

Annual report and consolidated financial statements

Year ended 31 July 2018

Charity Number: 1001127
Company Number: 2517018



Universities UK

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Trustees' report

The trustees present their report and the financial statements for Universities UK for the year ended 31 July 2018.

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 who have met the criteria for membership agreed by the board of the company. It currently has 137 members (136 at 31 July 2018). 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 or appointed from among its members. Those appointed for the year to 31 July 2018 were as follows:

Professor Dame Janet Beer DBE	President
Baroness Valerie Amos CH	
Sir David Bell	Vice-President England and Northern Ireland
Professor Paul Boyle CBE	
Professor Dame Glynis Breakwell DBE*	
Professor Julia Buckingham CBE	Treasurer
Mr Nigel Carrington	
Professor Sir David Eastwood	
Professor Alistair Fitt	
Professor Debra Humphris	
Sir Alan Langlands	
Professor G Q Max Lu	
Professor Julie Lydon OBE	Chair, Universities Wales & Vice-President Wales
Professor David Maguire	
Professor Sally Mapstone	
Professor Quintin McKellar CBE	
Professor Sir Anton Muscatelli	
Professor Patrick Nixon	
Professor Andrea Nolan OBE	Convener, Universities Scotland & Vice-President Scotland
Professor Paul O'Prey CBE*	
Mr Bill Rammell	
Professor Louise Richardson	
Professor Sir Steve Smith	
Professor Rama Thirunamachandran	

* Term of office ended 31 July 2018

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

Professor Graham Galbraith	Appointed 1 August 2018
Professor David Phoenix OBE	Appointed 1 August 2018

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

Trustees' report (continued)

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 in May 2013. 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 SC029163.

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 22 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.

Governance and decision-making

Non-executive directors/trustees

The Board of Trustees comprises up to 24 members and meets five times a 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, serving as Vice-Presidents alongside an elected Vice-President for England and Northern Ireland.

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.

Charity Governance Code

Our current practice has been reviewed against the Charity Governance Code (2017). Universities UK is committed to applying good practice where possible and explaining where it is not aligned, and the reasons for this or changes that are being planned. The Code is applied in the context of Universities UK being a relatively small membership organisation of 137 members, with the majority of the Board elected by and from its membership. This in itself prompts challenges in achieving the full recommendations of principle 6 (diversity) and the composition recommendations in principle 5 (board effectiveness).

Principle 1 – organisational purpose

During the 2017–18 year there has been significant work focused on developing a new five-year strategic plan for 2018–23. As part of this the Board and membership reviewed and refreshed the mission, vision and strategic objectives and developed measures for future evaluation and reporting.

Principle 2 – leadership

The Board is led by the President, supported by an Executive and across the Board and Executive there are robust debates leading to an agreed direction for the officers and staff to follow. 2017–18 saw the appointment through a competitive recruitment and selection process of a new Chief Executive, led by the President supported by Board officers, with the appointment agreed by the full Board.

Principle 3 - integrity

Board and Executive Committee members declare all conflicts of interest at every Board meeting and will absent themselves from discussions as required.

Principle 4 – decision making, risk and control

The Board have oversight of finance, performance and risk through its committee structure and Board meeting agendas. The Treasurer's Committee considers risk at each meeting and advises the Board. The Board are presented with the strategic risk registers at every meeting and have a full discussion on risk once a year, or more often if significant changes occur.

Principle 5 – Board effectiveness

The majority of Board members are elected from the membership by the membership. There are agreed lengths of time for Board members to serve, and they are subject to re-election when those terms expire. It is unusual for terms to exceed nine years, but possible if members are elected to different roles on the Board or they have specific expertise or responsibilities relevant to the Board's deliberations. On retiring from the Board on 31 July 2018, Professor Dame Glynis Breakwell DBE had served 12 years in a number of different roles as had Professor Anton Muscatelli who had served 10 years. The Board is commissioning a review of governance and this will include reviewing the Board's effectiveness.

Principle 6 – diversity

The majority of the Board (18 members) are elected from and by the membership, therefore there is a limit to the number and diversity of potential candidates. In addition to the elected positions, the President nominates six members to join the Board and this focuses on building diversity and bringing balance to the Board in terms of protected characteristics, mission, type and location of the member institution, and the background, experience and specific expertise of individuals.

Trustees' report (continued)

Principle 7 – openness and accountability

The Board and Chief Executive keep all members updated with developments through Members Meetings, regular newsletters, briefings and one-to-one contact. The President issues a written report to all Universities UK members following each Board meeting on the decisions taken. All members are made aware of opportunities to put themselves forward for Board positions. All elections to the Board are operated by Electoral Reform Services and include an open call for nominations across the membership. Universities UK's membership criteria are published on its website.

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 members of the Executive Committee.

This year the Remuneration Committee terms of reference were reviewed in light of the Committee of University Chairs' Higher Education Senior Staff Remuneration code so our practices are in line with the demands on our members. Benchmarking reports are used as a measure for the Directors' pay, comparing ourselves to similar size organisations in terms of headcount or income in not for profit and membership organisations.

Executive management

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

Strategic report

Objectives and activities

Purpose and objectives

The objectives of Universities UK as set out in its Articles 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.

From August 2018, our refreshed mission, as part of our new five-year strategic plan is to create the conditions for UK universities to be the best in the world; maximising their positive impact locally, nationally and globally.

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

2017–18 represented the fifth and final 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.

A new set of strategic aims have been developed and agreed by the Board as part of the strategic plan for 2018–23.

Activities for members – England, Northern Ireland and UK wide

What did we say we would do?

We 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
- The new regulatory environment for universities
- Social mobility and student experience
- Higher level skills and degree apprenticeships

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 2017–18. Together with the priority programmes, they have 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

- We positioned the sector as a credible and influential voice in the post-18 funding review in England, communicating clear policy positions and strengthening the evidence base in key areas such as student perceptions, demand for higher-level skills, part-time learners and skills pathways. We also promoted the need for better maintenance support for students.
- On immigration, we contributed to shaping the settled status process for EU nationals. We submitted strong evidence to the Migration Advisory Committee (MAC) on both the positive impact of international students and the importance of EEA workers, based on input from almost 70 universities.
- Alongside the work for the MAC, we developed and tested with universities and the business community proposals for a new post-study work visa regime which we launched at Universities UK's annual conference in September 2018. We also arranged several roundtables and workshops with the MAC secretariat so that staff at member institutions could present their evidence and arguments.
- We gave evidence to every select committee inquiry on higher education priorities including value for money, student loans, the economics of higher education, freedom of speech, Brexit and tackling sexual harassment and gender-based violence providing opportunities for Universities UK priorities to be better understood by parliamentarians.
- We supported members to adjust to the biggest change in sector regulation in England for a generation as the Office for Students and UK Research and Innovation came into operation. We are helping to shape the regulatory environment for the sector, both in the short term and by developing longer-term thinking. We have worked with Department for Education to inform the consultation process on the Office for Student's regulatory framework in England and continue to support the development and implementation of an effective Teaching Excellence and Student Outcomes Framework (TEF).
- We played an active role in the establishment of the UK Standing Committee for Quality Assessment that brings sector representatives, national funders and regulators alongside the Quality Assurance Agency (QAA) and Office of the Independent Adjudicator (OIA) to coordinate a UK approach to quality and standards.
- We created and shared opportunities for members to meet and influence senior figures in Westminster and Whitehall through public and private meetings, attended party conferences, and organised briefing seminars and receptions.
- We coordinated the work of the All-Party Parliamentary University Group (APPUG) which creates regular opportunities for members to meet with MPs, peers and ministers to discuss topical issues with them.
- We promoted the value of degree apprenticeships and influenced policy and their development through engagement with officials, ministers, and government agencies.
- We have publicly defended the sector from unfair and ill-informed criticism including robust responses, widely covered in the media, on a range of topical issues. We have also enhanced our capacity to reach new audiences through digital channels and targeted campaigns.

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

- We are supporting universities to tackle some of the most challenging issues facing society and institutions and driving culture change. This includes our work to address gender-based violence and harassment in universities and improve student mental health.
- We published new guidance to improve the links between universities and the NHS, promoted our whole-institution approach to student mental health and wellbeing and focused on developing long-term solutions to an emotive and hugely challenging issue.
- We have shown leadership on addressing the BME attainment gap with the establishment of our joint initiative with the National Union of Students.
- On research and innovation, we have taken steps to highlight the importance of research integrity and universities responsibilities, influenced the development of the REF2021 and supported the transition towards open access.
- Working in partnership with the #IWill campaign we continued to promote the value of volunteering and social action as a valuable way to make a positive impact on society whilst

developing key character attributes that will set people up for work and life both at and beyond university.

- Our digital campaigning provided platforms to share real-life stories from staff and students including through the *Brightest Minds* campaign showcasing the vital contribution of EU staff to our universities and our society, and the *Opportunity for Everyone* campaign, featuring inspirational stories showing how higher education can transform lives. These campaigns demonstrated how our use of digital channels can help us engage with new audiences and present compelling first-person experiences.

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

- We offered high-quality and timely information and advice to members by way of briefings, reports and newsletters across the full range of issues and policies affecting higher education and on specific fiscal announcements (such as the Budget and Autumn Statement), and technical and legal issues.
- We concluded our review of higher education sector agencies and supported the launch of Advance HE. This extensive project saw us examine how sector agencies can deliver increased value for universities and resulted in a new streamlined body which is striving to be better aligned with the sector's needs.
- The new vice chancellors group offered sessions focused on the challenges and issues of being new in post as a vice-chancellor and opportunities for new members to network.
- A mid-term vice-chancellors group was also developed as a new service for members.
- Proposals were developed for further peer-to-peer learning for vice-chancellors and three opt-in sessions will be piloted in 2018–19.
- We hosted regular discussion and networking events, at both a national and regional level, for university leaders to examine the latest policy developments and consider sector influencing priorities.
- We sought the expertise of our members and involved them in decision making through our policy networks, task and finish groups and facilitated sessions at members' meetings. We started a review of how we engage with members to develop our policy and campaigning priorities with a review of the policy networks which will conclude in 2018–19.
- We negotiated outcomes on behalf of the sector that generate financial efficiencies and support collective approaches, including the rating valuations, updating the Statement of Recommended Practice (SORP), copyright and the accommodation code of practice.
- In our role of formally representing more than 350 employers in the University Superannuation Scheme (USS) pension scheme we represented the diverse views of employers in negotiations with the University and College Union (UCU) on the 2017 valuation and in developing proposed reforms. These unsuccessful negotiations and contested reforms led to industrial action and requests from employers to return to negotiations to seek new proposals to complete the 2017 valuation. With UCU, we established the Joint Expert Panel (JEP) to review the valuation assumptions. Reporting in September 2018, the JEP recommended possible ways of reducing the deficit and the cost of future defined benefit provision which we hope will create the space for a joint agreed solution to conclude the 2017 valuation.

Activities for members - International

What did we do and achieve?

- Universities UK has undertaken a significant programme of work to address the implications for universities of the UK leaving the EU, by securing ongoing UK participation in the EU Framework Programme for Research and Innovation (Horizon 2020) and Erasmus+, as well as shaping their successor programmes due to begin in 2021, and influencing the government to engage with a secure UK association to both. We have also worked extensively to secure assurances from government on the fee and loan status of EU students starting a course in 2018–19, and on the residency rights of current EU nationals working across the university sector.
- We have engaged extensively with government ministers, key officials in the Departments for Education, Business, Energy and Industrial Strategy, Exiting the EU and the Home Office to inform Brexit-related policy.

Trustees' report (continued)

- We have delivered a substantial programme of engagement to strengthen ties with our European partners. This has included regular delegations to meet key stakeholders in Brussels. We have also organised an extensive schedule of bilateral meetings with European Rectors' organisations, universities and policy makers including delegations and events in Austria, Denmark, Finland, France, Germany, Greece, Italy, Luxemburg, the Netherlands, Poland and Sweden.
- We launched our *Go International: Stand Out* campaign to double the percentage of UK students who spend a period of time abroad during their studies. By the end of the period, 80 universities had committed to the campaign and a parliamentary event was held to celebrate the campaign at which Minister for Universities, Sam Gyimah, spoke.
- We have created and implemented the Rutherford Fund Strategic Partner grants programme.

Activities for members - Universities Scotland

What did we say we would do?

- Influence the Spending Review outcome to achieve progress towards sustainable funding of universities.
- Influence 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.
- Ensure the university sector is recognised by government and politicians as leaders in developing policy and practice to promote wide access for students from challenged backgrounds.
- Support excellent research and innovation through:
 - policymaking at a Scottish level and
 - creation of an environment that enables Scottish success in leveraging funding from UK and wider sources.
- Influence Brexit and constitutional policies to support members' success.
- Ensure higher education institutions are recognised and supported as a central part of Scotland's international impact.

What did we do and achieve?

2017–18 was a year of solid achievement for Universities Scotland, at the centre of which was a Spending Review outcome ahead of members' expectations. The 2018–19 budget settlement outcome included:

- Core teaching and research grants increased by 1.8%.
- Gross teaching subject prices increased by 2.6%.
- University Innovation Fund increased by 10%.
- Capital/Maintenance Grant funding increased by £2.9 million.
- Financial Transaction funding ('soft loans') increased by £30 million.

Universities Scotland's further lobbying to secure Barnett consequential from increased research and innovation spend in England resulted in a further enhancement, announced in July. This provided:

- A further 2.7% increase in Research Excellence Grant, to £242.4 million
- A further 39% increase in University Innovation Fund, to £18.7 million

Universities Scotland additionally campaigned successfully to maintain universities' charitable reduction on non-domestic rates, which was put at risk in relation to higher education institutions' 'commercial' activities by the Barclay Review.

After intensive evidenced engagement with multiple Scottish Government workstreams, and presentation of the sector's own proposals, the Scottish Government published in May proposals that were closely aligned with Universities Scotland's own policy on learner journey issues. This was a significant achievement: the project had started with a high risk of driving damaging 'rationalisation' of tertiary provision, which would have limited learners' opportunities and damaged institutional sustainability.

Universities Scotland demonstrated sector leadership of the widening access agenda throughout 2017–18. Universities Scotland’s policy and implementation plan ‘Working to Widen Access’ was published in November 2017, setting out a programme of action on widening access.

Since then, Universities Scotland has taken action forward through working groups involving university experts and key stakeholders on:

- admissions policy and practice
- clear language for learners and their advisers about admissions
- articulation from college to university, jointly with Colleges Scotland.

Universities Scotland achieved Scottish political support for a Brexit that protects student and staff mobility and future research co-operation, and through Universities UK seeing these reflected in the UK Government’s priorities. Outcomes remain highly uncertain.

Activities for members - Universities Wales

What did we say we would do?

- Focus on 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 £28 million cut for higher education in 2017–18. Push for alternative sources of funding, for example, capital funding.
- 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, while also supporting Universities UK’s Brexit priorities e.g. student and staff mobility and access to other EU programmes.
- Deliver the third year of the Global Wales partnership, including strengthening links with Vietnam, including 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 through developing constructive connections with influential college admissions counsellors in the USA.
- Significant work on regulatory developments in Wales will be required 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 UK Research and Innovation and new UK wide arrangements introduced by the Higher Education and Research Act 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.

What did we do and achieve?

- The overall higher education budget for 2018–19 will increase by £9.1 million to £113.5 million, compared to £104.4 million in the first supplementary budget for 2017–18. This includes:
 - £4.1 million additional funding for Diamond implementation.
 - £5 million additional funding for 2018–19 to deal with ‘immediate issues arising from tuition fee changes’.
 - Plus £10 million of capital funding which has been ring-fenced for higher education to improve estates efficiencies.
- Universities Wales has continued to ensure Universities UK’s Brexit work reflects the priorities of its members. The reassurances of continued access, and Treasury guarantees of funding, for EU programmes until 2020 have been a big achievement for the sector. Universities Wales has prioritised influencing decisions regarding replacement Structural Funds, given their importance in Wales.
- As a result of the successes of the third year of the Global Wales project, the Welsh Government announced in July 2018 that Universities Wales had been successful in a bid to the Welsh Government’s EU Transition Fund and that it would be investing £3.5 million in a programme run by Universities Wales to drive international partnerships and to promote Wales as a study destination in a post Brexit world.

Trustees' report (continued)

- Universities Wales has spent a significant amount of time and resource on influencing the outcome of the proposed PCET reforms. The review reflected much of Universities Wales' input and it has been taken into account in writing its response to the Welsh Government's PCET technical consultation.
- Work with UK Research and Innovation (UKRI) has been one of Universities Wales' key priorities. In addition to building relationships and working to inform new UKRI employees about the Welsh system, Universities Wales has further embedded the role of universities in the Welsh economy by building a successful tripartite partnership between Universities Wales, the Welsh Government and Welsh business representatives in a 'team Wales' approach to maximise the opportunities for Wales from UKRI and the UK Government's industrial strategy.
- Universities Wales welcomed Professor Reid's review of government-funded research and innovation in Wales this year. It helped enormously with its ongoing challenge of protecting quality-related research funding for universities in Wales, while raising some much-needed awareness of the value of research and innovation with key decision-makers.
- Despite skills and apprenticeships being a new area of work for Universities Wales this year, it has successfully influenced the Welsh Government to change course on their funding arrangements for degree apprenticeships to the Welsh universities' preferred route.

Activities for members - Conferences

What did we say we would do?

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

What did we do and achieve?

- The Universities UK events team organised 15 paid for conferences and six seminars which attracted around 2,000 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, and the future of research and student experience.
- Universities UK International hosted five internationally focused events including: the *International Higher Education Forum 2018*, *Navigating TNE Finances*, *Due Diligence in a Shifting TNE Landscape*, *Stand Out*, *Strategies for Success and Networks and Collaboration*, *A New TNE*. Together these events had over 500 delegates.
- Universities Wales was involved in arranging two events held in Wales. Both were Universities Wales, Welsh Government and CBI Wales roundtable meetings to discuss how Wales could put consortia together to bid for a) the third phase of the Industrial Strategy Challenge Fund, and b) the Strength in Places Fund. There has been increased engagement from the Welsh Government as a result of this, with offers to support bids, and we understand that consortia were formed and submitted bids as a result.

Medical and health

What did we say we would do?

To continue the strategic focus on assessment and on widening participation. Medical Schools Council will work closely with the General Medical Council (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.

The Council of Deans of Health will focus on delivering its three strategic priorities of influencing healthcare policy UK-wide; securing sustainable funding for its disciplines; and fostering leadership and innovation in healthcare higher education. Work will be delivered across the five policy portfolios: workforce, research, regulation, global and education impact.

What did we do and achieve?

The Medical Schools Council has:

- Continued engagement and influencing with major stakeholders. These have included the NHS Medical Director, the CEO of the Medical Research Council, the Chair of the GMC, the Chief Scientist for England, the President of the Academy of Medical Sciences, the CEO of health data Research UK.
- Worked extensively on widening participation, with new mapping of cold spots and success in winning a tender to deliver summer schools to disadvantaged applicants in 2019.
- Multiple meetings were held to consider the GMC's proposals for a Medical Licensing Assessment.
- Participated in HENSE, the Health Education National Strategic Exchange.
- Participated in CASAG, the Clinical Academic Staff Advisory Group and in meetings with NHS Employers around the guidance for funders, employers and clinical academic trainees.
- Participated in the National Institute for Health Research (NIHR) Dean's Advisory Panel for clinical academic pathways – now the Clinical Academic Training Forum.
- Published new guidance for teachers, careers advisers and students on how to apply to medical school including an interactive interview preparation tool.

The Council of Deans of Health has:

- Engaged extensively with the Department for Health and Social Care, Department for Education, Office for Students, Health Education England, NHS England, Chief Nursing Officers (CNOs), Scottish and Welsh government, Health Education and Improvement (Wales), NHS Education for Scotland and professional regulators.
- Appeared at the Health Select Committee nursing workforce inquiry with evidence submitted reflected in the committee's final report.
- Appeared at the Education Select Committee to give evidence on nursing apprenticeships.
- Influenced the Welsh position on student bursaries, decisions on postgraduate funding in England and interventions for vulnerable subjects.
- Influenced the development of new regulatory standards for paramedics, nurses, nursing associates and midwives.

Exam delivery

What did we say we would do?

Continue the Health Education England funded work to allocate posts for Foundation Programme 2018 (FP2018) and continue to work with the British Pharmacological Society to deliver the Prescribing Safety Assessment (PSA).

What did we do and achieve?

- We have liaised closely with the GMC as it continues to develop the Medical Licensing Assessment.
- Agreement had been reached amongst all members for the MSC Assessment Alliance (MSCAA) to continue to use a national standard-setting process for the commonly used Single Best Answer questions.
- There has been agreement to pilot a new style of exam question – Very Short Answers – using new software developed by MSCAA.
- We have continued to collaborate with the British Pharmacological Society to develop and deliver to all final year medical students the PSA 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.
- We have succeeded in securing an extension for two years of the contract to develop and deliver Situational Judgement Tests (SJTs) to all applicants to the UK Foundation Programme.

Trustees' report (continued)

Restricted funds

The restricted funds managed by Universities UK include the Council of Deans of Health and parts of Universities UK International funds (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 20 and 22 to the financial statements.

Relationship with higher education sector agencies

Universities UK is the original subscribing member of various UK higher education sector agencies including the Equality Challenge Unit, Higher Education Academy, Higher Education Careers Service Unit, Higher Education Statistics Agency, Leadership Foundation for Higher Education, Office of the Independent Adjudicator, Quality Assurance Agency, UCAS, Universities and Colleges Employers Association and Jisc. In March 2018, Advanced HE was formed from a merger of the Equality Challenge Unit, Higher Education Academy and Leadership Foundation for Higher Education following the 2016 review of the sector landscape led by Sir David Bell.

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. Transactions between Universities UK and these sector agencies are disclosed in note 26 to the financial statements.

Financial review

Review of position at the end of the year

The statement of financial activities for the year is set out on page 20 and the balance sheet on page 21 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 2018 £'000	Total 2017 £'000
Income	9,160	3,828	12,988	13,398
Expenditure	(8,023)	(5,363)	(13,386)	(12,752)
Surplus/(deficit)	1,137	(1,535)	(398)	646
Transfers	7	(7)	—	—
Net movement in funds	1,144	(1,542)	(398)	646
Funds brought forward	2,887	5,528	8,415	7,769
Funds carried forward	4,031	3,986	8,017	8,415

A consolidated deficit of £398,000 is reported for the financial year ended 31 July 2018. This deficit follows from the in-year utilisation of restricted funds received in prior years.

Unrestricted income in 2018 was up £675,000 year on year at £9,160,000 (2017: £8,485,000).

- Universities UK International activities including the Rutherford fund scholarship programme and the UK-India Education and Research Initiative generated £238,000 of unrestricted income.
- The conference and events programmes saw income increase by £203,000 year on year.
- Woburn House Conference Centre Ltd saw income (net of internal charges) increase by £102,000 from £910,000 to £1,012,000.
- The 2018 covenant from Woburn House Conference Centre Ltd increased by £78,000 compared with 2017 following improved performance.

Restricted income of £3,828,000 was down on 2017 by £1,105,000 reflecting the variable nature of this income stream. Notably Universities UK International restricted income has fallen by £445,000 from 2017 to 2018. Overall, restricted funds show a balance to date of £3,986,000 (2017: £5,528,000).

The net movement in funds includes a swing of £1,010,000 between restricted and unrestricted balances relating to the funding of Universities UK International. Following a decision to stage reductions in core grant from the four national funding bodies for higher education, the activities of Universities UK International are now mainly funded from unrestricted sources. Historic brought forward restricted balances have been utilised during 2018 and have fallen by £1,050,000 year on year. Ignoring this swing, which is required to provide an unrestricted reserve balance for Universities UK International from 1 August 2018, the net movement in unrestricted funds is an increase of £133,000. Of this £133,000, £77,000 relates to movements on the pension deficit reduction plan creditor and annual leave creditor. Excluding these movements, Universities UK achieved a surplus of £56,000 on unrestricted funds. Universities UK's financial objective is driven by its reserves policy: performance against the reserves policy is reported below.

The organisation's net assets were £8,017,000 at 31 July 2018 (2017: £8,415,000). A high proportion of these are represented by cash.

Principal funding sources

Membership subscriptions provides 64% of the unrestricted income, covenant income 10% and the balance comes from conference receipts (10%), sales of goods and services (12%), investment and other income (4%). This income is used principally to support charitable activities, but also the cost of charged-for goods and services. Universities UK does not fundraise from the public.

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 Universities UK International continued to require a greater reliance on subscription and trading income.

Impact of material pension liability

The deficit reduction plan for the USS pension scheme agreed in 2015 has, as a result of Financial Reporting Standard (FRS) 102, required a provision for the amount of the extra employer pension contributions required over the life of the plan. 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 the 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 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.

Trustees' report (continued)

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 that 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.

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 are 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 Charity SORP, based on revised UK Generally Accepted Accounting Practice (GAAP): FRS 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 reporting regime has been to reduce reported unrestricted reserves by £1.2m (2017: £1.3m) and to cause Universities UK's group free reserves to be less than the target range of months of unrestricted expenditure previously set in 2016 and 2017. 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 £100,000 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 are 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

	2018	2017
Total unrestricted reserves	4,011,000	2,862,000
Committed to fixed assets	1,082,000	1,004,000
Free reserves	<u>2,929,000</u>	<u>1,858,000</u>
Total unrestricted expenditure	8,023,000	8,203,000
Months of unrestricted expenditure in free reserves	4.4	2.7
Pension and annual leave liabilities	1,212,000	1,289,000
Expenditure excluding pension and annual leave costs	8,100,000	8,275,000
Months of unrestricted expenditure in free reserves	6.1	4.6
Months (target)	4.0-6.0	4.0-6.0

Reserves exceeding the upper limit of our policy at 6.1 months is attributable to a timing difference following the consolidation of Universities UK International into unrestricted funds. Whilst the majority of 2017–18 expenditure utilises the historic restricted brought forward balances, the reserve requirements and fund balance now sit within Universities UK unrestricted funds. If the reserves balance was calculated using future Universities UK International unrestricted expenditure and not past unrestricted expenditure, the level of reserves held would be at **5.4 months**.

Political and charitable donations

The company made no political or charitable donations in the year (2017: nil).

Looking forward – our aspirations for 2018–19

2018–19 will be the first year of Universities UK’s Strategic Plan 2018–23: World Leading Impact. Our strategic objectives for the next five years are:

- **Opportunity:** Anyone with the will and potential to succeed, no matter their background, has the opportunity to transform their lives through accessing an outstanding academic experience at a UK university.
- **Impact:** UK universities are demonstrably world-leading in the production and application of knowledge and skills through research, teaching and innovation, evidencing significant economic, social, cultural and civic impact and contributing materially to society.
- **Trust:** Through demonstrating positive impact on students’ lives, economic growth, public services and civil society, UK universities enjoy widespread public trust and political support.
- **Global universities:** UK universities are global leaders in international education and research, educating a significant proportion of globally mobile students, demonstrating increased levels of high impact international research collaboration; and achieving increases in outwardly mobile students and students registered on UK programmes overseas.
- **Autonomy:** UK universities are free to make autonomous decisions and adopt strategies according to their diverse missions and the needs of their students and communities, while taking collective responsibility for the quality of leadership and governance in higher education and benefiting from stable and sustainable funding that enables them to maximise their positive impact.
- We will continue to **develop our organisation capabilities**. Universities UK has significant organisational strengths to build on, including a talented workforce, strong support and commitment from members, and a well-developed network of influencing and partnership relationships within and outside the higher education sector. However, to achieve our ambitious goals and increase our value to our members we will need to enhance our capabilities. We need to ensure that we are making the most of our members, our people, our external profile, our resources and our work.

Priorities for 2018–19 areas follows:

Domestic

- Influencing the funding review to secure a positive outcome for the sector.

International

- Immigration reform, better post-study work visa arrangements and attracting the best international students and staff.
- Achieving the best outcomes for UK universities in relation to Europe and Brexit, including association to Horizon 2020 and Erasmus+ funding.

Sector and member issues

- Public impact of universities and changing the narrative around universities especially linked to social mobility, funding and mental health.

Trustees' report (continued)

- Progress on tackling student mental health.
- Improving member satisfaction indicators.
- Completion of the USS 2017 valuation.

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
2 November 2018

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 2018 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 2018 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.

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.

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.

Independent auditor's report to the members of Universities UK

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

Use of our report

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.

Thomas Wilson, Senior Statutory Auditor
For and on behalf of haysmacintyre, Statutory Auditor

10 Queen Street Place
London
EC4R 1AG

Consolidated statement of financial activities for the year ended 31 July 2018

Income and expenditure	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2018 £	Total Funds 2017 £
Income from:					
. Donations	2	905,412	—	905,412	916,637
. Charitable activities	3	7,068,687	3,741,082	10,809,769	11,301,582
. Other trading activities	4	1,116,746	69,303	1,186,049	1,139,028
. Investments		46,297	4,708	51,005	34,972
. Other income		22,841	12,720	35,561	5,863
Total		9,159,983	3,827,813	12,987,796	13,398,082
Expenditure on:					
. Raising funds		647,062	66,527	713,589	720,622
. Charitable activities		7,376,263	5,296,506	12,672,769	12,031,402
Total	7	8,023,325	5,363,033	13,386,358	12,752,024
Net income/(expenditure)		1,136,658	(1,535,220)	(398,562)	646,058
Transfers between funds	20	6,485	(6,485)	—	—
Net movements in funds		1,143,143	(1,541,705)	(398,562)	646,058
Total funds at 1 August 2017		2,887,423	5,527,643	8,415,066	7,769,008
Total funds at 31 July 2018	20	4,030,566	3,985,938	8,016,504	8,415,066

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 23 to 43 form part of these financial statements.

Balance sheets – 31 July 2018

	Notes	The Group		Universities UK	
		2018 £	2017 £	2018 £	2017 £
Fixed assets					
Intangible fixed assets	12	38,304	76,670	12,338	45,810
Tangible fixed assets	13	502,906	412,646	472,052	364,153
Investments	14	600,000	600,000	600,000	600,000
		1,141,210	1,089,316	1,084,390	1,009,963
Current assets					
Debtors					
- due within one year		2,572,614	2,996,943	2,982,739	2,516,916
- due after more than one year		750,000	750,000	750,000	750,000
	15	3,322,614	3,746,943	3,732,739	3,266,916
Investments – short term deposits		5,699,064	4,164,082	3,449,064	4,164,082
Cash at bank and in hand		2,510,887	4,688,298	1,092,306	1,784,211
		11,532,565	12,599,323	8,274,109	9,215,209
Liabilities					
Creditors: amounts falling due within one year	16	(3,589,228)	(4,189,366)	(3,352,770)	(3,848,135)
<i>Net current assets</i>		7,943,337	8,409,957	4,921,339	5,367,074
<i>Total assets less current liabilities</i>		9,084,547	9,499,273	6,005,729	6,377,037
Creditors: amounts falling due after one year	18	(1,068,043)	(1,084,207)	(1,068,043)	(1,084,207)
Total net assets		8,016,504	8,415,066	4,937,686	5,292,830
Funds and reserves					
Restricted funds		3,985,938	5,527,643	926,775	2,430,560
Unrestricted funds		4,010,913	2,862,270	4,010,911	2,862,270
Non-charitable trading funds		19,653	25,153	—	—
Total funds	20	8,016,504	8,415,066	4,937,686	5,292,830

Gross income for the parent charity was £10,406,160 and gross expenditure was £10,761,304, resulting in a deficit (before transfers) of £355,144 (2017: surplus of 849,282).

Approved by the Board of Directors and authorised for issue on 2 November 2018

Signed on their behalf:

Alistair Jarvis
Chief Executive

Julia Buckingham
Treasurer

Company Number: 2517018

The notes on pages 23 to 43 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 July 2018

	2018 £	2017 £
(a) Reconciliation of net income/(expenditure) to net cash flow from operating activities		
Net (expenditure)/income for the year	(398,562)	646,058
Interest income	(51,005)	(34,972)
Depreciation and amortisation charges	172,747	162,685
Decrease/(Increase) in debtors	424,329	(1,777,024)
(Decrease)/Increase in creditors	(616,302)	2,163,994
Net cash used in operating activities	(468,793)	<u>1,160,741</u>
(b) Statement of cash flows		
Cash flows from operating activities	(468,793)	1,160,741
Cash flows for investing activities		
Purchase of fixed assets	(224,641)	(181,300)
Interest income	51,005	34,972
Net cash used in investing activities	(173,636)	<u>(146,328)</u>
Change in cash and cash equivalents in the year	(642,429)	<u>1,014,413</u>
Cash and cash equivalents at 1 August	8,852,380	7,837,967
Cash and cash equivalents at 31 July	<u>8,209,951</u>	<u>8,852,380</u>
Cash and cash equivalents at 31 July is made up of:		
Investments – short term deposits	5,699,064	4,164,082
Cash at bank and in hand	2,510,887	4,688,298
Total cash and cash equivalents	<u>8,209,951</u>	<u>8,852,380</u>

Notes to the financial statements – year ended 31 July 2018

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 (FRS 102) 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 24).

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. **Income**

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. **Expenditure**

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.

Notes to the financial statements (continued)

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.

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 an agreement to participate in a deficit recovery plan for USS, it now also recognises a liability under FRS 102 for the future contributions payable that arise from this agreement to the extent that they relate to the deficit and the resulting expense in the statement of financial activities.

As SAUL had a Technical Provisions surplus at 31 March 2018 there is no defined benefit liability to be recognised by Universities UK.

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.

Notes to the financial statements (continued)

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 £905,412 (2017: £916,637). Other transactions with CVCP Properties plc are included in note 26.

3. Income from charitable activities

	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
Subscriptions from membership	5,858,727	1,762,584	7,621,311	7,355,548
Grants and contracts	322,052	1,858,291	2,180,343	3,048,286
Conference income	887,908	120,207	1,008,115	897,748
	<u>7,068,687</u>	<u>3,741,082</u>	<u>10,809,769</u>	<u>11,301,582</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 2018 £	Total 2017 £
Universities UK	4,785,673	32,860	4,818,533	4,788,411
Universities Scotland	612,325	—	612,325	616,034
Universities Wales	460,729	—	460,729	417,691
Medical Schools Council	—	1,113,739	1,113,739	942,399
Council of Deans of Health	—	615,985	615,985	591,013
	<u>5,858,727</u>	<u>1,762,584</u>	<u>7,621,311</u>	<u>7,355,548</u>

6. Grants and contracts

	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
Health Education England	—	869,800	869,800	900,000
Higher Education Funding Council for England (now the Office for Students and UK Research and Innovation)	—	421,061	421,061	704,150
British Council	114,655	144,250	258,905	356,962
Dep for Business Energy & Industrial Strategy	112,557	110,733	223,290	131,663
Scottish Funding Council	—	120,000	120,000	156,000
NIHR CLAHRC	—	70,417	70,417	70,417
All Party Parliamentary University Group	42,489	13,000	55,489	42,214
Conservatoires UK	17,561	27,100	44,661	39,500
Higher Education Funding Council for Wales	—	30,518	30,518	42,864
BEC.AR	24,000	—	24,000	28,500
UPP Foundation	—	21,000	21,000	—
Welsh Government	—	15,000	15,000	15,000
Burdett Trust for Nursing	—	—	—	235,500
Professional HE Services Ltd	—	—	—	50,000
Leadership Foundation for Higher Education	—	—	—	87,500
Health Foundation	—	—	—	31,702
Department for Education	—	—	—	29,041
Research Council UK	—	—	—	28,000
Public Health England	—	—	—	25,000
Department for Employment & Learning	—	—	—	12,345
Other organisations (less than £15,000)	10,790	15,412	26,202	61,928
	322,052	1,858,291	2,180,343	3,048,286

Notes to the financial statements (continued)

7. Total resources expended

	Direct costs £	Support costs £	Total 2018 £	Total 2017 £
Cost of raising funds	692,353	21,236	713,589	720,622
Charitable activities				
Activities for members				
Core (see split below)	6,683,242	2,327,360	9,010,602	8,504,431
Conferences	611,541	95,120	706,661	660,540
Medical & health	1,499,027	263,906	1,762,933	1,632,750
Exam delivery	1,078,851	113,722	1,192,573	1,233,681
Total activities for members	9,872,661	2,800,108	12,672,769	12,031,402
Total resources expended	10,565,014	2,821,344	13,386,358	12,752,024

	Direct costs £	Support costs £	Total 2018 £	Total 2017 £
Split of core activities				
England, NI and UK-wide	3,459,370	1,900,985	5,360,355	5,204,677
International	1,819,385	119,238	1,938,623	1,646,709
Universities Wales	593,291	44,310	637,601	534,074
Universities Scotland	811,196	262,827	1,074,023	1,118,971
Total core activities	6,683,242	2,327,360	9,010,602	8,504,431

8. Support costs allocations

	Premises £	Governance £	Depreciation £	Finance, HR IT£	Other £	Total 2018 £	Total 2017 £
Trading activities: costs of goods sold and other costs	10,274	1,371	1,633	5,556	2,402	21,236	20,843
Charitable activities							
Core	1,022,433	146,650	111,554	676,730	369,993	2,327,360	2,470,201
Conferences	41,825	5,995	4,584	27,633	15,082	95,119	105,224
Medical and health	103,681	14,600	23,240	63,784	58,601	263,906	275,249
Exam delivery	15,584	12,273	—	62,315	23,551	113,723	88,412
Total resources	1,193,797	180,889	141,011	836,018	469,629	2,821,344	2,959,929

8. Support costs allocations (continued)

	Total 2018 £	Total 2017 £
Governance costs are made up of the following:		
Staff costs	151,036	140,094
External audit	20,415	21,059
Other professional fees	6,256	17,725
Meeting costs and expenses	3,182	2,541
	180,889	181,419

	Total 2018 £	Total 2017 £
Other direct costs include:		
Auditors' remuneration:		
. For audit services	22,640	22,019
. For other services	5,336	4,061
. Prior year fees: other services	1,200	1,200
Operating lease rentals:		
. Land and buildings	1,001,304	948,549
. Office and equipment	11,531	20,620

9. Analysis of staff costs

	Total 2018 £	Total 2017 £
Total staff costs including full and part-time employees were:		
Wages and salaries	5,909,528	5,731,679
Social security costs	636,793	616,557
Other pension costs	883,070	834,940
Termination payments	—	56,535
	7,429,391	7,239,711

	2018 No.	2017 No.
The average number of employees throughout the year was:		
Charitable activities	113	107
Support staff	22	24
Trading activities – Woburn House Conference Centre Limited	4	3
	139	134

Notes to the financial statements (continued)

9. Analysis of staff costs (continued)

The number of employees whose emoluments exceeded £60,000 (excluding employer's pension contributions) was 23 (2017: 15).

	2018	2017
	No.	No.
£60,001 - £70,000	14	7
£70,001 - £80,000	3	2
£80,001 - £90,000	4	3
£110,001 - £120,000	1	2
£140,001 - £150,000	1	1

The increase in the number of employees whose emoluments exceed £60,000 relates to general pay award increases or is due to staff being in position for the full year in 2018 and not in 2017. The increase was not caused by new roles.

The total employer pension contributions for these staff were £303,441 (2017: £214,639).

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 three trustees amounting to £3,350 (2017: six trustees - £4,998).

The total employee benefits of the Senior Leadership Team who are considered to be key management personnel (in addition to trustees) was:

	2018	2017
	£	£
Wages and salaries	639,358	721,776
Social security costs	80,871	91,113
Other pension costs	110,329	129,802
	830,558	942,691

The Senior Leadership comprises the Chief Executive and Directors of Policy, Member Services, Universities UK International, Communications, Operations, Universities Scotland and Universities Wales. (2017: this also included a Deputy Chief Executive role).

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.

12. Intangible fixed assets

	Group £	Universities UK £
Website development and software		
Cost		
At 1 August 2017	465,912	337,853
Additions	23,682	4,232
Written off	(15,276)	(15,276)
At 31 July 2018	<u>474,318</u>	<u>326,809</u>
Depreciation		
At 1 August 2017	389,242	292,043
Charge for year	62,048	37,704
Written off	(15,276)	(15,276)
At 31 July 2018	<u>436,014</u>	<u>314,471</u>
Net book value		
At 31 July 2018	<u>38,304</u>	<u>12,338</u>
At 31 July 2017	<u>76,670</u>	<u>45,810</u>

13. Tangible fixed assets

Group	Leasehold Improvements £	Furniture & Equipment £	Office Technology £	Total £
Cost				
At 1 August 2017	496,018	595,208	243,564	1,334,790
Additions	191,621	9,338	—	200,959
Written off	—	(7,274)	(34,901)	(42,175)
At 31 July 2018	<u>687,639</u>	<u>597,272</u>	<u>208,663</u>	<u>1,493,574</u>
Depreciation				
At 1 August 2017	170,549	546,521	205,074	922,144
Charge for year	63,885	21,218	25,596	110,699
Written off	—	(7,274)	(34,901)	(42,175)
At 31 July 2018	<u>234,434</u>	<u>560,465</u>	<u>195,769</u>	<u>990,668</u>
Net book value				
At 31 July 2018	<u>453,205</u>	<u>36,807</u>	<u>12,894</u>	<u>502,906</u>
At 31 July 2017	<u>325,469</u>	<u>48,687</u>	<u>38,490</u>	<u>412,646</u>

Notes to the financial statements (continued)

13. Tangible fixed assets (continued)

	Leasehold Improvements £	Furniture & Equipment £	Office Technology £	Total £
Universities UK				
Cost				
At 1 August 2017	496,018	394,591	132,636	1,023,245
Additions	191,621	—	—	191,621
Written off	—	—	(3,634)	(3,634)
At 31 July 2018	<u>687,639</u>	<u>394,591</u>	<u>129,002</u>	<u>1,211,232</u>
Depreciation				
At 1 August 2017	170,549	381,757	106,786	659,092
Charge for year	63,885	5,330	14,507	83,722
Written off	—	—	(3,634)	(3,634)
At 31 July 2018	<u>234,434</u>	<u>387,087</u>	<u>117,659</u>	<u>739,180</u>
Net book value				
At 31 July 2018	<u>453,205</u>	<u>7,504</u>	<u>11,343</u>	<u>472,052</u>
At 31 July 2017	<u>325,469</u>	<u>12,834</u>	<u>25,850</u>	<u>364,153</u>

14. Investments held as fixed assets

	Total 2018 £	Total 2017 £
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	
	2018 £	2017 £	2018 £	2017 £
Trade debtors	1,270,355	1,366,901	1,188,917	398,434
Amounts due from subsidiary undertakings	—	—	567,619	562,158
Other debtors	935,399	959,037	935,400	959,037
Prepayments and accrued income	366,860	671,005	290,803	597,287
Loan	750,000	750,000	750,000	750,000
	<u>3,322,614</u>	<u>3,746,943</u>	<u>3,732,739</u>	<u>3,266,916</u>

The £750,000 loan is repayable after more than one year (2017: £750,000).

16. Creditors: amounts falling due within one year

	Group		Universities UK	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	565,712	424,930	422,554	239,070
Amounts due to subsidiary undertakings	—	—	22,612	9,365
Taxation and social security	265,033	245,665	265,033	245,665
Other creditors	112,936	114,350	112,936	114,350
Accruals	633,743	629,569	537,621	489,494
Deferred income	2,011,804	2,774,852	1,992,014	2,750,191
	3,589,228	4,189,366	3,352,770	3,848,135

At the year end outstanding pension contributions amounted to £112,936 (2017: £114,350).

17. Deferred income

	Total 2018 £	Total 2017 £
Group and Universities UK		
Brought forward	2,774,852	713,362
Released in the year	(2,714,939)	(713,362)
Deferred in the year	1,951,891	2,774,852
Carried forward	2,011,804	2,774,852

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

	Total 2018 £	Total 2017 £
Group and Universities UK		
Pension deficit funding payments in relation to USS	1,068,043	1,084,207

See note 24 for further details regarding these liabilities.

19. Operating lease commitments

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

	Total 2018 £	Total 2017 £
Group and Universities UK		
Land and buildings:		
. Within one year	1,043,877	1,003,213
. Between one and five years	4,053,343	4,011,400
. After five years	3,074,864	3,985,009
Office equipment:		
. Within one year	10,920	9,898
. Between one and five years	7,186	11,230
	8,190,190	9,020,750

Notes to the financial statements (continued)

20. Movement in funds

	At 1 August 2017 £	Incoming resources £	Resources expended £	Transfers £	At 31 July 2018 £
Unrestricted funds					
Investment fund	600,000	—	—	—	600,000
Universities Scotland / Universities Wales	447,258	1,141,487	(1,577,974)	426,288	437,059
General funds	1,815,012	7,461,463	(5,882,818)	(419,803)	2,973,854
	<u>2,862,270</u>	<u>8,602,950</u>	<u>(7,460,792)</u>	<u>6,485</u>	<u>4,010,913</u>
Restricted funds					
Medical Schools Council	1,331,739	446,577	(482,384)	(2,090)	1,293,842
MSC Assessment	823,161	850,028	(817,561)	(20,700)	834,928
MSC Assessment Alliance	400,590	443,555	(402,253)	9,185	451,077
Selecting for Excellence	74,712	—	(72,109)	—	2,603
Assoc of UK University Hospitals	240,449	132,243	(125,775)	(825)	246,092
Dental Schools Council	107,650	80,000	(75,519)	(275)	111,856
Pharmacy Schools Council	70,545	60,000	(65,923)	(440)	64,182
Council of H'care Science in HE	39,167	—	—	—	39,167
Association of Dental Hospitals	9,071	27,399	(17,217)	(55)	19,198
Council of Deans of Health	525,445	751,101	(834,974)	(6,285)	435,287
Health Services Research N'work	45,670	15,250	(60,920)	—	—
CLAHRC	49,006	72,413	(100,115)	—	21,304
Mental Health in Higher Education	17,571	102,095	(91,040)	—	28,626
Universities UK International (UUKi)	695,216	395,319	(1,090,535)	—	—
Outward mobility	269,469	21,000	(151,098)	—	139,371
UUKi programmes	96,243	—	(51,836)	—	44,407
Newton	81,367	94,250	(156,160)	—	19,457
HEGlobal	56,417	30,000	(86,417)	—	—
GSIKEP	1,722	—	(1,722)	—	—
EHEA Widening Participation	982	75,548	(76,530)	—	—
BEC.AR	40,897	—	(40,897)	—	—
Universities Wales International	60,654	36,895	(68,377)	15,000	44,172
US International	97,237	75,000	(86,446)	—	85,791
US Committee for Scottish Chairs	20,790	—	(20,790)	—	—
Efficiency and innovation hub	15,475	—	(15,475)	—	—
Efficiency benchmarking	29,941	(29,941)	—	—	—
Open Access	102,178	—	(79,047)	—	23,131
PREVENT	6,421	6,514	(6,340)	—	6,595
Ratings	50,000	(5,000)	(45,000)	—	—
APPUG	326	13,000	(10,986)	—	2,340
Degree Algorithms	43,857	—	(33,943)	—	9,914
Degree Apprenticeships	8,734	28,966	(37,700)	—	—
Other	114,941	105,601	(157,944)	—	62,598
	<u>5,527,643</u>	<u>3,827,813</u>	<u>(5,363,033)</u>	<u>(6,485)</u>	<u>3,985,938</u>
Non-charitable trading funds	25,153	557,033	(562,533)	—	19,653
Group – total funds	<u>8,415,066</u>	<u>12,987,796</u>	<u>(13,386,358)</u>	<u>—</u>	<u>8,016,504</u>

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

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

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

20. 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.

Notes to the financial statements (continued)

20. Movement in funds (continued)

UUKi programmes included 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.

20. 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.

21. 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	24,920	481,870	34,420	541,210
Investments	—	600,000	—	600,000
	<u>24,920</u>	<u>1,081,870</u>	<u>34,420</u>	<u>1,141,210</u>
Net current assets/(liabilities)	3,961,018	3,997,086	(14,767)	7,943,337
Long-term liabilities	—	(1,068,043)	—	(1,068,043)
Group total	<u>3,985,938</u>	<u>4,010,913</u>	<u>19,653</u>	<u>8,016,504</u>

22. 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 2018 and 2017, and the aggregate amount of the assets, liabilities, share capital and reserves as at 31 July of each year are shown. Audited accounts have been filed with the Registrar of Companies.

	Total 2018 £	Total 2017 £
<i>Profit and loss account:</i>		
Turnover	1,236,580	1,134,424
Cost of sales	(550,036)	(522,136)
Gross profit	686,544	612,288
Administration costs	(55,242)	(59,215)
Staff costs	(197,616)	(177,730)
Operating profit	433,686	375,343
Interest receivable	165	148
Profit on ordinary activities before taxation	433,851	375,491
Taxation	—	—
Profit on ordinary activities after taxation	433,851	375,491
Gift aid payment to Universities UK	(439,351)	(361,095)
Retained earnings carried forward	(5,500)	14,396

Notes to the financial statements (continued)

22. Subsidiaries (continued)

	Total 2018 £	Total 2017 £
<i>Balance sheet:</i>		
Fixed assets	34,420	48,028
Current assets	537,548	524,918
Creditors: amounts falling due within one year	(552,315)	(547,793)
Net current liabilities	(14,767)	(22,875)
Total net assets	19,653	25,153
Represented by:		
Share capital	2	2
Profit and loss account	19,651	25,151
	19,653	25,153

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 2018 and 2017, and the aggregate amount of the assets, liabilities, share capital and reserves as at 31 July of each year are shown below. Audited accounts have been filed with the Registrar of Companies.

Unrestricted funds and free reserves at 31 July 2018 were £1.3m (2017 free reserves: £1.3m) which is equal to 32 months of unrestricted expenditure (2017: 33 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 2018 £	Total 2017 £
<i>Income and expenditure account:</i>		
Income	1,225,774	1,093,540
Expenditure	(1,275,460)	(1,356,680)
Deficit	(49,686)	(263,140)

	Total 2018 £	Total 2017 £
<i>Balance sheet:</i>		
Assets	2,399,998	2,517,176
Liabilities	(175,762)	(243,254)
Net assets	2,224,236	2,273,922

22. 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 2018 and 2017, 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 2018	Total 2017
	£	£
<i>Income and expenditure account:</i>		
Income	875,028	908,855
Expenditure	(863,261)	(876,684)
Surplus	11,767	32,171

	Total 2018	Total 2017
	£	£
<i>Balance sheet:</i>		
Assets	945,171	952,982
Liabilities	(110,243)	(129,821)
Net assets	834,928	823,161

23. Conduit funding

	2018	2017
	£	£
Funds received in advance b/fwd	787,304	346,925
Amount received	1,766,248	787,304
Amount paid out	(1,432,270)	(346,925)
Funds received in advance c/fwd	1,121,282	787,304

Amounts received and dispersed to universities on behalf of the Argentinian Ministry of Education for the scholarship programme BEC.AR, and on behalf of the Department for Business, Energy & Industrial Strategy for the Rutherford Fund scholarship programme.

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

Notes to the financial statements (continued)

24. 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 2018, USS had 198,652 (2017: 190,546) members.

Superannuation Scheme of the University of London (SAUL)

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.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2017. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed by the Trustee and employers in June 2018 and are due to be reviewed at SAUL's next formal valuation in 2020.

At the 31 March 2017 valuation SAUL was fully funded on its Technical Provisions basis so no deficit contributions were required. As a whole, the market value of SAUL's assets was £3,205 million representing 102% of the liabilities for benefits accrued up to 31 March 2017. The Trustee and the Employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries.

At 31 March 2018, SAUL had £54,438 (2017: 50,192) members.

24. Pension (continued)

Summary	USS	SAUL
Group contributions for the year to 31 July 2018	£749,749	£195,440
Active members at 31 July 2018	81	46
Group contributions for the year to 31 July 2017	£726,589	£205,216
Active members at 31 July 2017	82	41

Provision has been made for Universities UK's share of the estimated future deficit reduction payments in the USS pension scheme. This liability has 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 2.21% p.a., staff salary inflation of 2.5%, and a discount rate of 1.87% (2017: 2.1%, 2%, 1.87%).

25. Financial instruments

	2018	2017
	£	£
Financial assets measured at amortised cost	9,480,306	10,219,281
Financial liabilities measured at amortised cost	2,380,434	2,253,056

Financial assets measured at amortised cost comprise trade debtors and cash.

Financial liabilities measured at amortised cost are creditors.

Notes to the financial statements (continued)

26. Related party transactions

Related party transactions are disclosed for CVCP Properties plc, Equality Challenge Unit, Higher Education Statistics Agency, Universities and Colleges Admissions Service, Higher Education Academy, Leadership Foundation for Higher Education and Quality Assurance Agency.

Universities UK owns all 550,000 preference shares in CVCP Properties plc and 50,000 (1%) of its ordinary shares. Universities UK is the original subscribing member of the other organisations and members of Universities UK contribute to governance oversight through Board membership and other involvement.

	Year ended 31 July 2018		As at 31 July 2018	
	Purchases from / payments to related parties £	Income from related parties £	Amounts due from related parties £	Amounts due to related parties £
CVCP Properties plc	840,555	931,157	1,697,099	9,922
Equality Challenge Unit	2,430	259	—	—
Advance HE	5,000	13,818	7,465	5,000
Universities and Colleges Admissions Service	2,260	—	—	—
Higher Education Academy	—	19,268	—	—
Quality Assurance Agency	2,652	1,006	498	—
	<u>852,897</u>	<u>965,508</u>	<u>1,705,062</u>	<u>14,922</u>

	Year ended 31 July 2017		As at 31 July 2017	
	Purchases from / payments to related parties £	Income from related parties £	Amounts due from related parties £	Amounts due to related parties £
CVCP Properties plc	924,901	941,757	1,712,318	1,044
Equality Challenge Unit	30,033	340	—	—
Higher Education Statistics Agency	—	299	—	—
Universities and Colleges Admissions Service	720	—	—	—
Higher Education Academy	11,516	41,488	—	19,899
Leadership Foundation for HE	24,000	1,111	—	349
Quality Assurance Agency	—	1,138	—	—
	<u>991,170</u>	<u>986,133</u>	<u>1,712,318</u>	<u>21,292</u>

27. 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 2018 there were 136 members (2017: 135).

28. Income and expenditure by fund

Income and expenditure	Notes	Unrestricted Funds 2018 £	Unrestricted Funds 2017 £	Restricted Funds 2018 £	Restricted Funds 2017 £	Total Funds 2018 £	Total Funds 2017 £
Income from:							
. Donations	2	905,412	916,637	—	—	905,412	916,637
. Charitable activities	3	7,068,687	6,495,097	3,741,082	4,806,485	10,809,769	11,301,582
. Other trading activities	4	1,116,746	1,014,077	69,303	124,951	1,186,049	1,139,028
. Investments		46,297	33,748	4,708	1,224	51,005	34,972
. Other income		22,841	5,443	12,720	420	35,561	5,863
Total		9,159,983	8,465,002	3,827,813	4,933,080	12,987,796	13,398,082
Expenditure on:							
. Raising funds		647,062	660,782	66,527	59,840	713,589	720,622
. Charitable activities		7,376,263	7,541,810	5,296,506	4,489,592	12,672,769	12,031,402
Total	7	8,023,325	8,202,592	5,363,033	4,549,432	13,386,358	12,752,024
Net income/(expenditure)		1,136,658	262,410	(1,535,220)	383,648	(398,562)	646,058
Transfers between funds		6,485	4,735	(6,485)	(4,735)	—	—
Net movements in funds		1,143,143	267,145	(1,541,705)	378,913	(398,562)	646,058
Total funds at 1 August		2,887,423	2,620,278	5,527,643	5,148,730	8,415,066	7,769,008
Total funds at 31 July		4,030,566	2,887,423	3,985,938	5,527,643	8,016,504	8,415,066

Please refer to the financial statements for the year ended 31 July 2017 for details of prior year fund movements.

Legal and administrative information

Principal and Registered Office

Woburn House
20 Tavistock Square
London
WC1H 9HQ

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5QT

Bankers

National Westminster Bank plc
PO Box 83
Tavistock House
Tavistock Square
London
WC1H 9XA

Auditors

haysmacintyre
10 Queen Street Place
London
EC4R 1AG

Universities UK also has two regional offices:

Universities Scotland

Holyrood Park
106 Holyrood Road
Edinburgh
EH8 8AS

Universities Wales

2 Caspian Point
Caspian Way
Cardiff Bay
Cardiff
CF10 4DQ

UNIVERSITIES UK

Universities UK is the collective voice of 136 universities in England, Scotland, Wales and Northern Ireland.

Our mission is to create the conditions for UK universities to be the best in the world; maximising their positive impact locally, nationally and globally.

Universities UK acts on behalf of universities, represented by their heads of institution.

Woburn House, 20 Tavistock Square,
London, WC1H 9HQ

Tel: +44 (0)20 7419 4111
Email: info@universitiesuk.ac.uk
Web: www.universitiesuk.ac.uk
Twitter: @UniversitiesUK

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