessions during the passage of the Higher Education and Research Bill through parliament, among them the protection of institutional autonomy, ensuring qualifications and standards are properly defined, and tightened regulation around degree awarding powers and university titles. In Scotland, we secured assurances that UK Research and Innovation (UKRI) will be required to operate in a way that is sensitive to devolved interests. Universities Wales were successful in shaping future regulatory arrangements under the Higher Education (Wales) Act 2015.

Addressing the challenges of leaving the European Union (EU) has been a major theme of our work this year. This has included analysis of the impact on universities and policy development to consider options for post-exit EU migration, student mobility and research collaboration. Our staff and members have been regularly engaging with influencers in Westminster, the devolved parliaments and in Brussels to promote sector interests.

This year we conducted our biennial member satisfaction survey. Our members have told us the three most important areas of our work for them are political engagement, shaping and informing higher education policy and campaigning with the two most important policy areas: immigration and shaping Brexit outcomes. The survey also highlighted that members' desired level of engagement is higher than the levels we are currently achieving and therefore member engagement will be a priority for 2017–18. Universities UK International carried out a stakeholder survey, finding a high level of satisfaction with the services delivered supporting them to take advantage of international opportunities.

The two major taskforces we launched last year to develop recommendations for the sector and government completed their research and published significant reports with recommendations this year. The first, focussing on tackling sexual harassment and violence published *Changing the Culture*, the second, examining universities' role in promoting social mobility published *Working in partnership: enabling social mobility in higher education*.

With a surprise General Election called for June 2017, Universities UK encouraged student voter registration through a campaign of activities in the run up to the election. Over one million new registrations by 18-24 year-olds with social media activity by universities and student unions playing a role in raising awareness and encouraging action.

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 Argentina, Egypt, China, the United Arab Emirates 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 2017.

Name and membership

The name of the charity and company is Universities UK. Universities UK is the representative organisation for the UK'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 136 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 2017 were as follows:

Professor Dame Julia Goodfellow DBE **	President to 31 July 2017 **
Professor Janet Beer	Vice-President, England and Northern Ireland to 31 July 2017. President from 1 August 2017
Professor Cliff Allan *	
Professor Paul Boyle ***	
Sir David Bell	Vice-President England and Northern Ireland from 1 August 2017
Professor Dame Glynis Breakwell DBE	
Professor Julia Buckingham	Treasurer
Mr Nigel Carrington	
Professor Sir Ian Diamond **	
Professor Sir David Eastwood	
Professor Simon Gaskell **	
Professor Sir David Greenaway **	
Professor Debra Humphris	
Professor John Latham ****	Chair, Universities Wales & Vice-President Wales from 1 August 2017
Professor Julie Lydon OBE	
Professor David Maguire ***	
Professor Quintin McKellar CBE	
Professor Sir Anton Muscatelli	
Professor Andrea Nolan OBE ***	Convener, Universities Scotland & Vice-President Scotland
Professor Paul O'Prey CBE	
Professor David Phoenix OBE **	
Professor Colin Riordan **	Chair, Universities Wales & Vice-President Wales
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:

Baroness Valerie Amos CH	Professor Patrick Nixon
Professor Alastair Flitt	Mr Bill Rammell
Professor Max Lu	Professor Louise Richardson
Sir Alan Langlands	Professor Rama Thirunamachandran
Professor Sally Mapstone	

* Stepped down from 14 October 2016

*** Appointed on 1 August 2016

** Term of office ended 31 July 2017

**** Appointed on 1 September 2016 and term of office ended 31 July 2017

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

Alistair Jarvis
Nicola Dandridge

Acting from 17 July 2017, in role from 7 August 2017
To 17 July 2017

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 (continued)

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 (five 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.

Executive management

The Chief Executive leads a Senior Leadership Team comprising the Deputy Chief Executive and the Directors of Policy, Member Services, Universities UK International, Communications*, Operations*, Universities Scotland and Universities Wales.

*from May 2017

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 UK, on any matters affecting or relevant to the university sector of higher education in the UK.
- To formulate policies on any matters affecting or relevant to the university sector of higher education in the UK.
- To represent the university sector of higher education in the UK 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 situated.
- To provide information, advice and assistance to universities within the UK, 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 UK or the integrity of any degree, diploma or other awards issued by universities in the UK.

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, while 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 of 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

2016–17 represented the fourth year of Universities UK's five-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.

Review of the year

Activities for members – England, NI and UK wide

What did we say we would do?

- Influence the development of the Higher Education and Research Bill, TEF and wider regulatory concerns.
- Communicate the value and impact of universities for students, society and the economy across the whole UK.
- Reform sector infrastructure.
- Address the implications of Brexit for UK universities.
- Promote international and European engagement.
- Influence the environment to ensure the UK is a welcoming destination for international students and staff.

In addition, the importance of engaging members, and relationships between the UK, devolved and regional agendas ran across many of our programmes and initiatives in 2016–17. Together with the priority programmes, they informed our decisions about prioritisation and resource allocation.

Trustees' report (continued)

What did we do and achieve?

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

- To begin to address the implications for universities of the UK leaving the EU we analysed the challenges and opportunities, surveyed sector leaders' opinions, developed a set of sector-wide priorities and ensured that these were heard and understood by policy-makers and influencers in the UK Government, devolved administrations and in Brussels. Policy development projects focussed on options for post-exit EU migration, international research collaboration, student mobility and transition. Through political engagement we successfully secured a number of short-to-medium term stability guarantees from the government to support EU students in the UK, on research funding and Erasmus+. This work has been supported with a significant programme of political engagement with parliamentarians.
- A programme of engagement on a European level has been coordinated including delegations to meet key stakeholders in Brussels and a number of bi-lateral meetings with European Rectors' organisations to strengthen ties with our European partners.
- High profile public and private political engagement, including a series of briefings with MPs and Peers, and media interventions over several months, to secure amendments to the Higher Education and Research Act 2017. 31 substantial concessions were made, and Universities UK's campaigning was pivotal to some of the most important amendments including protecting institutional autonomy, ensuring 'quality' and 'standards' are properly defined and separated in legislation, and tightening regulation around degree awarding powers and university title. Since the Act passed into law, Universities UK has published a guide for members on what happens next: *Implementation of the Higher Education and Research Act*.
- High profile interventions – through political engagement, policy development and the media – including promoting the interests of the sector ahead of the Autumn Statement in November 2016, making the case for universities playing a central role in the industrial strategy, and highlighting the positive economic and cultural impact of international students across the whole of the UK.
- Responses to government and agency inquiries and consultations on a wide range of topics including the schools green paper, loan system for those undertaking post graduate research, maintenance loans for part time study, the industrial strategy green paper.
- Encouraged student voter registration through a campaign of activities in the run up to the June 2017 General Election, including infographics, key messages and a video to explain how to register to vote and by when. Official figures showed a massive spike in voter registration in the under 25 and 25-34 age group – over one million new registrations by 18-24-year olds – with social media activity by universities and students unions playing a role in raising awareness and encouraging action.
- We have engaged extensively with government ministers, officials and other bodies to inform immigration policy. Planned consultations on non-EU work and study routes did not materialise over the course of 2016–17. Nonetheless, Universities UK's interventions have kept the pressure on government with new evidence on the economic impact of international students and public opinion polling. Furthermore, we have undertaken significant work to identify how the immigration compliance regime can be improved for UK universities. Our immigration programme has also included a significant Brexit strand with a range of activity occurring to influence thinking on the post-exit migration system and guaranteeing the status of EU nationals already in the UK.
- A series of meetings with ministers in key roles for the sector (Department for Education; Business, Energy and Industrial Strategy (BEIS); Exiting the EU) as well as advisers in Number 10, HM Treasury and across government, provided opportunities to highlight priorities and offer solutions. The Higher Education and Research Act and the continuing political interest in international students provided opportunities for more frequent and more in-depth briefings (roundtables, 1-to-1 meetings). Universities UK has also given written and oral evidence to a number of select committees on topics including global trade, the impact of Brexit on science and research and the industrial strategy.

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

- Worked with our members, government and sector agencies to shape the development of the TEF.
- Developed the evidence base to inform Universities UK's policy positions, advocacy work and campaigns. Publications included *University spending explained*; *Degree apprenticeships: realising opportunities*; *Economic impact of international students*; *Why universities matter* (briefings for each of the nine regions in England); *Higher education in facts and figures* and *Patterns and trends in UK higher education*.
- Improved the quality and relevance of All Party Parliamentary University Group meetings with Universities UK, which creates regular opportunities for members to meet MPs, peers and ministers to discuss topical issues.
- Published the final report from the Social Mobility Advisory Group: *Working in partnership: enabling social mobility in higher education*.
- The taskforce to examine violence against women, harassment and hate crime affecting university students published the report *Changing the culture* along with new guidance to support universities in managing situations where a student's behaviour may constitute a criminal offence.
- Worked in partnership with the Equality Challenge Unit, Leadership Foundation for Higher Education and the Higher Education Funding Council for England (HEFCE) to raise awareness of the rationale and benefits of improving diversity in higher education leadership.
- Worked on learner analytics to improve learning and teaching.
- Used Political Affairs and the Press Offices Networks to provide a channel for sharing information, intelligence and advice, and for coordinating local political influencing and communications on issues such as international students, the impact of universities on regional and national economies and Brexit. Specific guidance provided on election and charity law for universities ahead of the general election.

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

- Provided 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, on specific policy and fiscal announcements (such as the Budget and Autumn Statement), and technical and legal issues.
- Provided 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 and a similar forum for mid-term vice-chancellors.
- A significant programme of engagement on Brexit issues has taken place this year, including a regular e-newsletter providing information on developments, two national conferences, eight dinner discussions with university leaders and many smaller meetings.
- Delivered recommendations following a review of the higher education sector agency landscape and started work on the implementation of the recommendations.
- Represented member interests to the Universities Superannuation Scheme (USS) and other sector pension schemes through board and sub-committee membership, analysis, and negotiations.
- Organised 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.
- Partner organisation in the Universities for Strategic, Efficient and Autonomous Management (USTREAM) project coordinated by the European Universities Association championing and sharing good practice in efficiencies in professional, operational and support services, academic matters and through strategic governance.
- Launched a programme of work to help improve the mental health and wellbeing of students and staff in higher education.
- Developed a joint Universities UK/GuildHE student facing website on the Accommodation Code of Practice.

Trustees' report (continued)

- A total of 77 Universities UK member institutions took part in a week of social media-led activity to promote the impact of universities (research, community engagement, public access) in January 2017. #UniversityImpact trended nationally, with messages reaching 8.1 million people and generating 4,878 posts on Twitter and Instagram by 2,685 contributors, as well as increased activity on Facebook.
- Developed sector wide advice on the 2017 rates revaluation.
- Provided services to specialist institutions in membership of Universities UK through the Specialist Institutions Forum.
- Hosted three members' meetings and the Universities UK Annual Conference, addressing strategic issues for higher education, attracting high-quality speakers and providing networking opportunities.

To be an effective and efficient organisation

- A continued focus on operational support services with a business improvement programme 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.
- A review of our operational planning, programme and project working processes to ensure a focus on outcomes and impact.
- Started the process to review the 2013–18 Strategic Plan and development of 2018–23 plan.

Activities for members - International

What did we say we would do?

- Enable UK higher education institutions to develop international strategies.
- Influence policy and the regulatory environment.
- Create diverse opportunities through strategic partnerships.
- Promote the UK university sector overseas.

What did we do and achieve?

Enabled UK higher education institutions to develop international strategies

- Informed universities via published research including *UK's Competitive Advantage 2017*; *Gone International: Mobility Works*; *International Facts and Figures 2017* and *International Innovation and UK Universities*; plus 13 information notes on subjects including Pakistan, India, Switzerland, Cuba, Norway, Singapore, PhD student outward mobility, Brazil and China.
- Convened the sector via 13 network meetings attended by 514 people from 145 institutions across the following regions/themes: Africa and Development, Asia, Europe, Latin America, Middle East and North Africa, Outward Mobility, International Research Development (formerly Newton Fund) and Pro-Vice-Chancellor.

Influenced policy and the regulatory environment

- Created opportunities for UK universities to influence the design and development of new UK government-funded programmes to support international collaboration including the Foreign and Commonwealth Office/Department for International Development Prosperity Fund; the BEIS Knowledge Economy Education Partnership (UK-China); the UK-India Education and Research Initiative; and the UK Government's Gulf Science, Innovation and Knowledge Economy Programme.

- Influenced the Department for International Trade (DIT) to prioritise support for the development of UK transnational education through their country-level activities. Supported them to second a member of a UK university international team to work within DIT to facilitate better engagement with the sector.
- Influenced the creation, design and implementation of *Study UK: Discover You*, a major new government-funded campaign to promote UK higher education internationally, and created opportunities for UK universities to contribute to its development.

Influenced policy and the regulatory environment – Europe

- Contributed to the UK Government's position on participation in FP9 by producing a paper for Jo Johnson's high-level Brexit forum, attended by Nicola Dandridge.
- Influenced European Commission's mid-term evaluation of Erasmus+ and Horizon 2020 via consultation with the sector and submissions.
- Increased bilateral engagement with National Rectors' Conferences across Europe including a declaration of cooperation with the French University Presidents' Conference and meetings with groups in Poland, Germany, Switzerland and Norway.
- Increased the UK's influence within the European Universities Association by successfully lobbying for University of Leicester Vice-Chancellor Professor Paul Boyle to be elected to the organisation's board.
- Discussed the sector's position with influential stakeholders in Brussels.

Created diverse opportunities through strategic partnerships

- Organised 22 in-bound and outbound delegations where 223 representatives of 89 institutions met with 346 high-level representatives of overseas governments, agencies and institutions (including European Commissioner and EC officials, MEPs, Ministries' representatives, university leaders, partner organisations). Following a delegation to Poland and the Czech Republic, five of the six attendees said, "their institution had developed new agreements or collaborative activity with Polish or Czech institutions as a result of the delegation (or are there plans to do so)".
- Secured an agreement with the Ministry of Modernisation of the Republic of Argentina, enabling the UK to be a destination country for Argentine Government sponsored students of the national BEC.AR scholarship programme for the first time.
- Advised the Egyptian Government on the creation of a new legal framework to enable the establishment of international branch campuses in the country.
- Supported over 100 Newton Fund country researchers to find a UK collaborator in order to apply for the British Council's Researcher Links and Institutional Links calls. Helped over 90 Newton Fund PhD applicants to find a host institution and/or supervisor in the UK.

Promoted the UK university sector overseas

- Influenced the creation, design and implementation of the *Study UK: Discover You* campaign, backed by £6m investment to promote the UK as a study destination overseas; convened the sector to contribute to the development of the campaign and promoted opportunities for UK universities to be part of it.
- Promoted the UK as a study destination post-EU referendum to potential European students and their influencers - media, recruitment agents and in-country English-language schools.

Activities for members - Universities Scotland

What did we say we would do?

- 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 identified in the 2015–16 budget discussions including learner journey, articulation, 'earn while you learn', innovation landscape and coherence of provision.
- Influence government and sector policy-making in light of the Commission on Widening Access to achieve practical and acceptable ways of promoting wide access.

Trustees' report (continued)

- 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.

What did we do and achieve?

- In the event, the Scottish Government conducted a single-year spending review and the outcome protected the sector from further major cash cuts, but did not represent a recovery towards sustainable funding.
- The Scottish Government launched an 'enterprise and skills review' to promote productivity and innovation in the Scottish economy; this proposed the abolition of the Scottish Funding Council, which Universities Scotland fought successfully to reverse.
- Universities Scotland's proposal of creative policy suggestions has put us in an influential position within the Scottish Government's review of the 'learner journey'. This has turned from a major threat to university provision into a narrower and more evidence-based review of specific potential improvements in provision at school, college and university for the minority of learners whose needs are not being met well.
- Universities Scotland has influenced the introduction of publicly-funded 'earn while you learn' provision.
- Universities Scotland has been recognised by Scottish Government as the thought-leader in Scotland on issues regarding university-business interaction and as the principal driver of action to improve this.
- Universities Scotland has taken leadership of action in response to the report of the Commission on Widening Access. Substantial work has been done to create policy and practice to promote wide access to higher education, with a focus on admissions policy, articulation from further education colleges and bridging programmes for schools.
- Universities Scotland successfully influenced the Scottish Funding Council's review of research policy to ensure that this protected members' interests.
- Universities Scotland influenced passage of the Higher Education and Research Bill to get UK Government assurances that UKRI will be required to operate in a way that is sensitive to devolved interests.

Activities for members - Universities Wales

What did we say we would do?

- Future funding and student support including reaction to the publication of the 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 Higher Education (Wales) Act and Higher Education Research Bill.
- International work including the Global Wales partnership.

What did we do and achieve?

- After over three years of significant and continued work from Universities Wales, from inception through to outcome, the Welsh Government has published and accepted the recommendations of the Diamond Review of Student Finance and University Funding. This will result in Wales having the most progressive higher education system of all UK nations by introducing a system that both increases university funding and shifts student support funding from fee grant to maintenance grant for full and part-time undergraduates and postgrads.
- The higher education budget has yet again been top of the agenda at Universities Wales this year with a reduction in Welsh Government's budget of £28m for 2017–18. However, by building on previous year's successful public affairs work and consolidating relationships with officials and stakeholders, the Welsh Government announced as part of the response to the Diamond Review that Welsh universities will be able to apply an inflationary uplift in tuition fees across all cohorts from 2018–19, significantly relieving some pressure for universities in the longer term.

- The second year of the Universities Wales 'Global Wales' partnership (with the British Council, Welsh Government and Higher Education Funding Council for Wales) saw us build links with Vietnam, through joining a delegation with British Council colleagues, meeting the Vietnamese Ambassador in Cardiff and hosting a delegation from Ho Chi Minh City for a post-16 education, regulation and industry links summit. We continued as 'Study in Wales' to use promotional materials and social media to help raise the profile of Wales internationally and to ensure our collective presence at exhibitions in the USA and Europe. We worked with the offices of the First Minister and Cabinet Secretary for Education to disseminate messages that there is a welcome for European and international students in Wales as a direct result of the Brexit vote.
- Universities Wales achieved notable success in relation to a number of major regulatory developments in 2016–17, including shaping future regulatory arrangements under the Higher Education (Wales) Act 2015, successfully campaigning with Universities Scotland to ensure that the Higher Education and Research Bill catered appropriately for universities in devolved nations and effectively lobbied to ensure that the Wales Act 2017 was amended by Parliament in order to safeguard our universities as Welsh devolved authorities and not public bodies. This, along with the work on fielding regulatory developments for the public sector which were extended to universities, avoided significant unintentional changes to the powers and duties relating to Welsh universities.

Activities for members - Conferences

What did we say we would do?

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

What did we do and achieve?

- Universities UK hosted seven members' only dinners, addressing strategic issues relating to Brexit. These dinners were hosted around the UK and facilitated high-quality discussions and provided networking opportunities for members.
- In 2016–17, the Universities UK events team organised 16 paid-for conferences and four seminars which attracted some 2,000 sector delegates. Topics included: innovation in teaching and learning; employability and skills; international higher education; student wellbeing and mental health; tackling hate crime and harassment on campus; innovation in marketing and communications; the future of research; and student experience.
- From its portfolio, the Universities UK Events team will make a net contribution of £216,000 to the organisation in 2016–17.
- The Universities UK Events team were this year recognised at an industry award ceremony, coming top in two categories including in-house team of the year.

Medical and health

What did we say we would do?

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.

What did we do and achieve?

- Represented universities in relation to their work in health and social care, dental and veterinary care, which involved close liaison with major stakeholders such as the Department of Health, Health Education England, professional bodies and regulators.
- Worked with the GMC on the publication of *Medical Professionalism Matters*.
- Published new guidance for teachers, careers advisors and students on how to apply to medical school.

Trustees' report (continued)

- Hosted a conference to Student Widening Participation Societies with attendance from medical schools without such groups.
- Close liaison with the GMC as it continues to investigate a possible Medical Licensing Assessment.
- The Council of Deans of Health implemented the plan for expansion agreed at their 2015 AGM. This included growing the Council's staff capacity significantly and restructuring the Executive Team to better reflect members' strategic priorities around five portfolios: workforce, research, global, regulation and education impact. The Council welcomed a newly elected Chair, Vice-Chair and Treasurer and a new Executive Member from Wales. A new Executive Director joined in December 2016.
- Council of Deans of Health highlights over the last year have included launching a new strategy, which sets out direction for 2018–2021, establishing Council of Deans of Health Wales and making work programmes around the portfolios clearer and more visible to our membership.
- We have continued to advocate for sustainability of the funding of our disciplines. We worked hard with members, Universities UK colleagues and other stakeholders to build the evidence through a costing study for additional funding of £32m from HEFCE for our members in England. We published a paper on Continuing Professional Development cuts and continue to use this intelligence to emphasise the importance of postgraduate education for our professions. We have influenced effectively the development of the Nursing and Midwifery Council standards for future nurses and engaged in policy debate and development around apprenticeships, EU outward mobility, clinical placements and advanced practice.

Exam delivery

What did we say we would do?

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

What did we do and achieve?

MSC Assessment successfully delivered the Situational Judgement Test for FP2017 and began the activities that will lead to delivering the test for FP2018. There was continued collaboration with the British Pharmacological Society and with the UK Foundation Programme Office and Foundation Schools to deliver to those who have not yet taken or passed the PSA before starting FY1.

Woburn House Conference Centre and CVCP Properties plc

What did we say we would do?

- Continue to develop Woburn House Conference Centre business.
- Continue to provide good value to members using the conference facilities.
- Re-negotiate Woburn House tenancies.

What did we do and achieve?

- Successfully retained all existing Woburn House tenants.
- Successful year for Woburn House Conference Centre, delivering an increased covenant to Universities UK.

Restricted Funds

The restricted funds managed by Universities UK included Universities UK International 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 (ECU), Higher Education Academy (HEA), Higher Education

Careers Service Unit, Higher Education Statistics Agency, Leadership Foundation for Higher Education (LFHE), 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.

In April 2016 Universities UK established a review of the sector agency landscape, led by Sir David Bell. The review was initiated in the context of concerns about specific agencies and approaches to subscription levels, the significant changes seen in the sector in recent years, the withdrawal of HEFCE funding from many sector agencies, and a recognition of the need to take stock of how the agency landscape can meet the needs of a rapidly changing sector into the future.

Following the publication of the Bell Review of UK Sector Agencies on 31 January 2017, Universities UK is leading work with GuildHE to facilitate a merger between the HEA, LFHE and ECU. The three agencies agreed, at their respective Board meetings in the first quarter of the year, to progress this merger alongside Universities UK/GuildHE.

Financial review

Review of position at the end of the year

The statement of financial activities for the year is set out on page 21 and the balance sheet on page 22 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 2017 £'000	Total 2016 £'000
Income	8,465	4,933	13,398	11,578
Expenditure	(8,203)	(4,549)	(12,752)	(11,979)
Surplus/(Deficit)	262	384	646	(401)
Transfers	5	(5)	—	—
Net movement in funds	267	379	646	(401)
Funds brought forward	2,620	5,149	7,769	8,170
Funds carried forward	2,887	5,528	8,415	7,769

Unrestricted income in 2017 was up £1,350,000 year on year at £8,485,000 (2016: £7,115,000).

- £650,000 of this increase relates to Universities UK International and the transfer from funding council funding (restricted) to core subscription funding.
- The 2017 covenant from CVCP Properties plc increased by £276,000 compared to 2016 following scheduled prior year refurbishment work at Woburn House.
- £161,000 relates to fees from two new Universities UK members of which £121,000 is joining fees which the organisation's policy is to leave to contribute to reserves.
- Woburn House Conference Centre saw income (net of internal charges) increase by £97,000 from £813,000 to £910,000.
- The Universities UK conference programme saw income increase by £63,000 year on year.

Restricted income of £4,933,000 was up on 2016 by £470,000 reflecting the variable nature of this income stream. Overall, restricted funds show a balance to date of £5,528,000 (2016: £5,149,000)

Expenditure figures include a £72,000 credit relating to movements on the pension deficit reduction plan creditor and annual leave creditor. Excluding these costs and the £121,000 subscription joining fees which cannot be spent, Universities UK achieved a surplus of £69,000 on unrestricted funds.

Trustees' report (continued)

During this period the savings plan agreed in June 2016 was implemented and a business improvement programme resulted in efficiencies and enhancements to operational services. 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 £8,415,000 at 31 July 2017 (2016: £7,769,000). A high proportion of these are represented by cash.

Principal funding sources

Membership subscriptions provides 68% of the unrestricted income, covenant income 11% and the balance comes from conference receipts (8%), sales of goods and services (12%), 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 Universities UK International 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.

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 Senior 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 £1.3m (2016: £1.4m) 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.

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	2017	2016
Total unrestricted reserves	2,862,000	2,610,000
Committed to fixed assets	1,004,000	1,018,000
Free reserves	<u>1,858,000</u>	<u>1,592,000</u>
Total unrestricted expenditure	8,203,000	7,287,000
Months of unrestricted expenditure in free reserves	2.7	2.6
Pension and annual leave liabilities	1,289,000	1,362,000
Expenditure excluding pension and annual leave costs	8,275,000	7,034,000
Months of unrestricted expenditure in free reserves	4.6	5.1
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 (2016: nil).

Looking forward – our aspirations for 2017–18

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

Trustees' report (continued)

Activities for members – England, NI and UK-wide

We have identified a number of priority external-facing programmes for 2017–18:

- Addressing challenges and seeking opportunities for universities of exiting the EU
- International students, staff and immigration
- Higher education funding and value for money
- Industrial strategy, the regional agenda and local communities
- The new regulatory environment for universities
- Social mobility
- Higher level skills and degree apprenticeships

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 2017–18. Together with the priority programmes, they will inform our decisions about prioritisation and resource allocation.

Activities for members – International

Our priorities for the year include:

- Influencing European (including Commission, Parliament, and Council) positions on Brexit and the design of FP9 and the successor programme to Erasmus +; and strengthening bilateral co-operation with key European partners.
- Reducing non-immigration barriers to international student recruitment (as an integral part of a cross Universities UK programme on international students, staff and immigration) including through promoting the UK as a study destination.
- Supporting higher education institutions in a shifting global environment, including through information services, networks and access to key decision makers overseas, trade policy and responding to the refugee crisis.
- Enhanced support for development of transnational education.
- Doubling the number of UK full-time undergraduate students who study work or volunteer abroad.
- Increasing opportunities and support for international research collaboration.
- Creating and implementing opportunities for UK universities to develop new international strategic partnerships (UK-India Education and Research Initiative; Strategic Partnerships for Higher Education Innovation and Reform; Newton).

Activities for members – Universities Scotland

- A spending review outcome that represents progress towards sustainable funding of universities.
- Scottish Government policy on re-shaping of the 'Learner Journey' developed in ways that put the learner at the centre, support widening access, and support the excellence of higher education.
- The university sector recognised by government and politicians as leaders in developing policy and practice to promote wide access for students from challenged backgrounds.
- Excellent research and innovation supported through:
 - Policy-making at a Scottish level and
 - Creation of an environment which enables Scottish success in leveraging funding from UK and wider sources.
- Brexit and constitutional policies that support members' success.
- Higher education institutions recognised and supported as a central part of Scotland's international impact.

Activities for members – Universities Wales

- Future funding around the Welsh Government budget until Diamond is implemented. Lobby for a final budget settlement that provides a bridge to implementation in the context of a £28m cut for higher education in 2017–18. Push for alternative sources of funding, for example, capital.
- Given the significant importance of structural funding to Wales and our universities, policy and public affairs work in this area will be a priority for Universities Wales, whilst also supporting Universities UK's Brexit priorities e.g. student and staff mobility and access to other EU programmes.
- Third year of Global Wales partnership, including strengthening links with Vietnam in the areas of research, regulation and university-industry collaboration through a more concerted campaign; increasing knowledge and recognition of Study in Wales and the Welsh offer for international students in key markets; and developing constructive connections with influential college admissions counsellors in the USA.
- Significant work on regulatory developments in Wales will be required in 2017 including a programme of work to influence the outcome of the Post Compulsory Education and Training (PCET) White Paper proposing the role and remit of a single strategic authority for PCET along with the appropriate regulatory models applying to different types of provider in Wales and necessary changes to the existing arrangements for regulated institutions. Further work will be required to safeguard the interests of Welsh universities in relation to the operation of UKRI and new UK wide arrangements introduced by the Humanities in the European Research Area 2015. An important area to monitor will also be legislative changes affecting universities in Wales as a result of Brexit and the Great Repeal Bill.

Conferences

Deliver a strong programme of revenue-generating Universities UK conferences by implementing further enhancements to event content, delegate experience, marketing output and sponsorship offering. The Universities UK Events team aim to provide an essential service to the sector and to Universities UK by generating surplus income and providing a vehicle to promote their work.

Medical and health

Our plans for 2017–18 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.

Council of Deans of Health will focus on aligning objectives around the key aims of the strategy and are committed to engaging with members to share success and be accountable for areas of delivery. The key areas of focus are five portfolios: workforce, research, regulation, global and education.

Exam delivery

Continue the Health Education England funded work to allocate posts for FP2018 and to continue to work with the British Pharmacological Society to deliver the Prescribing Safety Assessment.

Trustees' report (continued)

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 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.

Alistair Jarvis
Chief Executive
3 November 2017

Professor Julia Buckingham
Treasurer

Independent auditor's report to the members of Universities UK

Opinion

We have audited the financial statements of Universities UK for the year ended 31 July 2017 which comprise the Group Statement of Financial Activities, the Group Balance Sheet, Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and parent charitable company's affairs as at 31 July 2017 and of the group and parent charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

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

Responsibilities of trustees for the financial statements

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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the members of Universities UK

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' report (incorporating the Strategic report). Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report (which incorporates the Strategic report and the Directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' report (which incorporates the Strategic report and the Directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board (which incorporates the Strategic report and the Directors' report).

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

- adequate accounting records have not been kept by the parent charitable company; or
- the group and parent charitable company 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

Consolidated statement of financial activities – year ended 31 July 2017

Income and expenditure	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2017 £	Total Funds 2016 £
Income from:					
. Donations	2	916,637	—	916,637	640,864
. Charitable activities	3	6,495,097	4,806,485	11,301,582	9,886,850
. Other trading activities	4	1,014,077	124,951	1,139,028	950,069
. Investments		33,748	1,224	34,972	42,906
. Other income		5,443	420	5,863	56,932
Total		8,465,002	4,933,080	13,398,082	11,577,621
Expenditure on:					
. Raising funds		660,782	59,840	720,622	540,406
. Charitable activities		7,541,810	4,489,592	12,031,402	11,438,734
Total	7	8,202,592	4,549,432	12,752,024	11,979,140
Net (expenditure)/income		262,410	383,648	646,058	(401,519)
Transfers between funds	19	4,735	(4,735)	—	—
Net movements in funds		267,145	378,913	646,058	(401,519)
Total funds at 1 August 2016		2,620,278	5,148,730	7,769,008	8,170,527
Total funds at 31 July 2017	19	2,887,423	5,527,643	8,415,066	7,769,008

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 24 to 44 form part of these financial statements.

Balance sheets – 31 July 2017

	Notes	The Group		Universities UK	
		2017 £	2016 £	2017 £	2016 £
Fixed assets					
Intangible fixed assets	12	76,670	63,275	45,810	53,555
Tangible fixed assets	13	412,646	407,426	364,153	366,864
Investments	14	600,000	600,000	600,000	600,000
		1,089,316	1,070,701	1,009,963	1,020,419
Current assets					
Debtors					
- due within one year		2,996,943	1,594,919	2,516,916	1,829,214
- due after more than one year		750,000	375,000	750,000	375,000
	15	3,746,943	1,969,919	3,266,916	2,204,214
Investments – short term deposits		4,164,082	3,010,069	4,164,082	3,010,069
Cash at bank and in hand		4,688,298	4,827,898	1,784,211	1,156,908
		12,599,323	9,807,886	9,215,209	6,371,191
Liabilities					
Creditors: amounts falling due within one year	16	(4,189,366)	(1,970,080)	(3,848,135)	(1,821,911)
		8,409,957	7,837,806	5,367,074	4,549,280
<i>Net current assets</i>					
		9,499,273	8,908,507	6,377,037	5,569,699
<i>Total assets less current liabilities</i>					
		9,499,273	8,908,507	6,377,037	5,569,699
Creditors: amounts falling due after one year	17	(1,084,207)	(1,139,499)	(1,084,207)	(1,139,499)
Total net assets		8,415,066	7,769,008	5,292,830	4,430,200
Funds and reserves					
Restricted funds		5,527,643	5,148,730	2,430,560	1,820,679
Unrestricted funds		2,862,270	2,609,521	2,862,270	2,609,521
Non-charitable trading funds		25,153	10,757	—	—
Total funds	19	8,415,066	7,769,008	5,292,830	4,430,200

Gross income for the parent charity was £10,947,959 and gross expenditure was £10,098,677, resulting in a profit (before transfers) of £849,282 (2016: loss of £314,957). Advantage has been taken of the exemption in FRS 102 from the requirement to disclose transactions.

Approved by the Board of Directors and authorised for issue on 3 November 2017.

Signed on their behalf:

Alistair Jarvis
Chief Executive

Julia Buckingham
Treasurer

Company Number: 2517018

The notes on pages 24 to 44 form part of these financial statements.

Consolidated cash flow statement – year ended 31 July 2017

	2017 £	2016 £
(a) Reconciliation of net income/(expenditure to net cash flow from operating activities		
Net income/expenditure for the year	646,058	(401,519)
Interest income	(34,972)	(42,906)
Depreciation charges	162,685	144,061
(Increase)/Decrease in debtors	(1,777,024)	1,040,038
Increase/(Decrease) in creditors	2,163,994	(989,191)
Net cash used in operating activities	<u>1,160,741</u>	<u>(249,517)</u>
(b) Statement of cash flows		
Cash flows from operating activities	1,160,741	(249,517)
Cash flows for investing activities		
Purchase of tangible fixed assets	(181,300)	(165,673)
Interest income	34,972	42,906
Decrease/(Increase) in cash and deposits	(1,154,013)	139,931
Net cash used in investing activities	<u>(1,300,341)</u>	<u>17,164</u>
Change in cash and cash equivalents in the year	<u>(139,600)</u>	<u>(232,353)</u>
Cash and cash equivalents at 1 August	4,827,898	5,060,251
Cash and cash equivalents at 31 July	<u>4,688,298</u>	<u>4,827,898</u>

Notes to the financial statements – year ended 31 July 2017

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.

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.

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 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.

i. Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

j. Debtors

Short term debtors are measured at transaction price, less any impairment.

k. Operating leases

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

l. 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.

Notes to the financial statements (continued)

m. 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.

n. 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.

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 £916,637 (2016: £640,864). Other transactions with CVCP Properties plc are included in note 25.

3. Income from charitable activities

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Subscriptions from membership	5,755,691	1,599,857	7,355,548	6,316,997
Grants and contracts	55,389	2,992,897	3,048,286	2,749,427
Conference income	684,017	213,731	897,748	820,426
	<u>6,495,097</u>	<u>4,806,485</u>	<u>11,301,582</u>	<u>9,886,850</u>

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 2017 £	Total 2016 £
Universities UK	4,761,966	26,445	4,788,411	3,967,154
Universities Scotland	576,034	40,000	616,034	610,880
Universities Wales	417,691	—	417,691	392,557
Medical Schools Council	—	942,399	942,399	913,669
Council of Deans of Health	—	591,013	591,013	432,737
	<u>5,755,691</u>	<u>1,599,857</u>	<u>7,355,548</u>	<u>6,316,997</u>

Notes to the financial statements (continued)

6. Grants and contracts

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Health Education England	—	900,000	900,000	850,000
Higher Education Funding Council for England	—	704,150	704,150	960,656
British Council	—	356,962	356,962	187,506
Burdett Trust for Nursing	—	235,500	235,500	—
Scottish Funding Council	—	156,000	156,000	204,861
Dep for Business Innovation & Industrial Strategy	—	131,663	131,663	130,759
Leadership Foundation for Higher Education	—	87,500	87,500	15,000
NIHR CLAHRC	—	70,417	70,417	50,200
Professional HE Services Ltd	—	50,000	50,000	25,000
Higher Education Funding Council for Wales	—	42,864	42,864	78,296
All Party Parliamentary University Group	42,489	(275)	42,214	56,242
Conservatoires UK	12,900	26,600	39,500	38,600
Health Foundation	—	31,702	31,702	36,653
Department for Education	—	29,041	29,041	—
BEC.AR	—	28,500	28,500	—
Research Council UK	—	28,000	28,000	—
Public Health England	—	25,000	25,000	—
Welsh Government	—	15,000	15,000	15,000
Department for Employment & Learning	—	12,345	12,345	18,519
Visit Britain	—	—	—	45,657
Quality Assurance Agency	—	—	—	20,000
Other organisations (less than £15,000)	—	61,928	61,928	16,478
	<u>55,389</u>	<u>2,992,897</u>	<u>3,048,286</u>	<u>2,749,427</u>

7. Total resources expended

	Direct costs £	Support costs £	Total 2017 £	Total 2016 £
Cost of raising funds	699,779	20,843	720,622	540,406
Charitable activities				
Activities for members				
Core (see split below)	6,034,230	2,470,201	8,504,431	8,357,532
Conferences	555,316	105,224	660,540	653,583
Medical & health	1,357,501	275,249	1,632,750	1,255,909
Exam delivery	1,145,269	88,412	1,233,681	1,171,710
Total activities for members	9,092,316	2,939,086	12,031,402	11,438,734
Total resources expended	9,792,095	2,959,929	12,752,024	11,979,140

	Direct costs £	Support costs £	Total 2017 £	Total 2016 £
Split of core activities				
England, NI and UK-wide	3,073,055	2,131,622	5,204,677	5,367,935
International	1,601,901	44,808	1,646,709	1,620,936
Universities Wales	481,190	52,884	534,074	497,022
Universities Scotland	878,084	240,887	1,118,971	871,639
Total core activities	6,034,230	2,470,201	8,504,431	8,357,532

8. Support costs allocations

	Premises £	Governance £	Depreciation £	Finance, HR IT£	Other £	Total 2017 £	Total 2016 £
Trading activities: costs of goods sold and other costs	9,708	1,322	1,457	5,710	2,646	20,843	23,981
Charitable activities							
Core	1,051,125	147,815	97,871	744,119	429,271	2,470,201	2,285,475
Conferences	44,810	6,300	4,196	31,673	18,245	105,224	80,216
Medical and health	103,114	16,486	22,140	46,272	87,237	275,249	182,136
Exam delivery	18,472	9,496	—	60,444	—	88,412	87,441
Total resources	1,227,229	181,419	125,664	888,218	537,399	2,959,929	2,659,249

Notes to the financial statements (continued)

8. Support costs allocations (continued)

	Total 2017	Total 2016
	£	£
Governance costs are made up of the following:		
Staff costs	140,094	131,248
External audit	21,059	19,115
Other professional fees	17,725	20,976
Meeting costs and expenses	2,541	5,221
	181,419	176,560

	Total 2017	Total 2016
	£	£
Other direct costs include:		
Auditors' remuneration:		
. For audit services	22,019	21,375
. For other services	4,061	790
. Prior year fees: other services	1,200	(2,260)
Operating lease rentals:		
. Land and buildings	948,549	888,622
. Office and equipment	20,620	40,379

9. Analysis of staff costs

	Total 2017	Total 2016
	£	£
Total staff costs including full and part-time employees were:		
Wages and salaries	5,731,679	5,272,242
Social security costs	616,557	487,117
Other pension costs	834,940	1,008,883
Termination payments	56,535	17,114
	7,239,711	6,785,356

In 2016 a further £35,621 in termination costs were covered by third parties.

	2017	2016
	No.	No.
The average number of employees throughout the year was:		
Charitable activities	107	108
Support staff	24	23
Trading activities – Woburn House Conference Centre Limited	3	3
	134	134

9. Analysis of staff costs (continued)

The number of employees whose emoluments exceeded £60,000 (excluding employer's pension contributions) was 15 (2016: 14).

	2017 No.	2016 No.
£60,001 - £70,000	7	8
£70,001 - £80,000	2	—
£80,001 - £90,000	3	2
£90,001 - £100,000	—	2
£110,001 - £120,000	2	1
£140,001 - £150,000	1	1

The total employer pension contributions for these staff were £214,639 (2016: £189,716).

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 six trustees amounting to £4,998 (2016: five trustees - £3,609).

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

	2017 £	2016 £
Wages and salaries	255,873	244,254
Social security costs	32,862	29,747
Other pension costs	46,057	40,788
	<u>334,792</u>	<u>314,789</u>

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 (continued)

12. Intangible fixed assets

	Group £	Universities UK £
Website development and software		
Cost		
At 1 August 2016	443,088	324,479
Additions	67,549	28,549
Written off	(44,725)	(15,175)
At 31 July 2017	<u>465,912</u>	<u>337,853</u>
Depreciation		
At 1 August 2016	379,813	270,924
Charge for year	54,154	36,294
Written off	(44,725)	(15,175)
At 31 July 2017	<u>389,242</u>	<u>292,043</u>
Net book value		
At 31 July 2017	<u>76,670</u>	<u>45,810</u>
At 31 July 2016	<u>63,275</u>	<u>53,555</u>

13. Tangible fixed assets

Group	Leasehold Improvements £	Furniture & Equipment £	Office Technology £	Total £
Cost				
At 1 August 2016	470,403	593,753	248,420	1,312,576
Additions	25,615	49,457	38,679	113,751
Written off	—	(48,002)	(43,535)	(91,537)
At 31 July 2017	<u>496,018</u>	<u>595,208</u>	<u>243,564</u>	<u>1,334,790</u>
Depreciation				
At 1 August 2016	127,019	562,798	215,333	905,150
Charge for year	43,530	31,725	33,276	108,531
Written off	—	(48,002)	(43,535)	(91,537)
At 31 July 2017	<u>170,549</u>	<u>546,521</u>	<u>205,074</u>	<u>922,144</u>
Net book value				
At 31 July 2017	<u>325,469</u>	<u>48,687</u>	<u>38,490</u>	<u>412,646</u>
At 31 July 2016	<u>343,384</u>	<u>30,955</u>	<u>33,087</u>	<u>407,426</u>

13. Tangible fixed assets (continued)

	Leasehold Improvements £	Furniture & Equipment £	Office Technology £	Total £
Universities UK				
Cost				
At 1 August 2016	470,403	385,899	127,456	983,758
Additions	25,615	8,692	34,029	68,336
Written off	—	—	(28,849)	(28,849)
At 31 July 2017	<u>496,018</u>	<u>394,591</u>	<u>132,636</u>	1,023,245
Depreciation				
At 1 August 2016	127,019	376,427	113,448	616,894
Charge for year	43,530	5,330	22,187	71,047
Written off	—	—	(28,849)	(28,849)
At 31 July 2017	<u>170,549</u>	<u>381,757</u>	<u>106,786</u>	659,092
Net book value				
At 31 July 2017	<u>325,469</u>	<u>12,834</u>	<u>25,850</u>	364,153
At 31 July 2016	<u>343,384</u>	<u>9,472</u>	<u>14,008</u>	366,864

14. Investments held as fixed assets

	Total 2017 £	Total 2016 £
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	
	2017 £	2016 £	2017 £	2016 £
Trade debtors	1,366,901	429,134	398,434	287,947
Amounts due from subsidiary undertakings	—	—	562,158	432,778
Other debtors	959,037	683,613	959,037	683,613
Prepayments and accrued income	671,005	482,172	597,287	424,875
Loan	750,000	375,000	750,000	375,000
	<u>3,746,943</u>	<u>1,969,919</u>	<u>3,266,916</u>	<u>2,204,213</u>

The £750,000 loan is repayable after more than one year (2016: £375,000).

Notes to the financial statements (continued)

16. Creditors: amounts falling due within one year

	Group		Universities UK	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	424,930	496,282	239,070	408,730
Amounts due to subsidiary undertakings	—	—	9,365	16,855
Taxation and social security	245,665	202,049	245,665	181,571
Other creditors	114,350	107,051	114,350	107,051
Accruals and deferred income	3,404,421	1,164,698	3,239,685	1,107,704
	4,189,366	1,970,080	3,848,135	1,821,911

At the year end outstanding pension contributions amounted to £114,350 (2016: £107,051).

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

Group and Universities UK	Total 2017	Total 2016
	£	£
Accruals		
Pension deficit funding payments in relation to USS	1,084,207	1,115,204
Pension deficit funding payments in relation to SAUL	—	24,295
	1,084,207	1,139,499

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:

Group and Universities UK	Total 2017	Total 2016
	£	£
Land and buildings:		
. Within one year	1,003,213	336,212
. Between one and five years	4,011,400	462,240
. After five years	3,985,009	105,942
Office equipment:		
. Within one year	9,898	21,212
. Between one and five years	11,230	20,775
	9,020,750	946,381

19. Movement in funds

	At 1 August 2016 £	Incoming resources £	Resources expended £	Transfers £	At 31 July 2017 £
Unrestricted funds					
Investment fund	600,000	—	—	—	600,000
Universities Scotland / Universities Wales	430,089	1,053,832	(1,449,298)	412,635	447,258
General funds	1,579,432	6,877,442	(6,233,962)	(407,900)	1,815,012
	2,609,521	7,931,274	(7,683,260)	4,735	2,862,270
Restricted funds					
Medical Schools Council	1,404,692	410,219	(481,472)	(1,700)	1,331,739
MSC Assessment	790,990	858,855	(832,484)	5,800	823,161
MSC Assessment Alliance	543,435	282,700	(410,051)	(15,494)	400,590
Selecting for Excellence	170,579	50,000	(145,867)	—	74,712
Assoc of UK University Hospitals	209,135	149,601	(117,463)	(824)	240,449
Dental Schools Council	90,099	89,020	(70,954)	(515)	107,650
Pharmacy Schools Council	79,776	59,000	(67,613)	(618)	70,545
Council of H'care Science in HE	39,347	—	(180)	—	39,167
Association of Dental Hospitals	—	17,000	(7,929)	—	9,071
Council of Deans of Health	295,644	944,259	(703,074)	(11,384)	525,445
Health Services Research N'work	74,406	58,612	(87,348)	—	45,670
CLAHRC	67,322	98,693	(117,009)	—	49,006
Mental Health in Higher Education	—	50,000	(32,429)	—	17,571
Universities UK International (UUKi)	449,431	830,527	(584,742)	—	695,216
Outward mobility	305,365	11,006	(46,902)	—	269,469
Science Without Borders	152,214	—	(55,971)	—	96,243
Newton	43,720	129,200	(91,553)	—	81,367
HEGloba	47,354	40,563	(31,500)	—	56,417
GSIKEP	—	64,000	(62,278)	—	1,722
EHEA Widening Participation	—	59,337	(58,355)	—	982
BEC.AR	—	58,500	(17,603)	—	40,897
Universities Wales International	25,381	68,761	(53,488)	20,000	60,654
US International	114,201	175,249	(192,213)	—	97,237
US Committee for Scottish Chairs	44,989	—	(24,199)	—	20,790
Efficiency and innovation hub	(32,883)	87,500	(39,142)	—	15,475
Efficiency benchmarking	29,941	—	—	—	29,941
Open Access	78,007	71,000	(46,829)	—	102,178
PREVENT	16,208	264	(10,051)	—	6,421
Ratings	—	50,000	—	—	50,000
APPUG	13,622	(275)	(13,021)	—	326
Degree Algorithms	—	72,637	(28,780)	—	43,857
Degree Apprenticeships	—	61,013	(52,279)	—	8,734
Other	95,755	85,839	(66,653)	—	114,941
	5,148,730	4,933,080	(4,549,432)	(4,735)	5,527,643
Non-charitable trading funds	10,757	533,728	(519,332)	—	25,153
Group – total funds	7,769,008	13,398,082	(12,752,024)	—	8,415,066

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

Notes to the financial statements (continued)

19. Movement in funds (continued)

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

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 **Association of Dental Hospitals** represents the voices of dental hospitals across the UK and Ireland.

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.

Mental health in Higher Education aims to improve mental health in higher education, developing and implementing a framework for university leaders to adopt a whole university approach to mental health alongside a mental health audit and knowledge exchange.

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

19. Movement in funds (continued)

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 19 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.

Gulf Science, Innovation, Knowledge Economy Programme (GSIKEP) is a UK Government funded programme to promote collaboration between the UK and the Gulf Cooperation Council in higher education, science and innovation.

The **EHEA Widening Participation** in UK outward student mobility project supports universities in developing and implementing effective strategies to increase participation in mobility programmes by students from disadvantaged and under-represented backgrounds.

UUKi is working with the Argentinian Ministry of Education to support the **BEC.AR** scholarship programme, which provides training and development opportunities to Argentine professionals in science and technology fields and will further develop UK-Argentina bilateral relations and scientific collaboration.

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

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 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 (continued)

19. Movement in funds (continued)

Degree Algorithms is a project undertaken at the request of the funding councils to map and explain existing practice and trends in relation to the design of degree algorithms in the UK higher education sector.

Degree Apprenticeships and Trailblazer project is a HEFCE funded project to support the sector to deliver degree apprenticeships and develop trailblazer standards for the sector.

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	37,660	403,628	48,028	489,316
Investments	—	600,000	—	600,000
	37,660	1,003,628	48,028	1,089,316
Net current assets/(liabilities)	5,489,983	2,942,849	(22,875)	8,409,957
Long-term liabilities	—	(1,084,207)	—	(1,084,207)
Group total	5,527,643	2,862,270	25,153	8,415,066

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 2017 and 2016, 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 2017 £	Total 2016 £
<i>Profit and loss account:</i>		
Turnover	1,134,424	1,047,166
Cost of sales	(522,136)	(474,833)
Gross profit	612,288	572,333
Administration costs	(59,215)	(52,049)
Staff costs	(177,730)	(167,054)
Operating profit	375,343	353,230
Interest receivable	148	277
Gift aid payment to Universities UK	(361,095)	(353,507)
Profit on ordinary activities before taxation	14,396	—
Taxation	—	—
Profit on ordinary activities after taxation	14,396	—

21. Subsidiaries (continued)

	Total 2017 £	Total 2016 £
<i>Balance sheet:</i>		
Fixed assets	48,028	39,634
Current assets	524,918	394,219
Creditors: amounts falling due within one year	<u>(547,793)</u>	<u>(423,096)</u>
Net current liabilities	(22,875)	(28,877)
Total net assets	<u>25,153</u>	<u>10,757</u>
Represented by:		
Share capital	2	2
Profit and loss account	<u>25,151</u>	<u>10,755</u>
	<u>25,153</u>	<u>10,757</u>

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 2017 and 2016, 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 2017 were £1.3m (2016 free reserves: £1.4m) which is equal to 33 months of unrestricted expenditure (2016: 46 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 2017 £	Total 2016 £
<i>Income and expenditure account:</i>		
Income	1,093,540	993,701
Expenditure	<u>(1,356,680)</u>	<u>(1,083,987)</u>
Deficit	<u>(263,140)</u>	<u>(90,286)</u>

	Total 2017 £	Total 2016 £
<i>Balance sheet:</i>		
Assets	2,517,176	2,692,575
Liabilities	<u>(243,254)</u>	<u>(155,513)</u>
Net assets	<u>2,273,922</u>	<u>2,537,062</u>

Notes to the financial statements (continued)

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 2017 and 2016, 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 2017	Total 2016
	£	£
<i>Income and expenditure account:</i>		
Income	908,855	901,834
Expenditure	(876,684)	(908,610)
Surplus/(deficit)	32,171	(6,776)

	Total 2017	Total 2016
	£	£
<i>Balance sheet:</i>		
Assets	952,982	815,437
Liabilities	(129,821)	(24,447)
Net assets	823,161	790,990

22. Conduit funding

	2017	2016
	£	£
Funds received in advance b/fwd	346,925	1,245,033
Amount received	787,304	19,609,649
Amount paid out	(346,925)	(20,507,757)
Funds received in advance c/fwd	787,304	346,925

Amounts received and dispersed to universities on behalf of the Brazilian Government for the scholarship programme Science without Borders, and the Argentinian Ministry of Education for the scholarship programme BEC.AR.

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

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 2017, USS had 190,546 (2016: 180,862) 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 (continued)

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 2013.

At 31 March 2017, SAUL had 46,115 (2016: 42,359) members.

Summary	USS	SAUL
Group contributions for the year to 31 July 2017	£726,589	£205,216
Active members at 31 July 2017	82	41
Group contributions for the year to 31 July 2016	£633,425	£154,256
Active members at 31 July 2016	78	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 2.0%, and a discount rate of 1.87% (2016: 2.1%, 2%, 1.73%).

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 0.95% (2016: 3%, 2%, 0.81%).

24. Financial instruments

	2017	2016
	£	£
Financial assets measured at amortised cost	12,599,323	9,807,886
Financial liabilities measured at amortised cost	5,273,573	3,109,579

Financial assets measured at amortised cost comprise debtors and cash.

Financial liabilities measured at amortised cost are creditors.

25. Related Party Transactions

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

	2017 £	2016 £
Included in income and debtors		
Covenanted income	<u>916,637</u>	<u>640,864</u>
Sale of goods and services	<u>25,120</u>	<u>25,000</u>
Included in expenditure		
Rental and service charges	<u>696,600</u>	<u>685,378</u>
Included in debtors		
Other recharges	<u>35,626</u>	<u>36,354</u>
Loan	<u>750,000</u>	<u>375,000</u>

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

	2017	2016
Included in expenditure and creditors		
Grant payable	25,000	50,237
Other costs	<u>—</u>	<u>8,323</u>
	<u>25,000</u>	<u>58,560</u>
Creditors	<u>—</u>	<u>20,131</u>
Included in income and debtors		
Charges made	<u>340</u>	<u>1,651</u>
Debtors	<u>—</u>	<u>—</u>

Universities UK also made payments for services to the Higher Education Statistics Agency £7,316 (2016: £12,297) and UCAS £720 (2016: £1,440), 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 2017 there were 135 members (2016: 133).

Notes to the financial statements 31 July 2017

27. Income and expenditure by fund

	Notes	Unrestricted Funds 2017 £	Unrestricted Funds 2016 £	Restricted Funds 2017 £	Restricted Funds 2016 £	Total Funds 2017 £	Total Funds 2016 £
Income from:							
. Donations	2	916,637	640,864	—	—	916,637	640,864
. Charitable activities	3	6,495,097	5,524,964	4,806,485	4,361,886	11,301,582	9,886,850
. Other trading activities	4	1,014,077	901,468	124,951	48,601	1,139,028	950,069
. Investments		33,748	40,115	1,224	2,791	34,972	42,906
. Other income		5,443	7,115	420	49,817	5,863	56,932
Total		8,465,002	7,114,526	4,933,080	4,463,095	13,398,082	11,577,621
Expenditure on:							
. Raising funds		660,782	521,898	59,840	11,820	720,622	533,718
. Charitable activities		7,541,810	6,764,917	4,489,592	4,680,505	12,031,402	11,445,422
Total	7	8,202,592	7,286,815	4,549,432	4,692,325	12,752,024	11,979,140
Net income/(expenditure)		262,410	(172,289)	383,648	(229,230)	646,058	(401,519)
Transfers between funds		4,735	(69,636)	(4,735)	69,636	—	—
Net movements in funds		267,145	(241,925)	378,913	(159,594)	646,058	(401,519)
Total funds at 1 August		2,620,278	2,862,203	5,148,730	5,308,324	7,769,008	8,170,527
Total funds at 31 July		2,887,423	2,620,278	5,527,643	5,148,730	8,415,066	7,769,008

Please refer to Note 19 in the financial statements for the year ended 31 July 2016 for details of prior year fund movements.

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This publication has been produced by Universities UK, the representative organisation for the UK's universities. Founded in 1918, its mission is to be the voice of universities in the UK, providing high quality leadership and support to its members to promote a successful and diverse higher education sector. With 136 members and offices in London, Cardiff (Universities Wales) and Edinburgh (Universities Scotland), it promotes the strength and success of UK universities nationally and internationally.

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ISBN 978-1-84036-389-0

November 2017